

STRICTLY CONFIDENTIAL – DO NOT FORWARD

ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 14 NOVEMBER 2022 ("INFORMATION MEMORANDUM"), IN RELATION TO THE PROPOSED ISSUANCE OF ISLAMIC COMMERCIAL PAPERS ("SUKUK CAGAMAS") PURSUANT TO AN ISLAMIC COMMERCIAL PAPERS PROGRAMME ("ICP PROGRAMME") AND CONVENTIONAL COMMERCIAL PAPERS ("CCPS") PURSUANT TO A CONVENTIONAL COMMERCIAL PAPERS PROGRAMME ("CCP PROGRAMME"), WITH AN AGGREGATE COMBINED LIMIT OF RM20.0 BILLION IN NOMINAL VALUE BY CAGAMAS BERHAD (REGISTRATION NO. 198601008739 (157931-A)) ("ISSUER"). THE CCPS AND SUKUK CAGAMAS SHALL COLLECTIVELY BE REFERRED TO AS THE "NOTES".

BY OPENING AND ACCEPTING THIS ELECTRONIC TRANSMISSION CONTAINING THE INFORMATION MEMORANDUM, THE RECIPIENT AGREES TO BE BOUND BY ALL THE TERMS AND CONDITIONS BELOW. IF YOU DO NOT AGREE TO ANY OF THE TERMS AND CONDITIONS, PLEASE DELETE THIS ELECTRONIC TRANSMISSION IMMEDIATELY.

THE INFORMATION MEMORANDUM IS STRICTLY CONFIDENTIAL AND ANY DISTRIBUTION OF THE INFORMATION MEMORANDUM WITHOUT THE PRIOR CONSENT OF THE ISSUER, CIMB INVESTMENT BANK BERHAD (REGISTRATION NO. 197401001266 (18417-M)), HSBC AMANAH MALAYSIA BERHAD (REGISTRATION NO. 200801006421 (807705-X)), HSBC BANK MALAYSIA BERHAD (REGISTRATION NO. 198401015221 (127776-V)) AND MAYBANK INVESTMENT BANK BERHAD (REGISTRATION NO. 197301002412 (15938-H)) (COLLECTIVELY, THE "JOINT LEAD ARRANGERS") IS UNAUTHORISED. THE PERSON RECEIVING THIS ELECTRONIC TRANSMISSION FROM THE ISSUER, THE JOINT LEAD ARRANGERS AND ITS/THEIR RESPECTIVE AGENTS IS PROHIBITED FROM DISCLOSING THE CONTENTS OF THE INFORMATION MEMORANDUM, ALTERING THE CONTENTS OF THE INFORMATION MEMORANDUM OR FORWARDING A COPY OF THE INFORMATION MEMORANDUM OR ANY PORTION THEREOF BY ELECTRONIC MAIL OR OTHERWISE TO ANY PERSON.

THE INFORMATION MEMORANDUM IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CAPITAL MARKETS AND SERVICES ACT, 2007 AS AMENDED FROM TIME TO TIME ("CMSA"). AT THE POINT OF ISSUANCE, THE NOTES MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY, TO PERSONS TO WHOM AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES AND TO WHOM THE NOTES ARE ISSUED WOULD FALL WITHIN (I) PARAGRAPH 1(A), (B) OR (D) OF PART I OF SCHEDULE 5 OF THE CMSA AND (II) SCHEDULE 6 AND SCHEDULE 7 OF THE CMSA, READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA, SUBJECT TO ANY CHANGES IN THE APPLICABLE LAWS, ORDER, REGULATION OR OFFICIAL DIRECTIVE FROM TIME TO TIME. THEREAFTER, THE NOTES MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY, TO PERSONS TO WHOM AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES AND TO WHOM THE NOTES ARE ISSUED WOULD FALL WITHIN (I) PARAGRAPH 1(A), (B) OR (D) OF PART I OF SCHEDULE 5 OF THE CMSA AND (II) SCHEDULE 6 OR SECTION 229(1)(B) OF THE CMSA, READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA, SUBJECT TO ANY CHANGES IN THE APPLICABLE LAWS, ORDER, REGULATION OR OFFICIAL DIRECTIVE FROM TIME TO TIME.

THIS TRANSMISSION SHALL NEITHER CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES

IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE LAWS OF SUCH JURISDICTIONS.

TRANSMISSION OVER THE INTERNET MAY BE SUBJECT TO INTERRUPTIONS, TRANSMISSION BLACKOUT, DELAYED TRANSMISSION DUE TO INTERNET TRAFFIC, INCORRECT DATA TRANSMISSION DUE TO THE PUBLIC NATURE OF THE INTERNET, DATA CORRUPTION, INTERCEPTION, UNAUTHORISED AMENDMENT, TAMPERING, VIRUSES OR OTHER TECHNICAL, MECHANICAL OR SYSTEMIC RISKS ASSOCIATED WITH INTERNET TRANSMISSIONS. THE ISSUER, THE JOINT LEAD ARRANGERS AND ITS/THEIR RESPECTIVE AGENTS HAVE NOT ACCEPTED AND WILL NOT ACCEPT ANY RESPONSIBILITY AND/OR LIABILITY FOR ANY SUCH INTERRUPTION, TRANSMISSION BLACKOUT, DELAYED TRANSMISSION, INCORRECT DATA TRANSMISSION, DATA CORRUPTION, INTERCEPTION, AMENDMENT, TAMPERING, VIRUSES OR OTHER TECHNICAL, MECHANICAL OR SYSTEMIC RISKS ASSOCIATED WITH INTERNET TRANSMISSIONS OR ANY CONSEQUENCES THEREOF WHICH MAY RESULT IN A DIFFERENCE BETWEEN THE INFORMATION MEMORANDUM DISTRIBUTED TO THE RECIPIENT IN ELECTRONIC FORMAT AND THE HARD COPY VERSION AVAILABLE TO YOU ON REQUEST FROM US.

THE FOREGOING IS IN ADDITION TO AND WITHOUT PREJUDICE TO ALL OTHER DISCLAIMERS AND AGREEMENTS WHICH A RECIPIENT OF THE INFORMATION MEMORANDUM SHALL BE DEEMED TO HAVE AGREED TO OR BE BOUND BY AS PROVIDED IN THE INFORMATION MEMORANDUM.



CAGAMAS BERHAD
(Registration No. 198601008739 (157931-A))

INFORMATION MEMORANDUM

**IN RELATION TO THE PROPOSED ISSUANCE OF
ISLAMIC COMMERCIAL PAPERS PURSUANT TO AN
ISLAMIC COMMERCIAL PAPERS PROGRAMME AND
CONVENTIONAL COMMERCIAL PAPERS PURSUANT TO A CONVENTIONAL
COMMERCIAL PAPERS PROGRAMME,
WITH AN AGGREGATE COMBINED LIMIT OF RM20.0 BILLION IN NOMINAL VALUE**

JOINT LEAD ARRANGERS FOR THE ISLAMIC COMMERCIAL PAPERS PROGRAMME



**CIMB Investment Bank
Berhad**
(Registration No.
197401001266 (18417-M))



**HSBC Amanah Malaysia
Berhad**
(Registration No.
200801006421 (807705-X))



Investment Bank
**Maybank Investment
Bank Berhad**
(Registration No.
197301002412 (15938-H))

JOINT LEAD ARRANGERS FOR THE CONVENTIONAL COMMERCIAL PAPERS PROGRAMME



**CIMB Investment Bank
Berhad**
(Registration No.
197401001266 (18417-M))



**HSBC Bank Malaysia
Berhad**
(Registration No.
198401015221 (127776-V))



Investment Bank
**Maybank Investment
Bank Berhad**
(Registration No.
197301002412 (15938-H))

THIS INFORMATION MEMORANDUM IS DATED 14 NOVEMBER 2022

IMPORTANT NOTICE

Responsibility Statements

This information memorandum dated 14 November 2022 (the "**Information Memorandum**") has been approved by the directors of Cagamas Berhad (Registration No. 198601008739 (157931-A)) ("**Issuer**" or "**Cagamas**") and the Issuer accepts full responsibility for the truth and accuracy of the information contained in this Information Memorandum. The Issuer, after having made enquiries as were reasonable in the circumstances and to the best of its knowledge and belief, has reasonable grounds to believe that: (a) the statements and information in this Information Memorandum are true and not misleading; (b) there are no material omissions from this Information Memorandum; and (c) no conduct was engaged in that was misleading or deceptive, in the context of the proposed issuance of Islamic commercial papers ("**Sukuk Cagamas**") (which shall include the Sustainability Sukuk Cagamas (as defined herein)) pursuant to an Islamic commercial papers programme ("**ICP Programme**") and conventional commercial papers ("**CCPs**") (which shall include the Sustainability CCPs (as defined herein)) pursuant to a conventional commercial papers programme ("**CCP Programme**"), with an aggregate combined limit of RM20.0 billion in nominal value. The ICP Programme and the CCP Programme shall collectively be referred to as the "**Programmes**" and the Sukuk Cagamas and the CCPs shall collectively be referred to as the "**Notes**".

The opinions and intentions expressed in this Information Memorandum are honestly held by the Issuer. The Issuer accepts full responsibility for all information contained in this Information Memorandum.

Important Notice and General Statement of Disclaimer

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of or subscription for the Notes to be issued pursuant to the Programmes. This Information Memorandum is not and is not intended to be a prospectus and has not been registered or lodged under the laws of Malaysia or any Foreign Jurisdiction (as defined below) as a prospectus.

At the point of issuance of the Notes, the Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the Capital Markets and Services Act 2007 (as amended from time to time) ("**CMSA**") and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

Thereafter, the Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA and (ii) Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

No application is being made to list the Notes on any stock exchange, nor is any such application contemplated.

This Information Memorandum shall not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior written consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

The ICP Programme has been accorded indicative ratings of P1 and MARC-1_{IS} by RAM Rating Services Berhad ("**RAM**") and MARC Ratings Berhad ("**MARC**") respectively (collectively, RAM and MARC are referred to as the "**Rating Agencies**"), while the CCP Programme has been accorded indicative ratings of P1 and MARC-1 by RAM and MARC respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Rating Agencies.

None of the information or data contained in this Information Memorandum has been independently verified by CIMB Investment Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad and Maybank Investment Bank Berhad as the joint principal advisers/joint lead arrangers of the Programmes (collectively, the "**Joint Principal Advisers**" or "**Joint Lead Arrangers**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Joint Principal Advisers/Joint Lead Arrangers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data shall remain unchanged in any respect after the relevant date shown in this Information Memorandum. The Joint Principal Advisers/Joint Lead Arrangers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the Programmes and shall not be liable for the consequences of any reliance on any of the information or data in this Information Memorandum except as provided by Malaysian laws.

It is to be noted that although the Issuer has sought the advice of CIMB Islamic Bank Berhad (Registration No. 200401032872 (671380-H)), HSBC Amanah Malaysia Berhad (Registration No. 200801006421 (807705-X)) and Maybank Islamic Berhad (Registration No. 200701029411 (787435-M)) (the "**Joint Shariah Advisers**") with regards to the conformity of the Sukuk Cagamas and the structure and mechanism of each of the Shariah structures as described in the Principal Terms and Conditions of the ICP Programme with Shariah, no representation, warranty or undertaking, express or implied, is given by the Issuer or the Joint Principal Advisers/Joint Lead Arrangers as to the Shariah permissibility of the structures or the issue and trading of the Sukuk Cagamas and the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and the Joint Shariah Advisers shall not be liable for the consequences of any such reliance and/or assumption of any such compliance. Each recipient should perform and is deemed to have consulted its own professional advisers and obtained independent Shariah advice on the Shariah permissibility of the structures and the issue and trading of the Sukuk Cagamas. Any non-compliance with Shariah principles may have legal consequences.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Joint Principal Advisers/Joint Lead Arrangers or any other person.

This Information Memorandum does not, and will not be made to, comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be

lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an offer, or an invitation to subscribe for or purchase the Notes or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Joint Principal Advisers/Joint Lead Arrangers accept any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that:

- (a) it will keep confidential all information and data contained in this Information Memorandum;
- (b) it is lawful for the recipient to subscribe for or purchase the Notes under all jurisdictions to which the recipient is subject;
- (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Notes;
- (d) the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Notes, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Notes is or shall become unlawful, unenforceable, voidable or void;
- (e) it is aware that the Notes can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;
- (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Notes, and is able and is prepared to bear the economic and financial risks of investing in or holding the Notes;
- (g) it is subscribing for or accepting the Notes for its own account;
- (h) at the point of issuance of the Notes, it is a person falling within one or more of the categories of persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would constitute an excluded issue, excluded offer or excluded invitation pursuant to (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA; and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time; and

- (i) after issuance, the Notes may be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA; and (ii) Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe for or purchase the Notes in relation to any recipient who does not fall within items (h) and (i) above.

This Information Memorandum or any document delivered under or in relation to the issue, subscription or the offer for sale of the Notes is not, and should not be construed as, a recommendation by the Issuer and/or the Joint Principal Advisers/Joint Lead Arrangers to subscribe for or purchase the Notes. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Notes and all other relevant matters, and each recipient should consult its own professional advisers. All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof. Neither the delivery of this Information Memorandum nor the issue, subscription, offer for sale or delivery of any Notes shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programmes is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Joint Principal Advisers/Joint Lead Arrangers nor any other advisers to the Programmes undertake to review the financial condition or affairs of the Issuer during the tenure of the Notes or to advise any investor of the Notes of any information coming to their attention. The recipient of this Information Memorandum or the prospective investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase or subscribe for any Notes.

This Information Memorandum includes forward-looking statements and reflects projections of future events which may or may not prove to be correct. All of these statements are based on estimates and assumptions made by the Issuer and its advisers and although believed to be reasonable, are subject to risks and uncertainties that may cause actual events or future results to be materially different than expected or indicated by such statements and estimates, and no assurance can be given that any such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, its advisers or any other persons that the future events as anticipated by the Issuer will occur. Any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties

with respect to the Malaysian economy, the material businesses which the Issuer operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimates and/or reports derived from such sources or from any other third party sources.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after, rounding. Where this Information Memorandum contains or refers to a summary of a document or agreement, the summary is not meant to be exhaustive. The contents of the summary may be subject to some other provisions in the relevant document or agreement.

Acknowledgement

The Issuer hereby acknowledges that it has authorised the Joint Principal Advisers/Joint Lead Arrangers to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer for subscription or purchase of, or invitation to subscribe for or purchase and issue of, the Notes to prospective investors falling within one or more of the categories of persons specified in (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time, and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission Malaysia

In accordance with the CMSA, a copy of this Information Memorandum will be deposited with the Securities Commission Malaysia (“**SC**”), which takes no responsibility for its contents.

The issue, offer or invitation to subscribe or purchase the Notes in this Information Memorandum are subject to the fulfilment of various conditions precedent including without limitation the lodgement of information and documents in relation to the Programmes with the SC in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) and revised on 28 October 2022 (as may be amended from time to time) (“**LOLA Guidelines**”).

The Issuer has on 11 November 2022 lodged the documents and information relating to the Programmes with the SC in accordance with the LOLA Guidelines. However, please note that the lodgement with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. Further, the SC takes no responsibility for the contents of this Information Memorandum.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness or completeness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH ISSUE OF NOTES UNDER EACH OF THE PROGRAMMES WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUE OF NOTES BASED ON ITS OWN MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR SUBSCRIBING FOR THE NOTES.

Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (i) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements of the Issuer (if any); and
- (ii) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

CONFIDENTIALITY

To the recipient of this Information Memorandum:

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that they will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

This Information Memorandum is submitted to prospective investors specifically by reference to the Notes and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Joint Principal Advisers/Joint Lead Arrangers.

In the event that there is any contravention of this confidentiality undertaking or there is a reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer and/or the Joint Principal Advisers/Joint Lead Arrangers may, at its discretion, apply for any remedy available to the Issuer and/or the Joint Principal Advisers/Joint Lead Arrangers whether at law or equity, including without limitation, injunctions. Each of the Issuer and/or the Joint Principal Advisers/Joint Lead Arrangers are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons concerned with the Notes and the Programmes.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Joint Principal Advisers/Joint Lead Arrangers promptly upon the Joint Principal Advisers'/Joint Lead Arrangers' request, unless that recipient provides proof of a written undertaking satisfactory to the Joint Principal Advisers/Joint Lead Arrangers with respect to destroying these documents as soon as reasonably practicable after the said request from the Joint Principal Advisers/Joint Lead Arrangers.

TABLE OF CONTENTS

IMPORTANT NOTICE.....	i
DEFINITIONS.....	ix
SECTION 1.0 INTRODUCTION.....	1
1.1 Brief background of Cagamas	1
1.2 Brief description of the ICP Programme	1
1.3 Brief description of the CCP Programme.....	2
1.4 Utilisation of proceeds of the Programmes.....	2
1.5 Rating of the Programmes	3
1.6 Selling Restrictions	3
1.7 Key Financial Highlights.....	4
1.8 Cagamas' Sustainability Bond/Sukuk Framework	7
SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME AND THE CCP PROGRAMME.....	9
2.1 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME.....	9
2.2 PRINCIPAL TERMS AND CONDITIONS OF THE CCP PROGRAMME	47
SECTION 3.0 BACKGROUND INFORMATION OF CAGAMAS	65
3.1 Overview	65
3.2 Share capital	66
3.3 Shareholders.....	66
3.4 Subsidiaries and related companies of Cagamas	67
3.5 Profile of Directors.....	69
3.6 Senior management of Cagamas	75
SECTION 4.0 INVESTMENT CONSIDERATIONS	79
4.1 Risks relating to Cagamas	79
4.2 Risks relating to the Notes	84
4.3 General Considerations	87
4.4 Forward-looking statements.....	88
SECTION 5.0 BUSINESS	89
5.1 Business overview	89
5.2 Strategy and Key Objectives.....	104
5.3 Key strengths	106
5.4 Recent developments	108
5.5 General	109
SECTION 6.0 RISK MANAGEMENT	111
6.1 Enterprise Risk Management Framework	111
6.2 Risk Governance Structure.....	111
6.3 Key Areas of Risk Management	112
SECTION 7.0 INDUSTRY OVERVIEW	115
7.1 Overview of the Malaysian economy	115
7.2 Overview of the Construction Industry	118
7.3 Malaysian Property Market Outlook.....	119
SECTION 8.0 OTHER INFORMATION	120
8.1 Material litigation	120
8.2 Material contingent liabilities	120
8.3 Conflict-of-interest situations and appropriate mitigating measures.....	120
APPENDIX I.....	128
Audited financial statements of Cagamas for the Financial Year Ended 2021	128
APPENDIX II.....	129
Cagamas' Sustainability Bond/Sukuk Framework as at 18 June 2020	129
APPENDIX III.....	130
Second Opinion.....	130

[the remainder of this page is intentionally left blank]

DEFINITIONS

In this Information Memorandum, the following words or expressions shall have the following meanings except where the context otherwise requires:

2015 CCP Programme	:	The commercial papers programme established in 2015 which has matured in June 2022 for the issue of conventional commercial papers, which together with the 2015 ICP Programme had an aggregate limit of RM20.0 billion in nominal value
2015 ICP Programme	:	The commercial papers programme established in 2015 which has matured in June 2022 for the issue of Islamic commercial papers, which together with the 2015 CCP Programme had an aggregate limit of RM20.0 billion in nominal value
BNM	:	Bank Negara Malaysia
BNM Sukuk	:	BNM Sukuk Berhad (Registration No. 200601001590 (721338-H))
Board	:	The Board of Directors of Cagamas
Cagamas or Issuer	:	Cagamas Berhad (Registration No. 198601008739 (157931-A))
Cagamas Global	:	Cagamas Global P.L.C. (Company No. LL10563)
Cagamas Global Sukuk	:	Cagamas Global Sukuk Berhad (Registration No. 201401016049 (1092135-D))
Cagamas Group	:	Cagamas Holdings and its Subsidiaries
Cagamas Holdings	:	Cagamas Holdings Berhad (Registration No. 200701004048 (762047-P))
Cagamas MBS	:	Cagamas MBS Berhad (Registration No. 200401016786 (655289-H))
Cagamas MGP	:	Cagamas MGP Berhad (Registration No. 200801012299 (813587-U))
Cagamas SME	:	Cagamas SME Berhad (Registration No. 200601004366 (724114-X))
Cagamas SRP	:	Cagamas SRP Berhad (Registration No. 201101000756 (928890-A))
Cagamas' Sustainability Bond/Sukuk Framework	:	The framework first issued by Cagamas on 17 January 2019 in relation to the issuance of Cagamas' sustainability bonds/Sukuk, as published on Cagamas' website and shall include any amendment or revision thereof from time to time
CCPs	:	The conventional commercial papers (including the Sustainability CCPs) to be issued from time to time pursuant to the CCP Programme
CCP Programme	:	The conventional commercial papers programme to be established by Cagamas, which together with the ICP Programme have an aggregate combined limit of RM20.0 billion in nominal value
CIMB	:	CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))
CIMB Islamic	:	CIMB Islamic Bank Berhad (Registration No. 200401032872 (671380-H))
CMSA	:	The Capital Markets and Services Act 2007, as amended from time to time
FYE	:	Financial year ended 31 December for the respective year

Government or GOM	:	Government of Malaysia
HSBC Amanah	:	HSBC Amanah Malaysia Berhad (Registration No. 200801006421 (807705-X))
HSBC Bank	:	HSBC Bank Malaysia Berhad (Registration No. 198401015221 (127776-V))
ICMA	:	International Capital Markets Association
ICP Programme	:	The Islamic commercial papers programme to be established by Cagamas, which together with the CCP Programme have an aggregate combined limit of RM20.0 billion in nominal value
Joint Lead Arrangers	:	Collectively, CIMB, HSBC Amanah (only in relation to Sukuk Cagamas), HSBC Bank (only in relation to CCPs) and MIBB
Joint Lead Managers	:	Collectively: (a) CIMB; (b) HSBC Amanah (only in relation to Sukuk Cagamas); (c) HSBC Bank (only in relation to CCPs); (d) MIBB; and/or such other financial institutions as may be appointed by Cagamas at the point of each issuance under the Programmes
Joint Shariah Advisers	:	Collectively, CIMB Islamic, HSBC Amanah and Maybank Islamic
Lodgement	:	The lodgement of the relevant information and documents with the SC pursuant to the LOLA Guidelines
LOLA Guidelines	:	The Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (updated and effective on 15 June 2015 and revised on 28 October 2022) (as amended from time to time)
LPD	:	21 October 2022 being the latest practicable date
MARC	:	MARC Ratings Berhad (Registration No. 202001041436 (1397757-W))
Maybank Islamic	:	Maybank Islamic Berhad (Registration No. 200701029411 (787435-M))
MIBB	:	Maybank Investment Bank Berhad (Registration No. 197301002412 (15938-H))
MTN Programme	:	The medium term notes programme of Cagamas maturing in August 2067 for the issue of conventional medium term notes and Islamic medium term notes with an aggregate limit of RM60.0 billion in nominal value
Noteholders	:	The holders of the Sukuk Cagamas and the CCPs, as the case may be
Notes	:	Collectively, the Sukuk Cagamas and the CCPs
Programmes	:	Collectively, the ICP Programme and the CCP Programme
RAM	:	RAM Rating Services Berhad (Registration No. 200701005589 (763588-T))
RAM Sustainability	:	RAM Sustainability Sdn Bhd (Registration No. 200001012972 (515578-M))
Rating Agencies	:	Collectively, RAM and MARC, and each a "Rating Agency"
Ringgit/RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
SC	:	Securities Commission Malaysia
Second Opinion	:	A second party opinion issued by RAM Sustainability dated 21 September 2020 for Cagamas' Sustainability Bond/Sukuk Framework as enclosed as Appendix III in this Information

		Memorandum and shall include any updates thereof from time to time as published on Cagamas' website
Subsidiaries	:	The subsidiaries of Cagamas Holdings, namely Cagamas, Cagamas MBS, Cagamas SME, BNM Sukuk, Cagamas SRP and Cagamas MGP including the subsidiaries of Cagamas namely, Cagamas Global and Cagamas Global Sukuk
Sukuk Cagamas	:	The Islamic commercial papers (including the Sustainability Sukuk Cagamas) to be issued from time to time pursuant to the ICP Programme
Sustainability CCPs	:	The CCPs to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework
Sustainability Guidelines/Framework	:	Any one or more of the following guidelines or frameworks, as amended from time to time: <ul style="list-style-type: none"> (a) the Sustainable and Responsible Investment (SRI) Sukuk Framework pursuant to the SC's LOLA Guidelines; (b) the ASEAN Green Bond Standards pursuant to the SC's LOLA Guidelines; (c) the ASEAN Social Bond Standards pursuant to the SC's LOLA Guidelines; (d) the ASEAN Sustainability Bond Standards pursuant to the SC's LOLA Guidelines; (e) the ICMA's Green Bond Principles; (f) the ICMA's Social Bond Principles; (g) the ICMA's Sustainability Bond Guidelines; and (h) such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green bonds issued from time to time
Sustainability Cagamas	Sukuk :	The Sukuk Cagamas to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or the Cagamas' Sustainability Bond/Sukuk Framework
Trustee	:	Malaysian Trustees Berhad (Registration No. 197501000080 (21666-V))
Transaction Documents	:	The transaction documents for the Programmes

[the remainder of this page is intentionally left blank]

SECTION 1.0 INTRODUCTION

This summary is qualified by and must be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Information Memorandum. Each investor should read this entire Information Memorandum carefully, including the Appendices attached.

1.1 *Brief background of Cagamas*

Cagamas was incorporated in Malaysia on 2 December 1986 under the Companies Act, 2016 as a public company limited by shares. The registered office of Cagamas is at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activity of Cagamas consists of the purchase of mortgage loans, personal loans, hire purchase and leasing debts and other loans and 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, hire purchase financing and other financing which are funded by issuance of Sukuk.

1.2 *Brief description of the ICP Programme*

The ICP Programme for the issue of Sukuk Cagamas, which together with the CCP Programme for the issue of CCPs shall have an aggregate combined limit of RM20.0 billion in nominal value. Cagamas may also issue Sustainability Sukuk Cagamas which will be in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework.

The tenure of the ICP Programme will be for a period of seven (7) years from the date of the first issuance under the ICP Programme, provided that the first issuance of the Sukuk Cagamas shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

The Sukuk Cagamas may be issued with or without periodic distribution/periodic payment. The Sukuk Cagamas issued with periodic distribution/periodic payment may be issued at par, at a premium or at a discount to its nominal value, whereas the Sukuk Cagamas issued without periodic distribution/periodic payment shall be issued at a discount to its nominal value. The Sukuk Cagamas may be issued via competitive tender, direct or private placement, through a book running or book building process or on a bought deal basis, as determined by the Issuer.

The Issuer may issue Sukuk Cagamas based on but not limited to any one of the following Shariah principles:

- (a) *Murabahah (via Tawarruq arrangement);*
- (b) *Wakalah Bi Al-Istithmar, and*
- (c) *Ijarah.*

The descriptions of each of these Shariah principles are set out in Section 2.1 below under the Principal Terms and Conditions of the ICP Programme.

The transaction documents for the ICP Programme shall provide that no approval from the holders of the Sukuk Cagamas will be required for the Issuer:

- i) to issue Sukuk Cagamas based on Shariah principles other than the Shariah principles listed in items (a) to (c) above;
- ii) to amend the structure of the Shariah principles described in the transaction documents for the ICP Programme so as to comply with any future requirements of the Shariah principles listed in items (a) to (c) above; or
- iii) to amend the structure of any Shariah principles (other than those mentioned under items (a) to (c) above) which may be adopted by the Issuer, so as to comply with any future requirements of those Shariah principles,

provided that the Issuer shall:

- a) obtain prior endorsement of the SC's Shariah Advisory Council and the Joint Shariah Advisers;
- b) obtain confirmation from the Rating Agencies that the rating of the ICP Programme will not be affected thereby; and
- c) comply with the relevant requirements under the LOLA Guidelines.

1.3 Brief description of the CCP Programme

The CCP Programme for the issue of CCPs, which together with the ICP Programme for the issue of Sukuk Cagamas shall have an aggregate combined limit of RM20.0 billion in nominal value. Cagamas may also issue Sustainability CCPs which will be in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework.

The tenure of the CCP Programme will be for a period of seven (7) years from the date of the first issuance under the CCP Programme, provided that the first issuance of the CCPs shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

The CCPs may be issued with or without coupon. The CCPs issued with coupon may be issued at par, at a premium or at a discount to its nominal value, whereas the CCPs issued without coupon shall be issued at a discount to its nominal value. The CCPs may be issued via competitive tender, direct or private placement, through a book running or book building process or on a bought deal basis, as determined by the Issuer.

1.4 Utilisation of proceeds of the Programmes

- (a) ICP Programme

The proceeds raised from the issuance of Sukuk Cagamas (other than the Sustainability Sukuk Cagamas) shall be utilised by the Issuer:

- (i) for the purchase of Shariah compliant financing/assets,
- (ii) for the investment in Shariah compliant instruments,
- (iii) to defray the costs and expenses in relation to the issuance of Sukuk Cagamas,

- (iv) for inter-company advances to the following entities in a Shariah-compliant manner:
 - (1) Cagamas' Shariah-compliant subsidiaries for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure;
 - (2) Cagamas Holdings' Shariah-compliant subsidiaries (via Issuer directly or via Cagamas Holdings) for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure; and
- (v) to refinance any of Cagamas' Sukuk/financing on their respective expected maturity dates.

The proceeds raised from the issuance of Sustainability Sukuk Cagamas shall be utilised by the Issuer to solely purchase eligible Shariah compliant financing/assets that meet the criteria as set out in Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/Framework and/or the Shariah-compliant Eligible SRI projects (within the definition set out in the LOLA Guidelines) as further set out in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas.

(b) CCP Programme

The proceeds raised from the issuance of CCPs (other than Sustainability CCPs) shall be utilised by the Issuer:

- (i) to defray the costs and expenses in relation to the issuance of CCPs,
- (ii) for its working capital, general corporate purposes (including for the purpose of refinancing), and
- (iii) to refinance any CCPs on their respective expected maturity dates.

The proceeds raised from the issuance of Sustainability CCPs shall be utilised by the Issuer to solely purchase eligible loans/assets that meet the criteria as set out in Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/Framework as further set out in the relevant documents in relation to the issuance of such Sustainability CCPs.

1.5 Rating of the Programmes

Pursuant to RAM's letter dated 10 August 2022, the ICP Programme and the CCP Programme have been accorded an indicative rating of P1.

Pursuant to MARC's letter dated 27 July 2022, the ICP Programme has been accorded an indicative rating of MARC-1_{IS} and the CCP Programme has been accorded an indicative rating of MARC-1.

1.6 Selling Restrictions

The Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within:

- (i) Paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and

(ii) Schedule 6 and Schedule 7 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, and subject to any change in the applicable laws, order, regulation or official directive from time to time.

Thereafter, the Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within:

(i) Paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and

(ii) Schedule 6 or Section 229(1)(b) of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, and subject to any change in the applicable laws, order, regulation or official directive from time to time.

1.7 **Key Financial Highlights**

Summary of the key financial highlights of Cagamas and its subsidiaries for the FYE2019, FYE2020 and FYE2021 are set out below:

	As at 31 December		
	2021	2020	2019
	(Audited)	(Audited)	(Audited)
	RM'000	RM'000	RM'000
ASSETS			
Cash and short-term funds	318,943	109,071	341,307
Deposits and placements with financial institutions	172,021	102,886	-
Financial asset at fair value through profit or loss (FVTPL)	123,132	193,466	141,383
Financial asset at fair value through other comprehensive income (FVOCI)	2,792,094	2,383,316	2,308,565
Financial asset at amortised cost	354,353	-	-
Derivatives financial instruments	29,607	57,904	58,422
Amount due from counterparties	17,141,175	14,069,195	16,657,154
Islamic financing assets	10,273,747	9,662,661	10,842,232
	As at 31 December		
	2021	2020	2019
	(Audited)	(Audited)	(Audited)
	RM'000	RM'000	RM'000
Mortgage assets			
- Conventional	3,886,956	4,366,916	4,836,313

- Islamic	4,691,424	5,115,509	5,510,428
Hire purchase assets			
- Islamic	62	34	136
Amount due from			
- Related company	735	1,375	1,420
Other assets	7,570	7,431	8,027
Tax recoverable	64,194	87,885	-
Property and equipment	2,338	3,245	3,923
Intangible assets	18,357	20,344	21,380
Right-of-use asset	11,592	3,043	3,980
TOTAL ASSETS	39,888,300	36,184,281	40,734,670
LIABILITIES			
Short-term borrowings	302,367	125,145	-
Derivative financial instruments	28,595	45,963	152,309
Other liabilities	164,019	133,305	121,688
Lease liability	13,738	4,583	4,791
Provision for taxation	-	41	18,170
Deferred taxation	181,935	170,080	560
Loans/financing from subsidiaries	-	-	-
Unsecured bearer bonds and notes	19,956,954	17,482,979	20,661,027
Sukuk	15,082,028	14,063,392	15,849,883
TOTAL LIABILITIES	35,729,636	32,025,488	36,808,428
Share capital	150,000	150,000	150,000
Reserves	4,008,664	4,008,793	3,776,242
SHAREHOLDER'S FUNDS	4,158,664	4,158,793	3,926,242
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	39,888,300	36,184,281	40,734,670
NET TANGIBLE ASSETS PER SHARE (RM)	27.60	27.59	26.02

INCOME STATEMENTS

	For the year ended 31 December		
	2021 (Audited) RM'000	2020 (Audited) RM'000	2019 (Audited) RM'000
Interest income	836,414	958,480	1,248,717
Interest expense	(624,928)	(736,376)	(951,279)
Income from Islamic operations	115,165	112,549	133,658
Non-interest income/(expense)	2,142	8,766	(38,834)
	328,793	343,419	392,262
Personnel costs	(29,416)	(31,298)	(31,308)
Administration and general expenses	(22,811)	(25,684)	(24,930)
OPERATING PROFIT	276,566	286,437	336,024
Allowance for impairment losses	4,608	14,954	(18,026)
PROFIT BEFORE TAXATION AND ZAKAT	281,174	301,391	317,998
Zakat	(5,094)	(1,255)	(926)
Taxation	(67,205)	(76,214)	(76,672)
PROFIT FOR THE FINANCIAL YEAR	208,875	223,922	240,400
EARNINGS PER SHARE (SEN)	139.25	149.28	160.27
DIVIDEND PER SHARE (SEN)	86.7	20.0	20.0

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2021 (Audited) RM'000	2020 (Audited) RM'000	2019 (Audited) RM'000
Profit for the financial year	208,875	223,922	240,400
Other comprehensive income: Items that may be subsequently reclassified to income statement			
Financial assets at FVOCI			
- Net (loss)/gain on fair value changes before taxation	(95,276)	45,811	46,874
- Deferred taxation	22,921	(10,976)	(11,250)
Cash flow hedge			
- Net (loss)/gain on cash flow hedge	(8,749)	4,992	56,550
- Deferred taxation	2,100	(1,198)	13,572
Other comprehensive (loss)/income for the financial year, net of taxation	(79,004)	38,629	78,602
Total comprehensive income for the financial year	129,871	262,551	319,002

The annual audited financial information above has been derived from and should be read in conjunction with the audited financial statement of Cagamas for the respective years.

For the audited financial statements of the Issuer for FYE2021, please refer to Appendix I of this Information Memorandum.

1.8 **Cagamas' Sustainability Bond/Sukuk Framework**

Cagamas' Sustainability Bond/Sukuk Framework is a step towards reaffirming and deepening Cagamas' mission, and raising awareness among the community about the importance of sustainable development. Proceeds from Sustainability CCPs/Sustainability Sukuk Cagamas issued under Cagamas' Sustainability Bond/Sukuk Framework will be used to purchase loans/financing/assets that have positive environmental and/or social impact to the society. Such loans/financing/assets shall relate to any of the following green and social projects:

- a) renewable energy
- b) energy efficiency
- c) green buildings
- d) low-carbon and low emission transportation
- e) sustainable water and wastewater management

- f) affordable housing
- g) employment generation via SME financing and microfinance.

At present, Cagamas' Sustainability Bond/Sukuk Framework is aligned with the following principles and guidelines:

- (a) The 2018 Green Bond Principles, 2018 Social Bond Principles and the 2018 Sustainability Bond Guidelines, as developed by ICMA;
- (b) The ASEAN Green Bond Standards dated October 2018, ASEAN Social Bond Standards dated October 2018 and ASEAN Sustainability Bond Standards dated October 2018, developed by the ASEAN Capital Markets Forum; and
- (c) The Sustainable and Responsible Investment Sukuk Framework issued by the SC.

A copy of Cagamas' Sustainability Bond/Sukuk Framework as at 18 June 2020 is attached in Appendix II of this Information Memorandum. The Cagamas' Sustainability Bond/Sukuk Framework sets out, amongst others, the environmental and social objectives of the Cagamas' Sustainability Bond/Sukuk Framework, project evaluation and selection process, management of proceeds and reporting commitments. The balance of funds from the issuance proceeds of Sustainability CCPs/Sustainability Sukuk Cagamas which are not allocated to any eligible loans/financing/assets categories as set out in the Cagamas' Sustainability Bond/Sukuk Framework will be placed in money market instruments or such other types of temporary placement as disclosed by Cagamas under its annual Sustainability Bonds/ Sukuk progress report, which will be published on Cagamas' website at www.cagamas.com.my.

RAM Sustainability has been appointed as an independent external reviewer to provide the Second Opinion on the Cagamas' Sustainability Bond/Sukuk Framework, a copy of which is attached in Appendix III of this Information Memorandum. Based on the overall assessment of the Cagamas' Sustainability Bond/Sukuk Framework, RAM Sustainability has deemed the Cagamas' Sustainability Bond/Sukuk Framework to be aligned with the transparency and disclosure requirements of the SC's Sustainable & Responsible Investment (SRI) Sukuk Framework, ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards and the ICMA's 2018 Green Bond Principles, 2018 Social Bond Principles and 2018 Sustainability Bond Guidelines.

The Cagamas' Sustainability Bond/Sukuk Framework and the Second Opinion may be updated from time to time and such update will be published on Cagamas' website at www.cagamas.com.my.

[the remainder of this page is intentionally left blank]

SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME AND THE CCP PROGRAMME

2.1 PRINCIPAL TERMS AND CONDITIONS OF THE ICP PROGRAMME

The principal terms and conditions relating to the ICP Programme are set out below. Words and expressions used and defined in this Section 2.1 shall, in the event of any inconsistency with the definition section of this Information Memorandum, only be applicable to this Section 2.1.

(1) **Name of facility/programme** An Islamic commercial papers programme (“**ICP Programme**”) for the issuance of Islamic commercial papers (“**Sukuk Cagamas**”).

(2) **One-time issue or programme** One-Time Issue
 Programme

(3) **ASEAN Bonds/Sukuk**

<input checked="" type="checkbox"/>	ASEAN Green Corporate Bonds/Sukuk
<input checked="" type="checkbox"/>	ASEAN Social Corporate Bonds/Sukuk
<input checked="" type="checkbox"/>	ASEAN Sustainability Corporate Bonds/Sukuk
<input type="checkbox"/>	Not ASEAN Corporate Bonds/Sukuk

(4) **Shariah principles (for sukuk)** Each issue of Sukuk Cagamas will be based on but not limited to any one of the following Shariah principles as agreed between CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad and Maybank Islamic Berhad as the joint Shariah advisers (collectively, the “**Joint Shariah Advisers**”) and the Issuer prior to each issuance:

- (i) Murabahah (via Tawarruq arrangement);
- (ii) Wakalah Bi Al-Istithmar; and
- (iii) Ijarah.

The Transaction Documents shall provide that no approval from the holders of the Sukuk Cagamas (“**Sukukholders**”) will be required for the Issuer to issue Sukuk Cagamas based on Shariah principles other than the Shariah principles listed in items (i) to (iii) above, subject to the requirements set out in the section entitled “*Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)*” below.

(5) **Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)** An ICP Programme for the issuance of Sukuk Cagamas from time to time, which together with a conventional commercial papers programme (“**CCP Programme**”) to be established by Cagamas Berhad (“**Cagamas**” or “**Issuer**”) at or about the same time as the ICP Programme for the issuance of conventional commercial papers (“**CCPs**”), shall have an aggregate combined limit of RM20.0 billion in nominal value.

Cagamas may also issue Sukuk Cagamas which will be in compliance with any one or more of the following guidelines

or frameworks, as amended from time to time:

- a) the SRI Sukuk Framework pursuant to the SC's LOLA Guidelines;
- b) the ASEAN Green Bond Standards pursuant to the SC's LOLA Guidelines;
- c) the ASEAN Social Bond Standards pursuant to the SC's LOLA Guidelines;
- d) the ASEAN Sustainability Bond Standards pursuant to the SC's LOLA Guidelines;
- e) the International Capital Market Association ("ICMA")'s Green Bond Principles;
- f) the ICMA's Social Bond Principles;
- g) the ICMA's Sustainability Bond Guidelines; and
- h) such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green bonds issued from time to time.

(collectively, "**Sustainability Guidelines/Framework**" and the Sukuk Cagamas issued under such Sustainability Guidelines/Framework shall be referred to as "**Sustainability Sukuk Cagamas**"). For the avoidance of doubt, references to Sukuk Cagamas herein shall also include Sustainability Sukuk Cagamas, where relevant.

The relevant Sustainability Guidelines/Framework under which such Sustainability Sukuk Cagamas are issued and the naming of such Sustainability Sukuk Cagamas shall be specified in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas.

The Issuer may issue Sukuk Cagamas based on but not limited to any one of the following Shariah principles as agreed between the Joint Shariah Advisers and the Issuer prior to each issuance:

- (i) Murabahah (via Tawarruq arrangement);
- (ii) Wakalah Bi Al-Istithmar; and
- (iii) Ijarah.

The Transaction Documents (as defined in the section entitled "*Other Terms and Conditions -Transaction Documents*") shall provide that no approval from the holders of the Sukuk Cagamas ("**Sukukholders**") will be required for the Issuer:

- a) to issue Sukuk Cagamas based on Shariah principles other than the Shariah principles listed in items (i) to (iii) above;
- b) to amend the structure described herein so as to comply with any future requirements of the Shariah principles listed in items (i) to (iii) above; or
- c) to amend the structure of any Shariah principle (other than those mentioned under items (i) to (iii) above) which may be adopted by the Issuer, so as to comply with any future requirements of those Shariah principles,

provided that the Issuer shall:

- a) obtain prior endorsement of the Securities Commission Malaysia (“**SC**”)’s Shariah Advisory Council (“**SAC**”) and the Joint Shariah Advisers;
- b) obtain confirmation from the rating agencies that the rating of the ICP Programme will not be affected thereby; and
- c) comply with the relevant requirements under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (revised on 28 October 2022) (as amended from time to time) (“**LOLA Guidelines**”).

The Sukuk Cagamas may be issued in one or more series (each series shall be referred to as a “**Series**”) where Sukuk Cagamas under the same Series shall have the same issue date. Each Series may comprise one or more tranches where all the tranches under each Series have the same issue date but different maturity dates. A “Tranche” shall mean such Sukuk Cagamas with the same issue date and the same Maturity Date. “**Maturity Date**” refers to the maturity date of the relevant Sukuk Cagamas.

Murabahah (via Tawarruq arrangement)

1. The Sukuk Trustee (on behalf of the Sukukholders), via an agency agreement (“**Agency Agreement**”), shall appoint Cagamas as agent of the Sukukholders (in such capacity, “**Agent**”) to purchase and sell the Shariah-compliant commodities, which exclude ribawi items in the category of medium exchange such as currency, gold and silver (“**Commodities**”).
2. Cagamas, in its capacity as the purchaser (“**Purchaser**”), will enter into a commodity Murabahah master agreement (“**Commodity Murabahah Master**”).

Agreement") with the Agent and the Sukuk Trustee. Pursuant to the Commodity Murabahah Master Agreement, the Purchaser shall from time to time, issue a purchase order ("**Purchase Order**") to the Agent to purchase the Commodities.

In the Purchase Order, the Purchaser will request the Agent to purchase the Commodities on behalf of the Sukukholders and will irrevocably and unconditionally undertake to purchase the Commodities from the Sukuk Trustee (acting on behalf of the Sukukholders) via the Agent at a deferred sale price ("**Deferred Sale Price**") which shall be equivalent to the Purchase Price (as defined below) plus the applicable Profit Margin (as defined below) calculated as at the issue date of each relevant Sukuk Cagamas issuance to be paid on a deferred payment basis.

"Profit Margin" means:

(1) In respect of Sukuk Cagamas issued with periodic distribution ("**Periodic Distribution**") and issued at par:

The aggregate Periodic Distribution based on the Periodic Distribution Rate (as defined in the section entitled "*Other Terms and Conditions - Profit/coupon/rental rate (fixed or floating)*") below) to be agreed at the time of issuance;

(2) In respect of Sukuk Cagamas with Periodic Distribution and issued at a discount:

The Discounted Amount (as defined below) plus the aggregate Periodic Distribution based on the Periodic Distribution Rate to be agreed at the time of issuance;

(3) In respect of Sukuk Cagamas without Periodic Distribution and issued at a discount:

The Discounted Amount.

"Discounted Amount" means the difference between the nominal value of the relevant Sukuk Cagamas and the relevant Purchase Price, in the case of Sukuk Cagamas issued at a discount.

(4) In respect of Sukuk Cagamas with Periodic Distribution and issued at a premium:

The aggregate Periodic Distribution based on the Periodic Distribution Rate to be agreed at the time of issuance less the Premium Amount (as defined below).

"Premium Amount" means the difference between the issuance proceeds and the nominal value of the relevant Sukuk Cagamas, in the case of the Sukuk Cagamas issued at premium.

3. Upon receiving the Purchase Order from the Purchaser, the Agent (acting as agent of the Sukukholders) shall purchase on a spot basis, the Commodities, from commodity vendor(s) ("**Commodity Seller**") on the commodity trading platform acceptable to the Joint Shariah Advisers at a purchase price ("**Purchase Price**") which shall be an amount equivalent to the proceeds raised from the issuance of the Sukuk Cagamas. The Purchase Price shall be in compliance with the asset pricing requirements stipulated under the LOLA Guidelines.
4. (i) The Issuer shall concurrently issue the Sukuk Cagamas to the Sukukholders.

(ii) The proceeds of the Sukuk Cagamas shall be used to pay the Purchase Price of the Commodities to the Commodity Seller. The Sukuk Cagamas shall evidence the Sukukholders' ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order).
5. Thereafter, pursuant to the undertaking to purchase under the Purchase Order, the Agent (acting on behalf of the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price pursuant to a sale and purchase agreement ("**Sale and Purchase Agreement**"). Once the Commodities are sold to the Purchaser, the Sukuk Cagamas shall represent the Sukukholders' entitlement to receive the Deferred Sale Price.
6. (i) Upon completion of such purchase from the Agent (acting on behalf of the Sukukholders), the Purchaser shall sell, on a spot basis, the Commodities to the commodity vendor(s) ("**Commodity Buyer**") on the commodity trading platform acceptable to the Joint Shariah Advisers.

(ii) The cash consideration from the sale of the Commodities shall be an amount equal to the Purchase Price.

7. The Sukuk Cagamas may be issued with or without Periodic Distribution and at par, at a premium or at a discount.

In relation to Sukuk Cagamas with Periodic Distribution and issued at a discount, the Purchaser as part of its obligation to pay the Deferred Sale Price, shall make Periodic Distribution and shall make a further lump sum payment equal to the Discounted Amount on the Maturity Date or the Declaration Date (as defined below).

In relation to Sukuk Cagamas with Periodic Distribution and issued at par or at a premium, the Purchaser as part of its obligation to pay the Deferred Sale Price, shall make Periodic Distribution.

Payment of each Periodic Distribution shall pro tanto reduce the obligation of the Purchaser on the Deferred Sale Price payable for the Commodities.

In relation to Sukuk Cagamas without Periodic Distribution and issued at a discount, the Purchaser shall pay the Deferred Sale Price on a one-off basis on the Maturity Date or the Declaration Date, whichever is earlier, to the Sukukholders. For the avoidance of doubt, “event of default” in respect of Sukuk Cagamas issued under the Shariah principle of Murabahah (via Tawarruq arrangement) shall comprise the Dissolution Events (as defined in the section entitled “*Events of default or enforcement events, where applicable, including recourse available to investors*”) under the terms and conditions of the Sukuk Cagamas.

- (i) On the Maturity Date; or
- (ii) On the Declaration Date,

whichever is earlier, all amounts then outstanding on the Deferred Sale Price (subject to Ibra’, where applicable), shall be paid by the Purchaser (as part of its obligation to pay the Deferred Sale Price) to the Sukukholders as final settlement of the same, whereupon the relevant Sukuk Cagamas shall be cancelled.

Wakalah Bi Al-Istithmar

1. Pursuant to a Wakalah agreement entered into between the Sukuk Trustee (acting on behalf of the investors (“**Sukukholders**”)) and Cagamas as issuer (“**Wakalah Agreement**”), Cagamas shall be appointed as agent for the Sukukholders (“**Wakeel**”) to perform services which

include investing the issue proceeds (“**Sukuk Proceeds**”) in a Shariah-compliant Wakalah portfolio (“**Wakalah Portfolio**”) and management of the Wakalah Portfolio, in accordance with the Wakalah Agreement. Each Wakalah Portfolio shall comprise a combination of investment in the following:

- i. the relevant portion of the Shariah-compliant general business of Cagamas at the relevant time (“**Shariah-compliant Business**”). The Sukukholders’ interest in the Shariah-compliant Business shall be based on proportionate basis via specific percentage (mal musha`). Cagamas’ Shariah-compliant Business comprises purchase of Islamic financing facilities such as home financing, personal financing and hire purchase financing, provision of capital support to Islamic financial institutions, provision of Islamic reverse mortgage facilities to eligible homeowners, and such other new Shariah-compliant business operations or ventures which may be carried out by Cagamas from time to time; and
- ii. Shariah-compliant commodities (“**Commodities**”) to be sold to Cagamas as purchaser (“**Purchaser**”) under Shariah principle of Murabahah (via Tawarruq arrangement) (“**Commodity Murabahah Investment**”).

The Wakalah Portfolio shall form part of the Trust Assets (as defined below).

The “**Trust Assets**” shall comprise (i) Sukuk Proceeds; (ii) the Wakalah Portfolio; and (iii) the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents.

The Wakeel shall declare a trust on the Trust Assets for the benefit of the Sukukholders.

2. Cagamas as the Issuer shall, from time to time, issue Sukuk Cagamas to the Sukukholders and the Sukukholders shall subscribe to the Sukuk Cagamas by paying the Sukuk Proceeds. The relevant Sukuk Cagamas shall represent the Sukukholders’ undivided proportionate interest in the relevant Trust Assets.
3. Pursuant to an investment agreement entered into between the Wakeel and Cagamas as investment manager (“**Investment Manager**”) (“**Investment Agreement**”), the Wakeel (on behalf of the Sukukholders) shall utilise at least 33% of the Sukuk Proceeds of the relevant Sukuk Cagamas for investment

into the Shariah-compliant Business via the Investment Manager, subject to the valuation principles set out in the Wakalah Agreement. The Investment Manager shall manage the Shariah-compliant Business for the benefit of the Sukukholders.

For the avoidance of doubt, the above ratio of at least 33% of the Sukuk Proceeds of the relevant Sukuk Cagamas, is only applicable at the point of initial investment for each Tranche of the respective Sukuk Cagamas and does not need to be maintained throughout the tenure of the relevant Sukuk Cagamas. However, the Wakeel shall ensure that the Shariah-compliant Business shall at all times be a component of the Wakalah Portfolio.

The Sukukholders shall via the Trust Deed provide their upfront consent to Cagamas to create future trusts over the Shariah-compliant Business ("**Future Trusts**") to facilitate any transactions undertaken in connection with any proposed Islamic financing facilities to be obtained by Cagamas, so long as the interests in the Future Trusts do not overlap with the interest of the Sukukholders in the Shariah-compliant Business under the Wakalah Portfolio.

4. The remaining proceeds of the Sukuk Cagamas shall be utilised by the Wakeel for the Commodity Murabahah Investment. The Commodity Murabahah Investment shall be effected as follows:
 - a) Pursuant to the commodity Murabahah investment agreement ("**Commodity Murabahah Investment Agreement**") entered into between Cagamas as the Purchaser, the Wakeel and the Sukuk Trustee, the Purchaser shall from time to time issue a purchase order ("**Purchase Order**") to the Wakeel and the Sukuk Trustee with an irrevocable and unconditional undertaking to purchase the Commodities from the Wakeel (on behalf of the Sukukholders) at the Deferred Sale Price (as defined below).
 - b) Pursuant to the Purchase Order, the Wakeel (on behalf of the Sukukholders) shall purchase the Commodities on spot basis from commodity vendor(s) ("**Commodity Seller**") on the commodity trading platform acceptable to the Joint Shariah Advisers at the commodity purchase price equivalent to such remaining Sukuk Proceeds of the relevant Sukuk Cagamas after investment into the Shariah-compliant Business ("**Commodity Purchase Price**"). The Commodity Purchase Price

shall be in line with the asset pricing requirements stipulated under the LOLA Guidelines.

- c) Upon acquiring the Commodities, the Wakeel (for the benefit of the Sukukholders) shall sell the Commodities to the Purchaser for a sale price which shall be equivalent to the Commodity Purchase Price plus the applicable profit margin calculated as at the issue date of each relevant Sukuk Cagamas issuance to be paid on a deferred payment basis (“**Deferred Sale Price**”). For the avoidance of doubt, the Deferred Sale Price in respect of Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar shall be an amount equal to the aggregate of the Expected Periodic Distribution Amount (as defined herein), if any, and the nominal value of the Sukuk Cagamas.
 - d) The Purchaser will immediately sell the Commodities to commodity vendor(s) (“**Commodity Buyer**”) on the commodity trading platform acceptable to the Joint Shariah Advisers on spot basis for an amount equal to the Commodity Purchase Price.
5. The Wakeel shall distribute income generated from the Wakalah Portfolio (“**Income**”) up to:
- i. in respect of Sukuk Cagamas with Periodic Distribution and issued at par or premium, the expected periodic distribution amount calculated based on the Periodic Distribution Rate (“**Expected Periodic Distribution Amount**”) to the Sukukholders in the form of Periodic Distribution on each periodic distribution date (“**Periodic Distribution Date**”); or
 - ii. in respect of Sukuk Cagamas with Periodic Distribution and issued at a discount, the Expected Periodic Distribution Amount on each Periodic Distribution Date and the expected one-off distribution amount which shall be equal to the difference between the nominal value and the Sukuk Proceeds of the Sukuk Cagamas (“**Expected One-off Distribution Amount**”) to the Sukukholders upon the Declaration Date or the Maturity Date, whichever is earlier; or
 - iii. in respect of Sukuk Cagamas without Periodic Distribution and issued at a discount, the Expected One-off Distribution Amount in the form of a one-off distribution upon the Declaration Date or the Maturity Date, whichever is earlier.

Any Income in excess of the Expected Periodic Distribution Amount and/or the Expected One-off Distribution Amount shall be waived by the Sukukholders and retained by the Wakeel as an incentive fee.

6. Cagamas as the obligor (“**Obligor**”) shall issue a purchase undertaking (“**Purchase Undertaking**”) in favour of the Sukuk Trustee (acting on behalf of the Sukukholders), under which the Obligor undertakes to purchase the Sukukholders’ interest in the Shariah-compliant Business from the Sukuk Trustee (acting on behalf of the Sukukholders) upon (i) the Declaration Date or (ii) Maturity Date of the relevant Sukuk Cagamas, whichever is earlier, at the Exercise Price (as defined below) and enter into a sale agreement (“**Sale Agreement**”) for such purchase.

“**Exercise Price**” shall be the fair value of the Shariah-compliant Business, at the relevant (i) Declaration Date or (ii) Maturity Date of the relevant Sukuk Cagamas, as the case may be, subject to the valuation principles.

The fair value of the Shariah-compliant Business shall be based on the total assets of Cagamas’ Islamic business as at the latest available audited financial statements at the point of redemption of the Sukuk Cagamas or such other valuation principles approved by the Joint Shariah Advisers.

7. Upon the Declaration Date or the Maturity Date, whichever is earlier, the proceeds from the Wakalah Portfolio made up of the Exercise Price, the Deferred Sale Price (subject to Ibra’ if applicable) and any returns generated under the Wakalah Portfolio shall be paid to the Sukukholders to redeem the relevant Sukuk Cagamas at the amount which is the nominal value or accreted value (as the case may be) of the relevant Sukuk Cagamas. Any excess above such amount shall be waived by the Sukukholders and retained by the Wakeel as an incentive fee upon full redemption of the relevant Sukuk Cagamas.

Upon full payment of all amounts due and payable under the relevant Sukuk Cagamas, the trust in respect of the relevant Wakalah Portfolio will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

Ijarah

1. Under the Ijarah transaction, the Sukuk Trustee, on behalf of the Sukukholders shall from time to time, purchase Shariah-compliant leasable assets, i.e. the identified units and/or building parcels in buildings or properties acquired by Cagamas in the ordinary course of its business and/or properties, vehicles, machineries, equipment, ("**Ijarah Assets**"), by way of transfer of beneficial ownership and interest from Cagamas (as the seller ("**Seller**")), at the asset purchase price ("**Ijarah Asset Purchase Price**") pursuant to an asset purchase agreement ("**Asset Purchase Agreement**"). The Ijarah Asset Purchase Price will be equivalent to the Sukuk Cagamas proceeds of the relevant Sukuk Cagamas. The value of the Ijarah Assets shall comply with the SC's asset pricing requirements as provided in the LOLA Guidelines. The Ijarah Assets may be encumbered or unencumbered. If any of the Ijarah Assets are encumbered, Cagamas shall obtain the relevant consents to allow Cagamas to use the Ijarah Assets for the relevant Sukuk Cagamas.

For the avoidance of doubt, any existing lease arrangement(s) on the Ijarah Assets between Cagamas and its existing lessee shall be considered as an implied sublease. In such case, the Lessor (as defined below) and the Lessee (as defined below) shall agree in the Ijarah Agreement (as defined below) that the existing lease arrangement(s) shall continue under the terms and conditions agreed between Cagamas and its existing lessee, and the existing lease arrangement(s) may be renewed or extended if required. The lessee of such existing lease arrangement(s) shall be notified of the Ijarah arrangement under the ICP Programme. The Sukukholders shall, via the Ijarah Agreement provide their upfront consent for the Lessee (as defined below) to sublease the Ijarah Assets to any third party provided that the Ijarah Assets must be used for the purpose of Shariah-compliant activities only and the sublease period must not be longer than the Lease Period (as defined below).

2. The Sukuk Trustee (acting on behalf of the Sukukholders), in its capacity as the lessor ("**Lessor**") under an Ijarah agreement ("**Ijarah Agreement**") to be entered into for each Series of Sukuk Cagamas under the principle of Ijarah in respect of the Ijarah Assets, shall then lease the Ijarah Assets to Cagamas in its capacity as the lessee ("**Lessee**"), for a pre-determined Lease Rental (as defined below) payable throughout a lease period equivalent to the period commencing from the

date of issuance of the relevant Sukuk Cagamas up to the Maturity Date ("**Lease Period**").

3. Cagamas shall declare a trust over the Ijarah Assets and the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents and the Sukuk Cagamas proceeds of the relevant Sukuk Cagamas ("**Trust Assets**"), for the benefit of the relevant Sukukholders. Cagamas, in its capacity as the Issuer, shall issue the relevant Sukuk Cagamas to represent the Sukukholders' undivided and proportionate beneficial ownership and interest over the Trust Assets.
4. Pursuant to the Ijarah Agreement, the Lessee shall pay Lease Rental in respect of the Ijarah Assets during the Lease Period up to the Maturity Date or the Declaration Date, whichever is applicable.

The "**Lease Rental**" payable shall be equivalent to:

- (1) in respect of Sukuk Cagamas with periodic payments and issued at par or premium, the Ijarah Periodic Payments (as defined below).
- (2) in respect of Sukuk Cagamas with periodic payments and issued at a discount, the Ijarah Periodic Payments and the Ijarah One-off Rental (as defined below).
- (3) in respect of Sukuk Cagamas without periodic payments and issued at a discount, the Ijarah One-off Rental.

"**Ijarah Dissolution Event**" means:

- (a) a dissolution event insofar as such events pertain to the Lessee; or
- (b) the occurrence of a Total Loss Event (as defined below),

which dissolves the trust over the relevant Trust Assets and as a result, terminates the relevant Ijarah Agreement. For the avoidance of doubt, where as a result of a Total Loss Event the Issuer exercises its right to substitute the Ijarah Assets with the Replacement Assets (as defined below) pursuant to the Ijarah Substitution Undertaking (as defined below), such Total Loss Event shall not constitute an Ijarah Dissolution Event.

“Ijarah One-off Rental” means the difference between the nominal value of the relevant Sukuk Cagamas and the proceeds of such Sukuk Cagamas.

“Ijarah Periodic Payments” shall be calculated at the Periodic Distribution Rate on the nominal value of the relevant Sukuk Cagamas with periodic payments.

For the avoidance of doubt, the Ijarah Periodic Payments will be distributed semi-annually or such other periodic basis as determined prior to the issuance of each Sukuk Cagamas with periodic payments (**“Ijarah Periodic Payment Date”**) and the Ijarah One-off Rental will be distributed on the Maturity Date or the Declaration Date, whichever is earlier.

5. Under the terms of a servicing agency agreement to be entered into in respect of each Series of Sukuk Cagamas, Cagamas (as Lessee) shall be appointed as the servicing agent (**“Servicing Agent”**) by the Lessor. As Servicing Agent, the Lessee will be undertaking the responsibilities, on behalf of the Lessor, for the performance and/or maintenance and/or structural repair of the Ijarah Assets and/or the related payment and/or ownership expenses in respect of the relevant Ijarah Assets (**“Ownership Expenses”**) which are to be reimbursed by the Sukuk Trustee to Cagamas.

During the Lease Period, the Servicing Agent is also responsible for making payments of the relevant takaful contribution or insurance premium for the Ijarah Assets and to ensure that the takaful/insurance for the Ijarah Assets is sufficient for a covered/insured amount at all times.

Upon the occurrence of a total loss or destruction of, or damage to the whole (and not part only) of the Ijarah Assets under any particular Ijarah Agreement or any event or occurrence that renders the whole (and not part only) of the said Ijarah Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical (**“Total Loss Event”**) (unless the Issuer is substituting the Ijarah Assets with qualified leasable assets as mutually agreed by the contracting parties in the Ijarah Agreement and approved by the Joint Shariah Advisers within a stipulated timeframe pursuant to the Ijarah Substitution Undertaking (as defined below)), the Ijarah Agreement will be terminated and the proceeds from takaful/insurance shall be used to redeem the Sukuk Cagamas.

If the takaful/insurance proceeds are insufficient to cover the redemption amount due under the Sukuk Cagamas and Ownership Expenses (if any) under a Total Loss Event, the Servicing Agent shall be liable to make good the difference. Any excess from the takaful/insurance proceeds over the amount required to redeem the relevant Sukuk Cagamas and Ownership Expenses shall be paid to the Servicing Agent as an incentive payment.

6. The Sukuk Trustee shall provide a substitution undertaking ("**Ijarah Substitution Undertaking**") to the Issuer under which the Issuer shall have the right to substitute, via execution of an exchange agreement, certain Ijarah Assets from time to time throughout the tenure of the Sukuk Cagamas (at the option of the Issuer) including if significant damage to the Ijarah Assets has occurred or upon a Total Loss Event, with qualified leasable asset(s) of equal or greater value that is/are Shariah-compliant and approved by the Joint Shariah Advisers ("**Replacement Assets**"). The Replacement Assets shall then form part of the Trust Assets.

"**significant damage**" to the Ijarah Assets means loss, destruction or damage to any part of the Ijarah Assets which: (i) in relation to properties, involves more than 10% of gross floor area/net lettable area of all the properties; (ii) unless repaired, such loss, destruction or damage renders the affected Ijarah Assets permanently unfit for any economic use; and (iii) the repair works in respect of such loss, destruction or damage is uneconomical or impractical, or the repair works is economical or practical but the repair period is reasonably expected to exceed 3 months from the date of such loss, destruction or damage.

7. Cagamas, as the Obligor, shall grant an Ijarah Purchase Undertaking (as defined below) to the Sukuk Trustee (acting for and on behalf of the Sukukholders), under which the Obligor undertakes to purchase the Ijarah Assets from the Sukuk Trustee by way of transfer of the beneficial ownership and interest of the Ijarah Assets from the Sukuk Trustee to the Obligor, which sale and purchase will take place on the earlier of (i) the Maturity Date or (ii) the Declaration Date, at a pre-determined Ijarah Exercise Price (as defined below) and the Obligor shall enter into a purchase agreement for such purchase ("**Purchase Agreement**").

“Ijarah Exercise Price” shall be equal to the outstanding nominal amount of the Sukuk Cagamas plus all accrued but unpaid Lease Rental plus the Ownership Expenses.

“Ijarah Purchase Undertaking” means in respect of each set of Ijarah Assets under a particular Ijarah Agreement, a purchase undertaking whereby the Obligor shall undertake to purchase the Ijarah Assets from the Sukuk Trustee at the relevant Ijarah Exercise Price.

The obligation to reimburse the Ownership Expenses by the Sukuk Trustee to the Servicing Agent shall be set-off against the obligation of the Obligor to pay the Ijarah Exercise Price to the Sukuk Trustee (on behalf of the Sukukholders). Upon full settlement of the Ijarah Exercise Price pursuant to the exercise of the Ijarah Purchase Undertaking, the relevant Ijarah Agreement will be terminated and the trust created under the declaration of trust will also be dissolved subsequently, and neither the Sukuk Trustee nor the Sukukholders shall thereafter have further rights and/or obligations in respect of the relevant Ijarah Assets.

- (6) **Currency**
- Foreign Currency
 Multi-currency excluding Ringgit
 Multi-currency including Ringgit
 Ringgit
- (7) **Expected facility/programme size** Combined limit with CCP Programme: up to RM20.0 billion
Sub limit: Not Applicable
- (8) **Option to upsize (for programme)** Not applicable.
- (9) **Tenure facility/programme** of

Year(s)	Month(s)	Day(s)
7	-	-

 Perpetual
- (10) **Availability period of debt or sukuk programme** The period commencing from the date of completion of documentation and compliance with all conditions precedent and other applicable conditions to the satisfaction of the JLAs, unless waived by the JLAs and ending on the expiry date of the ICP Programme.
The first issuance of the Sukuk Cagamas shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

(11) **Clearing and settlement platform** Bank Negara Malaysia (“BNM”)

(12) **Mode of issue**

- Private/direct placement
- Bought deal
- Book building
- Tender

(13) **Selling restrictions**

At Issuance

- Exclusively to persons outside Malaysia
- Part 1 of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)
- Part 1 of Schedule 7 of the CMSA
- Read together with Schedule 9 of CMSA
- Schedule 8 of CMSA
- Section 2(6) of the Companies Act 2016
- Other:

The Sukuk Cagamas may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Cagamas and to whom the Sukuk Cagamas are issued would fall within:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and
- (ii) Schedule 6 and Schedule 7 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

After Issuance

- Exclusively to persons outside Malaysia
- Part 1 of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)
- Read together with Schedule 9 of CMSA
- Schedule 8 of CMSA
- Section 2(6) of the Companies Act 2016
- Other:

The Sukuk Cagamas may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Cagamas and to whom the Sukuk Cagamas are issued would fall within:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and
- (ii) Schedule 6 or Section 229(1)(b) of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

- (14) **Tradability and transferability** **and**
- Tradable & transferable
 - Non-tradable & non-transferable
 - Restricted transferability

Size in Ringgit which are tradable and transferable:
RM20.0 billion.

Size in Ringgit which are non-tradable and non-transferrable:
Not applicable.

Size in Ringgit which are restricted transferability:
Not applicable.

- (15) **Secured/combination of unsecured and secured, if applicable**
- Unsecured
 - Secured/combination of unsecured and secured, details as follows

- (16) **Details of guarantee, if applicable**
- Not guaranteed
 - Guaranteed, details as follows:

- (17) **Convertibility of issuance and details of the convertibility**
- Non-convertible
 - Convertible, details as follows:

- (18) **Exchangeability of issuance and details of the exchangeability**
- Non-exchangeable
 - Exchangeable, details as follows:

- (19) **Call option and details, if applicable**
- No call option
 - Call option, details as follows:

- (20) **Put option and details, if applicable**
- No put option
 - Put option, details as follows:

- (21) **Details of covenants, including –**

- (a) Positive Covenants**
- No positive covenant
 - Positive covenant, details as follows:

Including but not limited to:

- (i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits which is or may become necessary for the Issuer to carry on its business;
- (ii) the Issuer shall at all times on demand, execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents (as defined in the section entitled "*Other Terms and Conditions – Transaction Documents*" below);
- (iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;
- (iv) the Issuer shall promptly perform and carry out all its obligations under all the Transaction Documents, comply at all times with the provisions of the Trust Deed and the terms and conditions of the Sukuk Cagamas and ensure that it shall immediately notify the Sukuk Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;
- (v) the Issuer shall prepare its financial statements and keep proper books and accounting records at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia and provide the Sukuk Trustee and any person appointed by it (e.g. auditors) access to such financial statements, books and accounts to the extent permitted by law;
- (vi) the Issuer shall promptly comply with all applicable laws and regulations including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC, BNM and any other relevant regulatory authorities from time to time;
- (vii) for so long as any Sustainability Sukuk Cagamas are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines/Framework as stated in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas;

- (viii) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the Facility Agent shall notify the Sukuk Trustee in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the Sukuk Cagamas;
- (ix) the Issuer shall ensure that the provisions of the Information Memorandum do not contain any matter which is inconsistent with the provisions of the Trust Deed and the terms and conditions of the Sukuk Cagamas;
- (x) the Issuer shall ensure that any conditions subsequent in relation to the issuance of the Sukuk Cagamas are complied with in accordance with the terms and conditions of the ICP Programme and that any request from the Issuer to add, extend, vary or otherwise modify any conditions subsequent shall be subject to the approval of the Sukukholders;
- (xi) where the proceeds from the Issuer's proposed issuances are used towards funding the purchase of assets/receivables from interested persons who are not licensed banks or licensed investment banks (both as defined under the Financial Services Act 2013) or licensed Islamic banks (as defined under the Islamic Financial Services Act 2013), the Issuer shall submit to the SC, as and when requested by the SC, the following information in relation to such transactions:
 - (a) the counterparties involved;
 - (b) the relationship of the counterparties to the Issuer;
 - (c) the type of scheme involved, if applicable;
 - (d) the asset class involved; and
 - (e) details of the issuance; and
- (xii) any other covenants as may be advised by the Solicitors and to be mutually agreed by the Issuer and the JLAs, including but not limited to the requirements under the SC's Guidelines on Trust Deeds first issued on 12 July 2011 (revised on 23 July 2020) (as amended from time to time) ("**Guidelines on Trust Deeds**").

(21) **(b) Negative Covenants**

- No negative covenant
- Negative covenant, details as follows:

Including but not limited to:

- (i) save in the ordinary course of its business or in connection with the raising of funds in accordance with Shariah principles, under the terms of which the Issuer has the right to acquire back any undertakings or assets disposed, the Issuer shall not dispose of the whole or a material part of its undertakings or assets;
- (ii) the Issuer shall not change the utilisation of the proceeds of the ICP Programme except for the Shariah-compliant purposes as set out in the Transaction Documents and the Information Memorandum;
- (iii) the Issuer shall not enter into a transaction whether directly or indirectly with interested persons (including a director, major shareholders and chief executive or persons connected with them) unless such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons, and the Issuer certifies the same to the Sukuk Trustee on an annual basis;
- (iv) the Issuer shall not permit any amendment, supplement or variation to the constitution of the Issuer in a manner which may be materially prejudicial to the interest of the Sukukholders; and
- (v) any other covenants as may be advised by the Solicitor of the JLAs and to be mutually agreed between the Issuer and the JLAs including but not limited to the requirements under the Guidelines on Trust Deeds.

- (21) **(c) Financial Covenants** No financial covenant
 Financial covenant, details as follows:
- (21) **(d) Information Covenants** No information covenant
 Information covenant, details as follows:

Including but not limited to:

- (i) the Issuer shall promptly give to the Sukuk Trustee any information which the Sukuk Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs to the extent permitted by law;

- (ii) the Issuer shall provide to the Sukuk Trustee at least annually, a certificate confirming that it has complied with all its obligations under the Transaction Documents and the terms and conditions of the Sukuk Cagamas, and that there did not exist or had not existed, from the issue date or the date of the previous certificate as the case may be, any Dissolution Event (as defined in the section entitled "*Events of default or enforcement events, where applicable, including recourse available to investors*" below), where applicable and if such is not the case, to specify the same;

- (iii) the Issuer shall deliver to the Sukuk Trustee (which may be circulated by the Sukuk Trustee at its discretion to the registered Sukukholders and the Credit Rating Agencies) the following:
 - (a) as soon as they become available (and in any event within six (6) months of the expiration of each financial year), a copy of the annual audited consolidated financial statements of the Issuer for that financial year;

 - (b) within thirty (30) days after its annual general meeting, a copy of its consolidated balance sheet and consolidated income statements adopted at the annual general meeting and certified by the auditors of the Issuer and a copy of such auditors' report thereon as well as any other account, report, notice, statement or circular issued to its shareholders within thirty (30) days of the same being issued to the shareholders;

 - (c) within ninety (90) days after the end of the first half of its financial year, copies of its unaudited half yearly consolidated financial statement for that period which shall contain the consolidated income statement and consolidated balance sheets of the Issuer, which are duly certified by any one of its directors; and

 - (d) promptly, any other account, report, notice, statement or circular issued by the Issuer to its shareholders which are material and substantial to or necessary for the Sukukholders to make informed investment decisions;

- (iv) the Issuer shall promptly notify the Sukuk Trustee in the event Cagamas Holdings Berhad is no longer a substantial shareholder of the Issuer;
- (v) the Issuer shall promptly notify the Sukuk Trustee and the Credit Rating Agencies of any change in its financial condition and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer, which in each case may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;
- (vi) the Issuer shall immediately give notice to the Sukuk Trustee of the occurrence of any Dissolution Event or enforcement upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Sukuk Trustee to remedy and/or mitigate the effect of the Dissolution Event;
- (vii) the Issuer shall immediately notify the Sukuk Trustee of any change in its withholding tax position, any substantial change in the nature of the business of the Issuer and/or any other matter that may materially prejudice the interests of the Sukukholders; and
- (viii) any other covenants as advised by the Solicitor and mutually agreed between the JLAs and the Issuer including but not limited to the requirements under the Guidelines on Trust Deeds.

(22) **Details of designated account(s), if applicable** No Designated account
 Designated account(s) as follows:

(23) **Name of credit rating agency, credit rating and amount rated, if applicable** Not rated
 Rated as follows:

Credit Rating Agencies	RAM Rating Services Berhad (“ RAM ”) and MARC Ratings Berhad (“ MARC ”)
Credit rating	P1 and MARC-1Is
Final/Indicative	Indicative
Name of Class/Series/Tranche	Not applicable
Amount rated	RM20.0 billion

(24) **Conditions precedent**

To include but not limited to the following (all have to be in form and substance acceptable to the JLAs and as may be waived by the JLAs):

A. Main Documentation

- (i) The Transaction Documents for the ICP Programme have been executed and endorsed as being exempt from stamp duty.

B. Issuer

- (i) Certified true copies of the Certificate of Incorporation and the constitution of the Issuer.
- (ii) Certified true copies of the latest return for allotment of shares (formerly known as Form 24) and the latest notification of change in the register of directors, managers and secretaries (formerly known as Form 49) of the Issuer.
- (iii) A certified true copy of board resolutions of the Issuer authorising, among others, the issue of the Sukuk Cagamas, the execution of the Transaction Documents and the performance of its obligations under the Transaction Documents.
- (iv) A list of the Issuer's authorised signatories and their respective specimen signatures.
- (v) A report of the relevant company search of the Issuer with the Companies Commission of Malaysia.
- (vi) A report of the relevant winding up search of the Issuer with the Director General of Insolvency's office confirming that the Issuer has not been wound up.

C. General

- (i) The lodgement with the SC and, where applicable, approvals from all other regulatory authorities.
- (ii) The ICP Programme shall have been rated P1 and MARC-1Is (or its equivalent).
- (iii) Confirmation from the Joint Shariah Advisers that the structure, mechanism and the Transaction Documents of the ICP Programme are in compliance with Shariah.

- (iv) Evidence that all transaction fees, costs and expenses have been or will be paid in full.
- (v) The JLAs have received from their Solicitors a legal opinion addressed to them and the Sukuk Trustee on the legality, validity and enforceability of the Transaction Documents.
- (vi) Evidence that all necessary approvals and consents required (including but not limited to the relevant regulatory authorities, if applicable) for ICP Programme and the issue of the Sukuk Cagamas thereunder have been obtained.
- (vii) Receipt of a written confirmation from the Solicitors of the JLAs that all conditions precedent to the ICP Programme have been fulfilled or waived as the case may be.
- (viii) Evidence that a Sukuk Trustees' Reimbursement Account (as defined in the section entitled "*Other Terms and Conditions – Sukuk Trustees' Reimbursement Account*" below) has been opened and the deposit of RM100,000.00 has been or will be made.
- (ix) Such other conditions precedent as advised by the Solicitors of the JLAs and agreed to by the Issuer.

(25) **Representations and warranties**

and Including but not limited to the following:

- (i) the Issuer is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has power to carry on its business and to own its property and assets and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;
- (ii) the Issuer has the power under its constitution to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;
- (iii) save and except for payment of stamp duty or the endorsement of exemption of stamp duty payable on the Transaction Documents, all necessary actions, authorisations, consents, approvals, licences, exemptions, registrations, recordings, filings or notarisations required to enable the Issuer to lawfully enter into, exercise its rights and comply with its obligations pursuant to the Transaction Documents (to which it is a party), to ensure that those obligations

are legally binding and enforceable and to make the Transaction Documents and the Sukuk Cagamas admissible in evidence in the courts of Malaysia, have been taken, fulfilled, obtained and are in full force and effect;

- (iv) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;
- (v) each of the Transaction Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;
- (vi) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial condition;
- (vii) no litigation, arbitration or administrative proceeding or any other proceeding or claim which might by itself or together with any other such proceedings or claims having a Material Adverse Effect is presently in progress or pending in relation to which the Issuer has not taken any action in good faith to set aside or defend;
- (viii) the Issuer is unaware that an event has occurred which constitutes a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets are bound or affected,

being a contravention or default which is likely to have a Material Adverse Effect;

- (ix) the Issuer is in compliance with any applicable laws and regulations and all directives of governmental authorities having the force of law;
- (x) no Dissolution Event has occurred and is continuing; and
- (xi) any other representations and warranties as advised by the Solicitor and mutually agreed between the JLAs and the Issuer.

“Material Adverse Effect” means a material and adverse effect:

- (1) on the financial condition of the Issuer; or
- (2) on the ability of the Issuer to make payment of any principal or periodic distribution/periodic payment under the Sukuk Cagamas.

- (26) **Events of default or enforcement events, where applicable, including recourse available to investors**
- Customary events of default or dissolution events including an Ijarah Dissolution Event (“**Dissolution Event**”) for a facility of this nature which include the following:
- (i) the Issuer fails to make payment of any principal or periodic distribution/periodic payment due under the Sukuk Cagamas from it under any of the Transaction Documents on the due date or, if so payable, on demand;
 - (ii) any representation or warranty made by the Issuer under any provision of the Transaction Documents or any information, notice, opinion or certificate or other document furnished at any time pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading in any material respect;
 - (iii) the Issuer fails to observe or perform its obligations under any of the Transaction Documents or the Sukuk Cagamas or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of such failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) days after the Issuer having been notified by the Sukuk Trustee of

the failure, or such extended period as may be agreed with the Sukuk Trustee;

- (iv) any indebtedness for Islamic financing/borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged within a period of thirty (30) days from the date of such declaration or call, or any security created to secure such indebtedness becomes enforceable;
- (v) a receiver, receiver and manager, judicial manager or other officer acting in a similar capacity is appointed in respect of the whole or any substantial part of the assets of the Issuer;
- (vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and such event has a Material Adverse Effect;
- (vii) any step or action is taken for the winding up, dissolution or liquidation of the Issuer including, without limitation, the presentation of a petition for winding up against the Issuer or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of the Issuer other than any petition or proceeding which is contested by the Issuer in good faith and is set aside within sixty (60) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;
- (viii) a scheme of arrangement under section 366 of the Companies Act 2016 or any other action or arrangement in relation to corporate rescue mechanism under the Companies Act 2016 has been instituted by or against the Issuer;
- (ix) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent that impairs or prejudices the ability of the Issuer to comply with the terms and conditions of the Sukuk Cagamas or the Transaction Documents;
- (x) the Issuer is deemed unable to pay any of its debts or becomes unable to pay any of its debts as they

fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

- (xi) any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event may have a Material Adverse Effect;
- (xii) the Issuer changes the nature of a substantial part of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations, and such change, suspension or cessation may have a Material Adverse Effect;
- (xiii) it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under any Transaction Document or any of the obligations of the Issuer thereunder are not, or cease to be legal, valid, binding and enforceable;
- (xiv) the Issuer repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;
- (xv) all or a substantial portion of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which is likely to have a Material Adverse Effect; or
- (xvi) such other event as may be advised by the Solicitor and mutually agreed with the Issuer.

Upon the occurrence of a Dissolution Event, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Sukukholders) declare that a Dissolution Event has occurred, and the Sukuk Cagamas together with all other sums payable under the Sukuk Cagamas shall become immediately due and payable in accordance with the respective Shariah principles. The date on which a Dissolution Event has been declared by the Sukuk Trustee shall be referred to as a “**Declaration Date**”. Thereafter, the Sukuk Trustee may take proceedings against the Issuer as it may think fit to enforce immediate payment of the Sukuk Cagamas.

Murabahah (via Tawarruq arrangement)

The Sukuk Trustee shall enforce its rights under the Transaction Documents, including but not limited to,

requiring the Purchaser to pay the outstanding amounts of the Deferred Sale Price (subject to any Ibra', if applicable) and the Sukuk Trustee shall use the proceeds thereof to redeem the Sukuk Cagamas.

Wakalah Bi Al-Istithmar

The Sukuk Trustee shall enforce its rights under the Transaction Documents, including but not limited to, requiring:

- (a) the Obligor to purchase the Sukukholders' interest in the Shariah-compliant Business at the Exercise Price and enter into the relevant Sale Agreement for such purchase; and
- (b) the Purchaser to pay the outstanding amounts of the Deferred Sale Price (subject to any Ibra', if applicable),

and the Sukuk Trustee shall use the aggregate proceeds thereof i.e. the Exercise Price, the Deferred Sale Price and any returns generated from the Wakalah Portfolio to redeem the Sukuk Cagamas.

Upon full payment of all amounts due and payable under the relevant Sukuk Cagamas, the relevant trust in respect of the Trust Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

Ijarah

The Sukuk Trustee shall enforce its rights under the Transaction Documents, including but not limited to, requiring the Obligor to purchase the Ijarah Assets by way of a transfer of the beneficial ownership and interest of the relevant Ijarah Assets from the Sukuk Trustee to the Obligor and enter into the relevant Purchase Agreement for such purchase, and the Sukuk Trustee shall use the proceeds thereof i.e. the Ijarah Exercise Price, to redeem the Sukuk Cagamas.

For the avoidance of doubt, the occurrence of a Total Loss Event shall not constitute an Ijarah Dissolution Event if the Issuer exercises its right to substitute the Ijarah Assets with the Replacement Assets (pursuant to the Ijarah Substitution Undertaking) in respect of such Total Loss Event.

In the event of a Total Loss Event that constitutes an Ijarah Dissolution Event, the Issuer shall redeem the relevant Sukuk Cagamas using the proceeds of takaful/insurance received for the relevant Ijarah Assets, and if the takaful/insurance proceeds are insufficient to cover the redemption amount due under the Sukuk Cagamas and Ownership Expenses (if any) under such Total Loss Event,

the Servicing Agent shall be liable to make good the difference.

Upon full payment of all amounts due and payable under the relevant Sukuk Cagamas, the relevant trust in respect of the Trust Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

(27) **Governing laws** The Sukuk Cagamas will be governed by and shall be construed in accordance with the laws of Malaysia.

(28) **Provisions on buy-back, if applicable** Purchase and Cancellation
The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the Sukuk Cagamas at any price in the open market or by private treaty. Such Sukuk Cagamas purchased by the Issuer or its subsidiary(ies) or agent(s) shall be cancelled by the Issuer and cannot be reissued or resold. The Sukuk Cagamas purchased by its related corporations (other than its subsidiaries) and/or interested persons (as defined in the Guidelines on Trust Deeds) need not be cancelled but they will not entitle such related corporations or interested persons to vote at any meeting of the Sukukholders.

Redemption

Unless purchased and cancelled, the Sukuk Cagamas will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates. The Sukuk Cagamas redeemed by the Issuer shall be cancelled and cannot be reissued or resold.

(29) **Provisions on early redemption, if applicable** No provisions on early redemption
 Provisions on early redemption, details as follow:

(30) **Voting** All matters/resolutions which require the Sukukholders' consent under the ICP Programme shall be carried out on a collective basis.

(31) **Permitted investments, if applicable** Not applicable.

(32) **Ta`widh (for ringgit denominated sukuk)** Murabahah (via Tawarruq arrangement)

In the event of any delay in payments of the Deferred Sale Price under the Sukuk Cagamas, the Issuer (in its capacity as Purchaser) shall pay to the Sukukholders Ta`widh (compensation) on such delay in payment at the rate and manner prescribed by the SC's SAC from time to time.

Wakalah Bi Al-Istithmar

In the event the Wakeel breaches its fiduciary duty as the Wakeel due to its failure to distribute the realised Periodic

Distribution and/or the Obligor/ the Purchaser delays in the payment of the Deferred Sale Price and/or any amounts due and payable to the Sukukholders under the Sale Agreement pursuant to the exercise of the Purchase Undertaking, the Wakeel and the Obligor/ the Purchaser shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta`widh (compensation) on such delay in payments at the rate and in the manner prescribed by the SAC of the SC from time to time.

Ijarah

In the event the Lessee delays payment of the Lease Rental under the Sukuk Cagamas, and/or the Obligor delays in the payment on any amounts due and payable to the Sukukholders under the Purchase Agreement pursuant to the exercise of the Ijarah Purchase Undertaking, the Lessee and/or the Obligor shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta`widh (compensation) on such delay in payments at the rate and in the manner prescribed by the SAC of SC from time to time.

- (33) **Ibra' (for ringgit denominated sukuk)** An Ibra', where applicable, shall be granted by the Sukukholders.

Ibra' refers to an act of releasing absolutely or conditionally the Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligations or liabilities towards the former. The release may be either partially or in full. With respect to the Murabahah contract, Ibra' refers to a release of rights on debts/amount due and payable under the said contract.

The Sukukholders in subscribing to or purchasing the Sukuk Cagamas issued under the Shariah principles of Murabahah and Wakalah Bi Al-Istithmar hereby consent to grant such Ibra' on the Deferred Sale Price if the Sukuk Cagamas issued under the Shariah principles of Murabahah and Wakalah Bi Al-Istithmar are redeemed upon the Declaration Date.

The Ibra' shall be calculated as follows:

- (i) in the case of Sukuk Cagamas with Periodic Distribution and issued at a discount, the aggregate of the unearned Periodic Distribution.
- (ii) in the case of Sukuk Cagamas without Periodic Distribution and issued at a discount, no Ibra' will be provided.

(iii) in the case of Sukuk Cagamas with Periodic Distribution and issued at par or at a premium, the aggregate of the unearned Periodic Distribution.

The Ibra' in relation to (i) and (iii) above shall be calculated from the Declaration Date up to the Maturity Date.

In the case of Sukuk Cagamas issued under the Shariah principles of Murabahah and Wakalah Bi Al-Istithmar with Periodic Distribution at a floating rate basis and such Sukuk Cagamas are redeemed upon the Maturity Date, if the Effective Profit Rate is lower than the Ceiling Profit Rate, Ibra' shall also be granted whereby the Ibra' shall be an amount equivalent to the difference between the Periodic Distribution calculated based on the Ceiling Profit Rate and Periodic Distribution calculated based on the Effective Profit Rate. For avoidance of doubt, such Ibra' is not applicable in respect of Sukuk Cagamas issued with Periodic Distribution at fixed rate which are redeemed upon the Maturity Date.

For avoidance of doubt, in respect of Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar, Ibra' will be applicable only to the Commodity Murabahah Investment portion of the Wakalah Portfolio, i.e. the Deferred Sale Price only.

- | | | |
|------|--|---|
| (34) | Kafalah (for ringgit denominated sukuk) | Not applicable. |
| (35) | Waivers from complying with the Guidelines on UCMP under the LOLA Framework and other relevant guidelines of the SC obtained for the facility/programme, if any | Approval from the SC for waiver from compliance with paragraph 13.02(a)(ii) of the Guidelines on Trust Deeds has been obtained on 1 August 2022. |
| (36) | Other Terms and Conditions | |
| | (a) Issue Price | The Sukuk Cagamas issued with periodic distribution/periodic payment may be issued at par, at a premium, or at a discount to its nominal value, whereas the Sukuk Cagamas issued without periodic distribution/periodic payment shall be issued at a discount to its nominal value.

The issue price of the Sukuk Cagamas will be determined prior to each issuance and shall be calculated in accordance with BNM Procedures and Rules (as defined below). |
| | (b) Profit / coupon / rental rate (fixed or floating) | The Sukuk Cagamas will be issued at par, at a premium or at a discount with or without a periodic distribution/periodic |

payment. The periodic distribution/periodic payment (if applicable, and which may be fixed or floating) will be determined prior to each issuance of Sukuk Cagamas.

“Periodic Distribution Rate” shall be a rate to be determined prior to the issuance of the relevant Sukuk Cagamas.

For the avoidance of doubt, the periodic distribution/periodic payment is not applicable for Sukuk Cagamas which are issued without periodic distribution/periodic payment.

In the case of Sukuk Cagamas issued on a floating rate basis, the Issuer shall pay periodic distribution/periodic payment at the relevant Effective Profit Rate. The **“Effective Profit Rate”** shall be the aggregate of a margin (%) per annum and the relevant reference benchmark to be agreed between the Issuer and the relevant qualified investors or the lead managers prior to each issuance and expressed as a rate in per cent per annum. The Effective Profit Rate may vary based on the movement of the relevant reference rate.

In the case of Sukuk Cagamas issued under the Shariah principle of Murabahah and Wakalah Bi Al-Istithmar, the Effective Profit Rate applicable for each periodic distribution/periodic payment shall not exceed the agreed ceiling profit rate determined prior to issuance of the Sukuk Cagamas (**“Ceiling Profit Rate”**).

For Sukuk Cagamas where the periodic distributions/periodic payments are based on lease rental (Ijarah), the floating rate is achieved by varying the Lease Rental based on the agreed Effective Profit Rate.

For Sukuk Cagamas where the periodic distributions/periodic payments are based on the sale price of a Commodity Murabahah transaction (Murabahah & Wakalah Bi Al-Istithmar), the floating rate is achieved by applying the Ceiling Profit Rate on the sale price and undertaking to give Ibra' by the Sukukholders based on the formula agreed between the contracting parties.

- (c) **Profit / coupon / rental payment frequency** In respect of the Sukuk Cagamas which are issued with a periodic distribution/periodic payment, the periodic distribution/periodic payment is payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas.
- (d) **Profit / coupon / rental payment basis** In respect of the Sukuk Cagamas which are issued with a periodic distribution/periodic payment, the periodic distributions/periodic payments are to be calculated on

actual/365 basis, subject always to the BNM Procedures and Rules.

- (e) **Yield to maturity (%)** To be determined prior to issuance.
- (f) **Details on utilisation of proceeds** The proceeds raised from the issuance of Sukuk Cagamas under the ICP Programme (other than the Sustainability Sukuk Cagamas) shall be utilised by the Issuer:
- i. for the purchase of Shariah-compliant financing/assets;
 - ii. for the investment in Shariah-compliant instruments;
 - iii. to defray the costs and expenses in relation to the issuance of Sukuk Cagamas;
 - iv. for inter-company advances to the following entities in a Shariah-compliant manner:
 - a) Cagamas Berhad's Shariah-compliant subsidiaries for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure;
 - b) Cagamas Holdings Berhad's Shariah-compliant subsidiaries (via Issuer directly or via Cagamas Holdings Berhad) for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure; and
 - v. to refinance any of Cagamas Berhad's Sukuk/financing on their respective expected maturity dates.

The proceeds raised from the issuance of Sustainability Sukuk Cagamas under the ICP Programme shall be utilised by Cagamas to solely purchase eligible Shariah compliant financing/assets that meet the criteria as set out in Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/Framework and/or the Shariah-compliant Eligible SRI projects (within the definition set out in the LOLA Guidelines) as further set out in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas.

“Cagamas’ Sustainability Bond/Sukuk Framework” means the framework first issued by Cagamas on 17 January 2019 in relation to the issuance of Cagamas' sustainability bonds/sukuk, as published on Cagamas' website and shall include any amendment or revision thereof from time to time.

The Eligible SRI projects and the categories of the Eligible SRI projects under Cagamas' Sustainability Bond/Sukuk Framework, will include, amongst others, the following:

Green projects that relate to:

- (i) renewable energy;
- (ii) energy efficiency;

- (iii) clean transportation;
- (iv) sustainable water and wastewater management;
- (v) green buildings which meet regional, national or internationally recognised standards or certifications;

Social projects that relate to:

- (i) affordable housing;
- (ii) employment generation including the potential effect of SME financing and microfinance; and

such other categories which qualify as eligible SRI projects pursuant to the Cagamas Sustainability Bond/Sukuk Framework.

For the avoidance of doubt, the proceeds raised from the issuance of Sukuk Cagamas under the ICP Programme shall only be utilised for Shariah-compliant purposes.

(g) Identified asset or Trust asset In respect of the Sukuk Cagamas issued under the Shariah principle of Murabahah (via Tawarruq arrangement), the identified assets will be Commodities.

In respect of the Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar, the Trust Assets shall comprise:

- (i) the Sukuk Proceeds;
- (ii) the Wakalah Portfolio; and
- (iii) the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents in connection with such Sukuk Cagamas under the ICP Programme.

In respect of the Sukuk Cagamas issued under the Shariah principle of Ijarah, the Trust Assets shall comprise:

- (i) the Ijarah Assets;
- (ii) the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents in connection with such Sukuk Cagamas under the ICP Programme; and
- (iii) the proceeds of the Sukuk Cagamas.

(h) Purchase and selling price or rental, where applicable – compliance with In respect of the Sukuk Cagamas issued under the Shariah principle of Murabahah (via Tawarruq arrangement)

**asset
requirements**

pricing Purchase Price:

In respect of the Commodities, the Purchase Price shall be an amount equivalent to the proceeds raised from the issuance of the Sukuk Cagamas. The Purchase Price shall be in compliance with the asset pricing requirements under the LOLA Guidelines.

Deferred Sale Price:

The Deferred Sale Price for the Sukuk Cagamas shall be as defined in the section entitled "*Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)*".

In respect of the Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar

Commodity Purchase Price:

In respect of the Commodity Murabahah Investment, the Commodity Purchase Price shall be equivalent to the remaining Sukuk Proceeds of the relevant Sukuk Cagamas after investment into the Shariah-compliant Business. The Commodity Purchase Price shall be in compliance with the asset pricing requirements under the LOLA Guidelines.

Deferred Sale Price:

In respect of the Commodity Murabahah Investment, the Deferred Sale Price for the Sukuk Cagamas shall be as defined in the section entitled "*Facility description (for ringgit-denominated Sukuk, to provide description as cleared by the SC)*" in relation to Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar.

In respect of the Sukuk Cagamas issued under the Shariah principle of Ijarah

Ijarah Asset Purchase Price:

The Ijarah Asset Purchase Price shall be equivalent to the Sukuk Cagamas proceeds of the relevant Sukuk Cagamas. The value of the Ijarah Assets shall be in compliance with the asset pricing requirements under the LOLA Guidelines.

**(i) Form
denomination**

and The Sukuk Cagamas shall be issued in accordance with:

- (1) Operational Procedures for Securities Services and Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System ("**RENTAS**") issued by

BNM or its successor-in-title or successor in such capacity ("**BNM Procedures**"); and

- (2) Participation Rules for Payment and Securities Services issued by BNM or its successor-in-title or successor in such capacity ("**BNM Rules**").

BNM Procedures and BNM Rules (as amended and/or substituted from time to time) are collectively referred to as "**BNM Procedures and Rules**".

Each tranche of the Sukuk Cagamas shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Sukuk Cagamas shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

- (j) **Listing status** The Sukuk Cagamas will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.
- (k) **Status** The Sukuk Cagamas, pursuant to the relevant Transaction Documents, will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the Transaction Documents.
- (l) **Tenure of the ICP Programme and the Sukuk Cagamas** The tenure of the ICP Programme is seven (7) years from the date of the first issue under the ICP Programme.
- The Sukuk Cagamas issued under the ICP Programme may have tenures of any period above one (1) month and not exceeding one (1) year. Any Sukuk Cagamas issued must mature within the tenure of the ICP Programme.
- (m) **Sukuk Trustees' Reimbursement Account** A Shariah-compliant Sukuk Trustees' Reimbursement Account for Sukukholders' actions ("**Sukuk Trustees' Reimbursement Account**") with a sum of at least Ringgit Malaysia One Hundred Thousand (RM100,000.00) shall be set up either by the Issuer or for and on behalf of the Issuer, which shall be maintained at all times throughout the tenure of the ICP Programme. The Sukuk Trustees' Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of Dissolution Events which are provided in the Trust Deed.

The monies in the Sukuk Trustees' Reimbursement Account may be invested in Islamic deposits or Islamic accounts,

Shariah-compliant instruments or securities as prescribed in the Trust Deed with any income from the investment to be accrued to the Issuer. These monies shall be returned to the Issuer upon full redemption of the Sukuk Cagamas and the termination or cancellation of the ICP Programme if no Dissolution Event takes place.

- (n) **Taxation** All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of any withholding or deduction required by law, the Issuer shall not be required to make payment of any additional amount on account of such withholding or deduction.
- (o) **Other conditions** The Sukuk Cagamas shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, and any other relevant regulatory authority having jurisdiction over matters pertaining to the Sukuk Cagamas.
- (p) **Jurisdiction** The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdiction of the courts of Malaysia.
- (q) **Transaction Documents** The transaction documents for the ICP Programme include the following documents:
- (i) Programme Agreement;
 - (ii) Trust Deed;
 - (iii) Tender Panel Agreements, if applicable;
 - (iv) each Subscription Agreements;
 - (v) Securities Lodgement Form;
 - (vi) the Islamic transaction documents entered into in accordance with the applicable Shariah principles; and
 - (vii) any other agreements in connection with the issuance of the Sukuk Cagamas as advised by the Solicitors of the JLAs,
- (collectively, the "**Transaction Documents**").
- (r) **External reviewer of the Cagamas' Sustainability Bond/Sukuk Framework** RAM Sustainability Sdn Bhd has been appointed as the external reviewer for the Cagamas' Sustainability Bond/Sukuk Framework.

[the remainder of this page is intentionally left blank]

2.2 PRINCIPAL TERMS AND CONDITIONS OF THE CCP PROGRAMME

The principal terms and conditions relating to the CCP Programme are set out below. Words and expressions used and defined in this Section 2.2 shall, in the event of any inconsistency with the definition section of this Information Memorandum, only be applicable to this Section 2.2.

(1) **Name of facility/programme** of A conventional commercial papers programme (“**CCP Programme**”) for the issuance of conventional commercial papers (“**CCPs**”).

(2) **One-time issue programme** or One-Time Issue
 Programme

(3) **ASEAN Bonds/Sukuk**

<input checked="" type="checkbox"/>	ASEAN Green Corporate Bonds/Sukuk
<input checked="" type="checkbox"/>	ASEAN Social Corporate Bonds/Sukuk
<input checked="" type="checkbox"/>	ASEAN Sustainability Corporate Bonds/Sukuk
<input type="checkbox"/>	Not ASEAN Corporate Bonds/Sukuk

(4) **Shariah principles (for sukuk)** Not applicable.

(5) **Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)** A CCP Programme for the issuance of CCPs from time to time, which together with an Islamic commercial papers programme (“**ICP Programme**”) to be established by Cagamas Berhad (“**Cagamas**” or “**Issuer**”) at or about the same time as the CCP Programme for the issuance of Islamic commercial papers (“**ICPs**”), shall have an aggregate combined limit of RM20.0 billion in nominal value.

Cagamas may also issue CCPs which will be in compliance with any one or more of the following guidelines or frameworks, as amended from time to time:

- a. the ASEAN Green Bond Standards pursuant to the SC’s LOLA Guidelines;
- b. the ASEAN Social Bond Standards pursuant to the SC’s LOLA Guidelines;
- c. the ASEAN Sustainability Bond Standards pursuant to the SC’s LOLA Guidelines;
- d. the International Capital Market Association (“**ICMA**”)’s Green Bond Principles;
- e. the ICMA’s Social Bond Principles;
- f. the ICMA’s Sustainability Bond Guidelines; and
- g. such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green bonds issued from time to time.

(collectively, “**Sustainability Guidelines/Framework**” and the CCPs issued under such Sustainability Guidelines/Framework shall be referred to as “**Sustainability CCPs**”). For the avoidance of doubt, references to CCPs herein shall also include Sustainability CCPs, where relevant.

The relevant Sustainability Guidelines/Framework under which such Sustainability CCPs are issued and the naming of such Sustainability CCPs shall be specified in the relevant documents in relation to the issuance of such Sustainability CCPs.

The CCPs may be issued in one or more series (each series shall be referred to as a “**Series**”) where CCPs under the same Series shall have the same issue date. Each Series may comprise one or more tranches where all the tranches under each Series have the same issue date but different maturity dates. A “Tranche” shall mean such CCPs with the same issue date and the same Maturity Date. “**Maturity Date**” refers to the maturity date of the relevant CCPs.

- (6) **Currency**
- Foreign Currency
 - Multi-currency excluding Ringgit
 - Multi-currency including Ringgit
 - Ringgit
- (7) **Expected facility/programme size** Combined limit with ICP Programme: up to RM20.0 billion
Sub limit: Not Applicable
- (8) **Option to upsize (for programme)** Not applicable.
- (9) **Tenure of facility/programme**
- | | | | |
|-------------------------------------|----------------|-----------------|---------------|
| <input checked="" type="checkbox"/> | Year(s) | Month(s) | Day(s) |
| | 7 | - | - |
- Perpetual
- (10) **Availability period of debt or sukuk programme** The period commencing from the date of completion of documentation and compliance with all conditions precedent and other applicable conditions to the satisfaction of the JLAs, unless waived by the JLAs and ending on the expiry date of the CCP Programme.
- The first issuance of the CCPs shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.
- (11) **Clearing and settlement platform** Bank Negara Malaysia (“**BNM**”)

- (12) **Mode of issue**
- Private/direct placement
 - Bought deal
 - Book building
 - Tender

(13) **Selling restrictions**

At Issuance

- Exclusively to persons outside Malaysia
- Part 1 of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)
- Part 1 of Schedule 7 of the CMSA
- Read together with Schedule 9 of CMSA
- Schedule 8 of CMSA
- Section 2(6) of the Companies Act 2016
- Other:

The CCPs may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the CCPs and to whom the CCPs are issued would fall within:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and
- (ii) Schedule 6 and Schedule 7 of the CMSA,

read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation or official directive from time to time.

After Issuance

- Exclusively to persons outside Malaysia
- Part 1 of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)
- Read together with Schedule 9 of CMSA
- Schedule 8 of CMSA
- Section 2(6) of the Companies Act 2016
- Other:

The CCPs may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the CCPs and to whom the CCPs are issued would fall within:

- (i) paragraph 1 (a), (b) or (d) of Part I of Schedule 5 of the CMSA; and
- (ii) Schedule 6 or Section 229(1)(b) of the CMSA,

approvals and permits which is or may become necessary for the Issuer to carry on its business;

- (ii) the Issuer shall at all times on demand, execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents (as defined in the section entitled "*Other Terms and Conditions – Transaction Documents*" below);
- (iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices;
- (iv) the Issuer shall promptly perform and carry out all its obligations under all the Transaction Documents, comply at all times with the provisions of the Trust Deed and the terms and conditions of the CCPs and ensure that it shall immediately notify the Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;
- (v) the Issuer shall prepare its financial statements and keep proper books and accounting records at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia and provide the Trustee and any person appointed by it (e.g. auditors) access to such financial statements, books and accounts to the extent permitted by law;
- (vi) the Issuer shall promptly comply with all applicable laws and regulations including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC, BNM and any other relevant regulatory authorities from time to time;
- (vii) for so long as any Sustainability CCPs are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines/Framework as stated in the relevant documents in relation to the issuance of such Sustainability CCPs;
- (viii) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the Facility Agent shall notify the Trustee in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the CCPs;

- (ix) the Issuer shall ensure that the provisions of the Information Memorandum do not contain any matter which is inconsistent with the provisions of the Trust Deed and the terms and conditions of the CCPs;
- (x) the Issuer shall ensure that any conditions subsequent in relation to the issuance of the CCPs are complied with in accordance with the terms and conditions of the CCP Programme and that any request from the Issuer to add, extend, vary or otherwise modify any conditions subsequent shall be subject to the approval of the holders of the CCPs (“**CCPholders**”);
- (xi) where the proceeds from the Issuer’s proposed issuances are used towards funding the purchase of assets/receivables from interested persons who are not licensed banks or licensed investment banks (both as defined under the Financial Services Act 2013) or licensed Islamic banks (as defined under the Islamic Financial Services Act 2013), the Issuer shall submit to the SC, as and when requested by the SC, the following information in relation to such transactions:
 - (a) the counterparties involved;
 - (b) the relationship of the counterparties to the Issuer;
 - (c) the type of scheme involved, if applicable;
 - (d) the asset class involved; and
 - (e) details of the issuance; and
- (xii) any other covenants as may be advised by the Solicitors and to be mutually agreed by the Issuer and the JLAs, including but not limited to the requirements under the SC’s Guidelines on Trust Deeds first issued on 12 July 2011 (revised on 23 July 2020) (as amended from time to time) (“**Guidelines on Trust Deeds**”).

(21) **(b) Negative Covenants**

- No negative covenant
- Negative covenant, details as follows:

Including but not limited to:

- (i) save in the ordinary course of its business or in connection with the raising of funds in accordance with Shariah principles, under the terms of which the Issuer has the right to acquire back any undertakings or assets disposed, the Issuer shall not dispose of the whole or a material part of its undertakings or assets;
- (ii) the Issuer shall not change the utilisation of the proceeds of the CCP Programme except for the purposes as set out in the Transaction Documents and the Information Memorandum;

- (iii) the Issuer shall not enter into a transaction whether directly or indirectly with interested persons (including a director, major shareholders and chief executive or persons connected with them) unless such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons, and the Issuer certifies the same to the Trustee on an annual basis;
- (iv) the Issuer shall not permit any amendment, supplement or variation to the constitution of the Issuer in a manner which may be materially prejudicial to the interest of the CCPholders; and
- (v) any other covenants as may be advised by the Solicitor of the JLAs and to be mutually agreed between the Issuer and the JLAs including but not limited to the requirements under the Guidelines on Trust Deeds.

(21) **(c) Financial Covenants**

- No financial covenant
- Financial covenant, details as follows:

(21) **(d) Information Covenants**

- No information covenant
- Information covenant, details as follows:

Including but not limited to:

- (i) the Issuer shall promptly give to the Trustee any information which the Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs to the extent permitted by law;
- (ii) the Issuer shall provide to the Trustee at least annually, a certificate confirming that it has complied with all its obligations under the Transaction Documents and the terms and conditions of the CCPs, and that there did not exist or had not existed, from the issue date or the date of the previous certificate as the case may be, any Event of Default (as defined in the section entitled "*Events of default or enforcement events, where applicable, including recourse available to investors*" below), where applicable and if such is not the case, to specify the same;
- (iii) the Issuer shall deliver to the Trustee (which may be circulated by the Trustee at its discretion to the registered CCPholders and the Credit Rating Agencies) the following:

- (a) as soon as they become available (and in any event within six (6) months of the expiration of each financial year), a copy of the annual audited consolidated financial statements of the Issuer for that financial year;
 - (b) within thirty (30) days after its annual general meeting, a copy of its consolidated balance sheet and consolidated income statements adopted at the annual general meeting and certified by the auditors of the Issuer and a copy of such auditors' report thereon as well as any other account, report, notice, statement or circular issued to its shareholders within thirty (30) days of the same being issued to the shareholders;
 - (c) within ninety (90) days after the end of the first half of its financial year, copies of its unaudited half yearly consolidated financial statement for that period which shall contain the consolidated income statement and consolidated balance sheets of the Issuer, which are duly certified by any one of its directors; and
 - (d) promptly, any other account, report, notice, statement or circular issued by the Issuer to its shareholders which are material and substantial to or necessary for the CCPholders to make informed investment decisions;
- (iv) the Issuer shall promptly notify the Trustee in the event Cagamas Holdings Berhad is no longer a substantial shareholder of the Issuer;
 - (v) the Issuer shall promptly notify the Trustee and the Credit Rating Agencies of any change in its financial condition and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer, which in each case may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;
 - (vi) the Issuer shall immediately give notice to the Trustee of the occurrence of any Event of Default or enforcement upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Trustee to remedy and/or mitigate the effect of the Event of Default;
 - (vii) the Issuer shall immediately notify the Trustee of any change in its withholding tax position, any substantial change in the nature of the business of the Issuer and/or

any other matter that may materially prejudice the interests of the CCPholders; and

(viii) any other covenants as advised by the Solicitor and mutually agreed between the JLAs and the Issuer including but not limited to the requirements under the Guidelines on Trust Deeds.

(22) **Details of designated account(s), if applicable** No Designated account
 Designated account(s) as follows:

(23) **Name of credit rating agency, credit rating and amount rated, if applicable** Not rated
 Rated as follows:

Credit Rating Agencies	RAM Rating Services Berhad (“ RAM ”) and MARC Ratings Berhad (“ MARC ”)
Credit rating	P1 and MARC-1
Final/Indicative	Indicative
Name of Class/Series/Tranche	Not applicable
Amount rated	RM20.0 billion

(24) **Conditions precedent** To include but not limited to the following (all have to be in form and substance acceptable to the JLAs and as may be waived by the JLAs):

A. Main Documentation

(i) The Transaction Documents for the CCP Programme have been executed and endorsed as being exempt from stamp duty.

B. Issuer

(i) Certified true copies of the Certificate of Incorporation and the constitution of the Issuer.

(ii) Certified true copies of the latest return for allotment of shares (formerly known as Form 24) and the latest notification of change in the register of directors, managers and secretaries (formerly known as Form 49) of the Issuer.

(iii) A certified true copy of board resolutions of the Issuer authorising, among others, the issue of the CCPs, the execution of the Transaction Documents and the performance of its obligations under the Transaction Documents.

(iv) A list of the Issuer's authorised signatories and their respective specimen signatures.

- (v) A report of the relevant company search of the Issuer with the Companies Commission of Malaysia.
- (vi) A report of the relevant winding up search of the Issuer with the Director General of Insolvency's office confirming that the Issuer has not been wound up.

C. General

- (i) The lodgement with the SC and, where applicable, approvals from all other regulatory authorities.
- (ii) The CCP Programme shall have been rated P1 and MARC-1 (or its equivalent).
- (iii) Evidence that all transaction fees, costs and expenses have been or will be paid in full.
- (iv) The JLAs have received from their Solicitors a legal opinion addressed to them and the Trustee on the legality, validity and enforceability of the Transaction Documents.
- (v) Evidence that all necessary approvals and consents required (including but not limited to the relevant regulatory authorities, if applicable) for CCP Programme and the issue of the CCPs thereunder have been obtained.
- (vi) Receipt of a written confirmation from the Solicitors of the JLAs that all conditions precedent to the CCP Programme have been fulfilled or waived as the case may be.
- (vii) Evidence that a Trustees' Reimbursement Account (as defined in the section entitled "*Other Terms and Conditions – Trustees' Reimbursement Account*" below) has been opened and the deposit of RM100,000.00 has been or will be made.
- (viii) Such other conditions precedent as advised by the Solicitors of the JLAs and agreed to by the Issuer.

(25) **Representations and warranties** and Including but not limited to the following:

- (i) the Issuer is a company with limited liability duly incorporated and validly existing under the laws of Malaysia, has power to carry on its business and to own its property and assets and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;

- (ii) the Issuer has the power under its constitution to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;
- (iii) save and except for payment of stamp duty or the endorsement of exemption of stamp duty payable on the Transaction Documents, all necessary actions, authorisations, consents, approvals, licences, exemptions, registrations, recordings, filings or notarisations required to enable the Issuer to lawfully enter into, exercise its rights and comply with its obligations pursuant to the Transaction Documents (to which it is a party), to ensure that those obligations are legally binding and enforceable and to make the Transaction Documents and the CCPs admissible in evidence in the courts of Malaysia, have been taken, fulfilled, obtained and are in full force and effect;
- (iv) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;
- (v) each of the Transaction Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;
- (vi) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial condition;
- (vii) no litigation, arbitration or administrative proceeding or any other proceeding or claim which might by itself or together with any other such proceedings or claims

having a Material Adverse Effect is presently in progress or pending in relation to which the Issuer has not taken any action in good faith to set aside or defend;

- (viii) the Issuer is unaware that an event has occurred which constitutes a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets are bound or affected, being a contravention or default which is likely to have a Material Adverse Effect;
- (ix) the Issuer is in compliance with any applicable laws and regulations and all directives of governmental authorities having the force of law;
- (x) no Event of Default has occurred and is continuing; and
- (xi) any other representations and warranties as advised by the Solicitor and mutually agreed between the JLAs and the Issuer.

“Material Adverse Effect” means a material and adverse effect:

- (1) on the financial condition of the Issuer; or
- (2) on the ability of the Issuer to make payment of any principal or interest/coupon under the CCPs.

- (26) **Events of default or enforcement events, where applicable, including recourse available to investors** Customary events of default (“**Event of Default**”) for a facility of this nature which include the following:
- (i) the Issuer fails to make payment of any principal or interest/coupon under the CCPs due from it under any of the Transaction Documents on the due date or, if so payable, on demand;
 - (ii) any representation or warranty made by the Issuer under any provision of the Transaction Documents or any information, notice, opinion or certificate or other document furnished at any time pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading in any material respect;
 - (iii) the Issuer fails to observe or perform its obligations under any of the Transaction Documents or the CCPs or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of such failure which in the opinion of the Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) days after the Issuer

having been notified by the Trustee of the failure, or such extended period as may be agreed with the Trustee;

- (iv) any indebtedness for borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged within a period of thirty (30) days from the date of such declaration or call, or any security created to secure such indebtedness becomes enforceable;
- (v) a receiver, receiver and manager, judicial manager or other officer acting in a similar capacity is appointed in respect of the whole or any substantial part of the assets of the Issuer;
- (vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and such event has a Material Adverse Effect;
- (vii) any step or action is taken for the winding up, dissolution or liquidation of the Issuer including, without limitation, the presentation of a petition for winding up against the Issuer or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of the Issuer other than any petition or proceeding which is contested by the Issuer in good faith and is set aside within sixty (60) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;
- (viii) a scheme of arrangement under section 366 of the Companies Act 2016 or any other action or arrangement in relation to corporate rescue mechanism under the Companies Act 2016 has been instituted by or against the Issuer;
- (ix) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent that impairs or prejudices the ability of the Issuer to comply with the terms and conditions of the CCPs or the Transaction Documents;
- (x) the Issuer is deemed unable to pay any of its debts or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

- (xi) any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event may have a Material Adverse Effect;
- (xii) the Issuer changes the nature of a substantial part of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations, and such change, suspension or cessation may have a Material Adverse Effect;
- (xiii) it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under any Transaction Document or any of the obligations of the Issuer thereunder are not, or cease to be legal, valid, binding and enforceable;
- (xiv) the Issuer repudiates any of the Transaction Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents;
- (xv) all or a substantial portion of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which is likely to have a Material Adverse Effect; or
- (xvi) such other event as may be advised by the Solicitor and mutually agreed with the Issuer.

Upon the occurrence of an Event of Default, the Trustee may or shall (if directed to do so by a special resolution of the CCPholders) declare that an Event of Default has occurred, and the CCPs together with all other sums payable under the CCPs shall become immediately due and payable. Thereafter, the Trustee may take proceedings against the Issuer as it may think fit to enforce immediate payment of the CCPs.

- (27) **Governing laws** The CCPs will be governed by and shall be construed in accordance with the laws of Malaysia.
- (28) **Provisions on buy-back, if applicable** Repurchase and Cancellation
The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the CCPs at any price in the open market or by private treaty. Such CCPs purchased by the Issuer or its subsidiary(ies) or agent(s) shall be cancelled by the Issuer and cannot be reissued or resold. The CCPs purchased by its related corporations (other than its subsidiaries) and/or interested persons (as defined in the Guidelines on Trust Deeds) need not be cancelled but they will not entitle such related corporations or interested persons to vote at any meeting of the CCPholders.

Redemption

Unless purchased and cancelled, the CCPs will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates. The CCPs redeemed by the Issuer shall be cancelled and cannot be reissued or resold.

- (29) **Provisions on early redemption, if applicable** No provisions on early redemption
 Provisions on early redemption, details as follow:
- (30) **Voting** All matters/resolutions which require the CCPholders' consent under the CCP Programme shall be carried out on a collective basis.
- (31) **Permitted investments, if applicable** Not applicable.
- (32) **Ta'widh (for ringgit denominated sukuk)** Not applicable.
- (33) **Ibra' (for ringgit denominated sukuk)** Not applicable.
- (34) **Kafalah (for ringgit denominated sukuk)** Not applicable.
- (35) **Waivers from complying with the Guidelines on UCMP under the LOLA Framework and other relevant guidelines of the SC obtained for the facility/programme, if any** Approval from the SC for waiver from compliance with paragraph 13.02(a)(ii) of the Guidelines on Trust Deeds has been obtained on 1 August 2022.
- (36) **Other Terms and Conditions**
- (a) **Issue Price** The CCPs issued with coupon may be issued at par, at a premium, or at a discount to its nominal value, whereas the CCPs issued without coupon shall be issued at a discount to its nominal value.
- The issue price of the CCPs will be determined prior to each issuance and shall be calculated in accordance with BNM Procedures and Rules (as defined below).
- (b) **Interest/ coupon (fixed or floating)** The CCPs will be issued at par, at a premium, or at a discount with or without a coupon rate. The coupon rate (if applicable, and which may be fixed or floating) will be determined prior to each issuance of CCPs.
- (c) **Interest/ coupon payment frequency** In respect of the CCPs which are issued with a coupon rate, the coupon is payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such CCPs.

- (d) **Interest/ coupon payment basis** In respect of the CCPs which are issued with a coupon rate, the coupon payments are to be calculated on actual/365 basis, subject always to the BNM Procedures and Rules.
- (e) **Yield to maturity (%)** To be determined prior to issuance.
- (f) **Details of utilisation of proceeds** **on of** The proceeds raised from the issuance of CCPs (other than the Sustainability CCPs) shall be utilised by the Issuer to defray the costs and expenses in relation to the issuance of the CCPs, for its working capital, general corporate purposes (including for the purpose of refinancing) and to refinance any CCPs on their respective expected maturity dates.

The proceeds raised from the issuance of Sustainability CCPs under the CCP Programme shall be utilised by Cagamas to solely purchase eligible loans/assets that meet the criteria as set out in Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/ Framework as further set out in the relevant documents in relation to the issuance of such Sustainability CCPs.

"Cagamas' Sustainability Bond/Sukuk Framework" means the framework first issued by Cagamas on 17 January 2019 in relation to the issuance of Cagamas' sustainability bonds/sukuk, as published on Cagamas' website and shall include any amendment or revision thereof from time to time.

- (g) **Form and denomination** The CCPs shall be issued in accordance with:
- (1) Operational Procedures for Securities Services and Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System ("**RENTAS**") issued by BNM or its successor-in-title or successor in such capacity ("**BNM Procedures**"); and
 - (2) Participation Rules for Payment and Securities Services issued by BNM or its successor-in-title or successor in such capacity ("**BNM Rules**").

BNM Procedures and BNM Rules (as amended and/or substituted from time to time) are collectively referred to as "**BNM Procedures and Rules**".

Each tranche of the CCPs shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the CCPs shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

- (h) **Listing status** The CCPs will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.
- (i) **Status** The CCPs will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the Transaction Documents.
- (j) **Tenure of the CCP Programme and the CCPs** The tenure of the CCP Programme is seven (7) years from the date of the first issue under the CCP Programme.
- The CCPs issued under the CCP Programme may have tenures of any period above one (1) month and not exceeding one (1) year. Any CCPs issued must mature within the tenure of the CCP Programme.
- (k) **Default Interest** There will be no provision in the documentation relating to the CCPs for default interest to be paid on overdue amounts.
- (l) **Trustees' Reimbursement Account** A Trustees' Reimbursement Account for CCPholders' actions ("**Trustees' Reimbursement Account**") with a sum of at least Ringgit Malaysia One Hundred Thousand (RM100,000.00) shall be set up either by the Issuer or for and on behalf of the Issuer, which shall be maintained at all times throughout the tenure of the CCP Programme. The Trustees' Reimbursement Account shall be operated by the Trustee and the monies shall only be used strictly by the Trustee in carrying out its duties in relation to the occurrence of Events of Default which are provided in the Trust Deed.
- The monies in the Trustees' Reimbursement Account may be invested in bank deposits, instruments or securities as prescribed in the Trust Deed with interest from the investment to be accrued to the Issuer. These monies shall be returned to the Issuer upon full redemption of the CCPs and the termination or cancellation of the CCP Programme if no Event of Default takes place.
- (m) **Taxation** All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of any withholding or deduction required by law, the Issuer shall not be required to make payment of any additional amount on account of such withholding or deduction.

- (n) **Other conditions** The CCPs shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, and any other relevant regulatory authority having jurisdiction over matters pertaining to the CCPs.
- (o) **Jurisdiction** The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdiction of the courts of Malaysia.
- (p) **Transaction Documents** The transaction documents for the CCP Programme include the following documents:
- (i) Programme Agreement;
 - (ii) Trust Deed;
 - (iii) Tender Panel Agreements, if applicable;
 - (iv) each Subscription Agreements;
 - (v) Securities Lodgement Form; and
 - (vi) any other agreements in connection with the issuance of the CCPs as advised by the Solicitors of the JLAs,
- (collectively, the "**Transaction Documents**").
- (q) **External reviewer of the Cagamas' Sustainability Bond/Sukuk Framework** RAM Sustainability Sdn Bhd has been appointed as the external reviewer for the Cagamas' Sustainability Bond/Sukuk Framework.

[the remainder of this page is intentionally left blank]

SECTION 3.0 BACKGROUND INFORMATION OF CAGAMAS

3.1 Overview

Cagamas, the National Mortgage Corporation of Malaysia was incorporated in Malaysia under the Companies Act, 2016 on 2 December 1986, as a public limited company. Cagamas has its registered office located at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

Cagamas is the main operating company of a group of companies held by Cagamas Holdings. Incorporated in 2007, Cagamas Holdings is the holding company for Cagamas, Cagamas MBS, Cagamas SME, BNM Sukuk, Cagamas SRP and Cagamas MGP.

Cagamas was established by BNM with the objectives of supporting the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets. As part of its development, Cagamas has expanded the scope of its initial objectives to encompass the development and promotion of Islamic finance within Malaysia. Through the issuance of conventional and Islamic securities ("**Sukuk**"), Cagamas is able to fund the purchase of housing loans and house financings from financial institutions and non-financial institutions (collectively, referred to as the "**Selling Institutions**") through its purchase with recourse ("**PWR**") and purchase without recourse ("**PWOR**") schemes. In purchasing housing loans and house financings, Cagamas is able to provide liquidity to the Selling Institutions at a competitive cost, encouraging them to provide additional housing loans and house financings to new applicants at an affordable price and thus assist with the continued expansion of home ownership within Malaysia. The PWR scheme has now been expanded to include other loans and financings such as hire purchase/leasing receivables, personal loans and financings, small and medium enterprise ("**SME**") loans and financings and infrastructure development loans and financings, while the PWOR scheme includes hire purchase and leasing receivables (see *Section 5.1.1 Business Overview — Cagamas Business Model* for additional information).

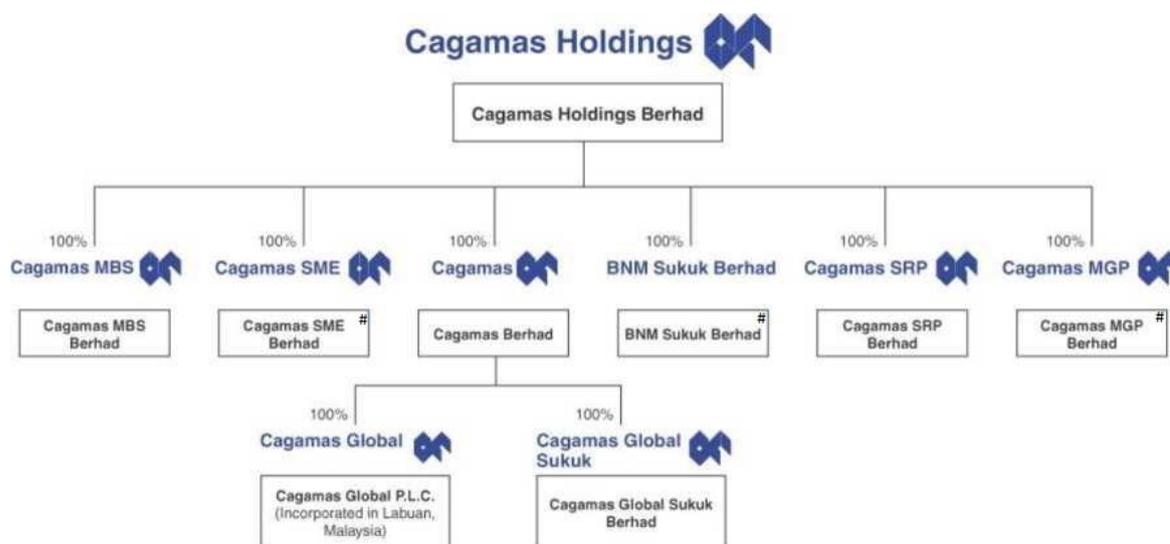
In addition, Cagamas Holdings, through its Subsidiaries, namely:

- (a) Cagamas MBS purchases staff housing loans and house financings (both conventional and Islamic) from the GOM, funded through the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities.
- (b) Cagamas SRP provides guarantees to mortgage providers/financiers under the mortgage guarantee programmes including the GOM-initiated Skim Rumah Pertamaku or "My First Home Scheme" and Skim Perumahan Belia or "Youth Housing Scheme".

Cagamas is the second largest issuer of debt instruments after the Government and the largest issuer of AAA corporate bonds and Sukuk in the market. Since incorporation in 1986 up to 31 October 2022, Cagamas has cumulatively issued circa RM371.5 billion worth of corporate bonds and Sukuk, and has to date concluded RM1.7 billion worth of sustainability-related bonds and Sukuk since its inaugural issuance in 2020¹.

Below is a diagram setting out the structure of the Cagamas Group as at the LPD:

¹ Cagamas press release on 31 October 2022.



#Note: Dormant company

3.2 Share capital

The issued and paid-up share capital of Cagamas as at the LPD is as follows:

Type of Shares	No. of shares	Total (RM)
Ordinary	150,000,000	150,000,000.00

3.3 Shareholders

Cagamas is a wholly-owned subsidiary of Cagamas Holdings.

The following table sets out the number of shareholders constituting each of the three classes of institutional shareholders, and their total shareholding as a class in Cagamas Holdings as at the LPD.

Institution of Shareholders	Shareholding Percentage (%)	Number of Shareholders	Range of Shareholding (%)
Central Bank of Malaysia	20.0	1	20.0
Commercial Banks	78.3	18	0.2 - 16.5
Investment Banks	1.7	3	0.4 - 0.8
Total	100.0	22	-

The following table sets out the individual shareholders in Cagamas Holdings as at the LPD:

Name of Shareholder	Total Number of Shares Held	Shareholding Percentage (%)
Bank Negara Malaysia	30,000,000	20.0
CIMB Bank Berhad	24,684,000	16.5
Malayan Banking Berhad	21,279,000	14.2
RHB Bank Berhad	11,732,400	7.8

Name of Shareholder	Total Number of Shares Held	Shareholding Percentage (%)
RHB Investment Bank Berhad	1,200,000	0.8
AmBank (M) Berhad	12,066,000	8.0
Public Bank Berhad	9,885,600	6.6
Public Investment Bank Berhad	600,000	0.4
Hong Leong Bank Berhad	8,958,000	6.0
HSBC Bank Malaysia Berhad	6,201,000	4.1
Alliance Bank Malaysia Berhad	5,583,000	3.7
Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
Affin Bank Berhad	3,660,000	2.4
Affin Hwang Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
OCBC Bank (Malaysia) Berhad	2,997,000	2.0
MUFG Bank (Malaysia) Berhad	738,000	0.5
SIBB Berhad	450,000	0.3
Bangkok Bank Berhad	369,000	0.3
The Bank of Nova Scotia Berhad	327,000	0.2
Deutsche Bank (Malaysia) Berhad	300,000	0.2
Bank of China (Malaysia) Berhad	300,000	0.2
Total	150,000,000	100.0

3.4 Subsidiaries and related companies of Cagamas

The subsidiaries and related companies of Cagamas as at the LPD are as follows:

Name	Country of Incorporation	Effective equity interest held by Cagamas (%)
Subsidiaries		
Cagamas Global	Malaysia	100
Cagamas Global Sukuk	Malaysia	100
Related Companies*		
BNM Sukuk	Malaysia	-
Cagamas MBS	Malaysia	-
Cagamas MGP	Malaysia	-
Cagamas SME	Malaysia	-
Cagamas SRP	Malaysia	-

*Note: Related companies other than Cagamas Holdings and the subsidiaries of Cagamas

Cagamas Global

Cagamas Global was incorporated on 4 April 2014 in the Federal Territory of Labuan under the Labuan Companies Act, 1990 of Malaysia. It is a special purpose vehicle and was formed for the purpose of establishing a multi-currency medium term note programme of USD2.5 billion in nominal value (or its equivalent in other currencies) which was established in year 2014.

Cagamas Global Sukuk

Cagamas Global Sukuk was incorporated on 5 May 2014 under the Companies Act, 2016. It is a special purpose vehicle and was formed for the purpose of establishing a multi-

currency Sukuk issuance programme of USD2.5 billion in nominal value (or its equivalent in other currencies) under the Shariah principle of Wakala, which was established in year 2014.

BNM Sukuk

BNM Sukuk was incorporated on 18 January 2006 for the purpose of undertaking the issuance of Islamic investment securities, namely BNM Sukuk Ijarah (“**BSI**”) and BNM Sukuk Murabahah (“**BSM**”) based on Shariah principles of Ijarah (leasing) and Murabahah (cost-plus sale). Issuances of BSI are used to facilitate the financing of BNM activities, namely the purchase of the beneficial interest in land and buildings from BNM and, thereafter to lease back the same land and buildings to BNM for a contractual period similar in tenure to the BSI. Issuances of BSM are based on a Murabahah contract which refers to a mark-up sale transaction. BSM is essentially a certificate of indebtedness arising from a deferred mark-up sale transaction to BNM of an asset, such as a commodity (mainly crude palm oil), which complies with Shariah principles.

BNM Sukuk has remained dormant since 1 September 2015.

Cagamas MBS

Cagamas MBS was incorporated on 8 June 2004 for the purpose of purchasing staff housing loans and house financings from the GOM and the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities to finance the purchases.

Cagamas MGP

Cagamas MGP was incorporated on 14 April 2008 to develop the mortgage guarantee business. With effect from 20 December 2012, Cagamas MGP became a wholly-owned subsidiary of Cagamas Holdings thus complementing the Cagamas Group’s other activities and developmental initiatives. Cagamas MGP’s Mortgage Guarantee Programme (“**MGP**”) provided financial institutions, particularly mortgage originators, a mortgage guarantee facility for their conventional and Islamic mortgage portfolio. The MGP offered a portfolio and risk management solution to these institutions to manage the credit risk exposure of their mortgage portfolios, whilst continuing to maintain asset growth and provide affordable mortgage loans to homebuyers. In addition, the MGP assisted in strengthening the banking sector by removing systemic risk from the sector.

Cagamas MGP has remained dormant since 1 January 2014 and the business of Cagamas MGP has been transferred to Cagamas SRP.

Cagamas SME

Cagamas SME was incorporated on 17 February 2006 to undertake securitisations of small and medium enterprise loans via true sale or synthetic securitisations or a combination of both. Cagamas SME has previously entered into a credit default swap transaction with a financial institution as counterparty, and issued fixed-rate credit linked notes in a synthetic securitisation transaction.

Cagamas SME has been dormant since 10 October 2012.

Cagamas SRP

Cagamas SRP was incorporated on 7 January 2011 to undertake the guarantee of residential mortgages under the Skim Rumah Pertamaku or "My First Home Scheme" (the "SRP") announced by the GOM in the 2011 Malaysian Budget. Cagamas SRP also undertook to provide guarantees under the Skim Perumahan Belia – Youth Housing Scheme ("SPB") announced by the GOM on 1 October 2015.

SPB was discontinued by the Government in September 2020 and Cagamas SRP is running down its existing contingent liabilities accordingly.

The provision of guarantees under both schemes is similar to that previously offered by Cagamas MGP to financial institutions.

3.5 Profile of Directors

As at the LPD, the Board consists of six Non-Executive Directors and one Executive Director.

The seven members constituting the Board as at the LPD, are set out in the table below:

Name	Nationality	Designation
Dato' Bakarudin Ishak	Malaysian	Independent Non-Executive Chairman
Dato' Wee Yiau Hin @ Ong Yiau Hin	Malaysian	Independent Non-Executive Director
Puan Ho Chai Huey	Malaysian	Independent Non-Executive Director
Tan Sri Tajuddin Atan	Malaysian	Independent Non-Executive Director
Encik Abdul Rahman bin Hussein	Malaysian	Independent Non-Executive Director
Puan Sophia Ch'ng Sok Heang	Malaysian	Independent Non-Executive Director
Datuk Chung Chee Leong	Malaysian	President/ Chief Executive Officer/ Non-Independent Executive Director

The directors of Cagamas and their respective profiles as at the LPD are as follows:

Dato' Bakarudin Ishak – Independent Non-Executive Chairman

Dato' Bakarudin Ishak (Independent Non-Executive Director) Aged 61, Malaysian	
Date Appointed to the Board	: 26 March 2019
Membership of Board Committees	: Member, Board Staff Compensation and Organisation Committee
Board Meeting Attended	: 7/7*
QUALIFICATION	
<ul style="list-style-type: none"> • Bachelor of Economics (Hons), University of Malaya 	
WORKING EXPERIENCE /OTHER DIRECTORSHIPS	
Present:	
<ul style="list-style-type: none"> • Chairman, Cagamas Holdings Berhad • Chairman, Cagamas SRP Berhad • Hong Leong MSIG Takaful Berhad 	
Past:	
<ul style="list-style-type: none"> • Assistant Governor, Bank Negara Malaysia <ul style="list-style-type: none"> - Member, BNM Monetary Policy Committee - Director, Foreign Exchange Administration Department - Director, Islamic Banking and Takaful Department • Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear) • Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF) • Investment Panel, Employees' Provident Fund • Director, ACE Money Exchange Sdn. Bhd. • Director, Affin Islamic Bank Berhad 	

Dato' Wee Yiau Hin @ Ong Yiau Hin – Independent Non-Executive Director

Dato' Wee Yiau Hin @ Ong Yiau Hin (Independent Non-Executive Director) Aged 64, Malaysian	
Date Appointed to the Board	: 1 July 2016
Membership of Board Committees	: Chairman, Board Staff Compensation and Organisation Committee
Board Meeting Attended	: 7/7*
QUALIFICATION	
<ul style="list-style-type: none"> • Civil Engineer • Masters of Science Degree, Imperial College, United Kingdom 	

WORKING EXPERIENCE /OTHER DIRECTORSHIPS
Present:
<ul style="list-style-type: none"> • Director, ENRA Group Berhad • Fellow, Society of Petroleum Engineers
Past:
<ul style="list-style-type: none"> • Director, PETRONAS <ul style="list-style-type: none"> - Executive Vice President and CEO, Upstream Business - Member, Executive Committee - Chairman and Director of several companies • Managing Director, Shell Malaysia Exploration and Production Companies • Vice President, Talisman Energy, Malaysia

Puan Ho Chai Huey –Independent Non-Executive Director

Puan Ho Chai Huey (Independent Non-Executive Director) Aged 62, Malaysian	
Date Appointed to the Board	: 1 February 2019
Membership of Board Committees	: Member, Board Risk Committee Member, Board Staff Compensation and Organisation Committee
Board Meeting Attended	: 7/7*
QUALIFICATION	
<ul style="list-style-type: none"> • Bachelor of Economics, Honours Class 1 Statistics, University of Malaya 	
WORKING EXPERIENCE /OTHER DIRECTORSHIPS	
Present:	
<ul style="list-style-type: none"> • Director, HSBC Amanah Malaysia Berhad • Senior Consultant, Information Technology and Project Management for STF Resources Sdn Bhd. and its affiliates (Asian Institute of Chartered Bankers and Asian Banking School) 	
Past:	
<ul style="list-style-type: none"> • Director, Information Technology (IT) Services Department, Bank Negara Malaysia, responsible for providing technology solution and IT solution as well as managing technology risk and IT governance: <ul style="list-style-type: none"> - Deputy Director, in-charge of Payments, Investment and Treasury Management Systems, and Financial Market Systems including technology risk management - Manager, System Development and Project Management for Financial Accounting, Treasury and Financial Market Systems - IT System Analyst for Treasury, Accounting, Settlement and Clearing Systems 	

Tan Sri Tajuddin Atan – Independent Non-Executive Director

Tan Sri Tajuddin Atan (Independent Non-Executive Director) Aged 63, Malaysian	
Date Appointed to the Board	: 01 May 2020
Membership of Board Committees	: Chairman, Board Risk Committee
Board Meeting Attended	: 6/7*
QUALIFICATION	
<ul style="list-style-type: none">• Honorary Degree of Doctorate in Finance, University Putra Malaysia• Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB)• Master in Business Administration, Ohio University• Malaysian Futures & Options Registered Representative (MFORR)• Bachelor of Science (Agribusiness), University Putra Malaysia	
WORKING EXPERIENCE /OTHER DIRECTORSHIPS	
Present:	
<ul style="list-style-type: none">• Chairman, MMC Corporation Berhad• Director, MMC Gamuda KVMRT (PDP SSP) Sdn Bhd.• Director, MMC Gamuda KVMRT (T) Sdn. Bhd.• Director, MMC Gamuda KVMRT (PDP) Sdn Bhd.• Chairman, Honda Malaysia Sdn. Bhd.• Chairman, Asian Institute of Chartered Bankers (AICB) Disciplinary Panel• Chairman, Director, Bank Muamalat Malaysia Berhad	
Past:	
<ul style="list-style-type: none">• Chief Executive Officer/Executive Director, Bursa Malaysia Berhad• RHB Banking Group<ul style="list-style-type: none">- Group Managing Director, RHB Capital Berhad- Managing Director, RHB Bank Berhad• President/ Group Managing Director, Bank Pembangunan Malaysia Berhad• Chief Executive Officer, Bank Simpanan Nasional• Managing Director, Chase Perdana Berhad• Senior General Manager, Corporate Finance, Penang Shipbuilding Group• Head of Treasury Division, Bank Bumiputra Commerce Berhad• Non-Independent Executive Director in all subsidiary companies within Bursa Malaysia Group• Director, Capital Market Development Fund• Director, Securities Industry Development Corporation• Member of Executive Committee, Financial Reporting Foundation• Member of Executive Committee, Malaysia International Islamic Financial Centre	

Encik Abdul Rahman bin Hussein – Independent Non-Executive Director

Encik Abdul Rahman bin Hussein (Independent Non-Executive Director) Aged 57, Malaysian	
Date Appointed to the Board	: 01 April 2022
Membership of Board Committees	: Member, Board Risk Committee
Board Meeting Attended	: -*
QUALIFICATION	
<ul style="list-style-type: none">• Bachelor of Land Economy (Hons), University of Aberdeen, Scotland	
WORKING EXPERIENCE /OTHER DIRECTORSHIPS	
Present:	
<ul style="list-style-type: none">• Nil	
Past:	
<ul style="list-style-type: none">• Bank Negara Malaysia (BNM)<ul style="list-style-type: none">- Chairman of BNM Sukuk Berhad- Director of Sukuk Kijang Berhad- Board member of Kumpulan Wang Amanah Persaraan (KWAP), interim appointment, representing BNM from January to September 2018- Portfolio Manager, London Representative Office- Deputy Director of Treasury Risk Management, Investment Operations and Financial Market Department- Director of Risk Management Department and Secretary to the Board Risk Committee of BNM- Director of Investment Operation and Financial Market- Member of the Financial Market Committee• International Islamic Liquidity Management Corporation (IILM)<ul style="list-style-type: none">- Member of Board Risk Management Committee, representing BNM• Executive Meeting Of Asia-Pacific Central Banks (EMEAP)<ul style="list-style-type: none">- Member of the Working Group on Financial Markets, representing BNM	

Puan Sophia Ch'ng Sok Heang – Independent Non-Executive Director

Puan Sophia Ch'ng Sok Heang (Independent Non-Executive Director) Aged 50, Malaysian	
Date Appointed to the Board	: 01 April 2022
Membership of Board Committees	: Member, Board Risk Committee
Board Meeting Attended	: -*
QUALIFICATION	
<ul style="list-style-type: none">• Fellow, Actuarial Society of Malaysia• Fellow, Institute and Faculty of Actuaries, UK• Fellow, Chartered Institute of Management Accountants, UK• Bachelor of Economics, Macquarie University, Australia	

WORKING EXPERIENCE /OTHER DIRECTORSHIPS
Present:
<ul style="list-style-type: none"> • Director, Nicholas Actuarial Solutions • Director, Syarikat Takaful Malaysia Keluarga Berhad
Past:
<ul style="list-style-type: none"> • Actuarial Society of Malaysia- President • AmMetlife Insurance Berhad - Chief Financial Officer (CFO) • Zurich Insurance Malaysia Berhad - Chief Financial Officer (CFO) • Great Eastern Life Insurance (Malaysia) Berhad - Senior Vice President and Head, Finance, Strategic Planning, Actuarial, Products and Pricing

Datuk Chung Chee Leong — President/ Chief Executive Officer Non-Independent Executive Director

Datuk Chung Chee Leong (Non-Independent Executive Director) Aged 62, Malaysian	
Date Appointed to the Board	: 27 March 2013
Membership of Board Committees	: Nil
Board Meeting Attended	: 7/7*
QUALIFICATION	
<ul style="list-style-type: none"> • Bachelor of Economics (Honours) degree, majoring in Business Administration, University of Malaya • Summer School Programme, University of Cambridge • Global Islamic Finance Award 2020 <ul style="list-style-type: none"> - Special Award for Islamic Financial Advocacy 	
WORKING EXPERIENCE / OTHER DIRECTORSHIPS	
Present:	
<ul style="list-style-type: none"> • President/CEO, Cagamas Berhad • Chairman, Cagamas Global P.L.C. • Chairman, Cagamas Global Sukuk Berhad • Director, Cagamas MBS Berhad • Director, Cagamas SRP Berhad • Director, BNM Sukuk Berhad • Chairman, Cagamas SME Berhad • Chairman, Cagamas MGP Berhad • Chairman, International Secondary Mortgage Market Association • Member, Panel of Experts, Kementerian Perumahan dan Kerajaan Tempatan 	
Past:	
<ul style="list-style-type: none"> • Chairman, Asian Secondary Mortgage Market Association 	

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

* Meetings attended in 2021

3.6 Senior management of Cagamas

The senior management of Cagamas and their respective profiles as at the LPD are as follows:

Name	Nationality	Designation
Datuk Chung Chee Leong	Malaysian	President/Chief Executive Officer
Encik Abdul Hakim Amir Zainol	Malaysian	Senior Vice President, Finance
Encik Delvin Chong	Malaysian	Senior Vice President, Treasury and Markets
Encik Ridzuan Shah Alladin	Malaysian	Senior Vice President, Human Capital & Administration
Puan Malathi Menon	Malaysian	Senior Vice President, Legal & Corporate Services/ Company Secretary
Encik Leong See Meng	Malaysian	Senior Vice President, Strategy & Business
Encik Tan Yong Nien	Malaysian	Senior Vice President, Technology & Operations
Y.M. Raja Shahrman Raja Harun Al Rashid	Malaysian	Senior Vice President, Risk Management & Compliance
Encik Shahrul Farelli Zulkiffli	Malaysian	Senior Vice President, Internal Audit

The biographies of the management are set forth below:

- (a) Datuk Chung Chee Leong
President/Chief Executive Officer

Please refer to the biography of Datuk Chung Chee Leong set out above.

- (b) Encik Abdul Hakim Amir Zainol
Senior Vice President, Finance

Encik Abdul Hakim Amir Zainol is the Senior Vice President, Finance, overseeing the Reporting & Taxation, Planning & Analysis and Procurement & Settlement departments. He sits on the Board of Directors of Cagamas SME Berhad, Cagamas MGP Berhad, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad.

Encik Abdul Hakim Amir has more than 18 years of experiences in financial services industry and trained with KPMG and E&Y. His initial exposure in Audit and Assurance was with the Kuala Lumpur office before seconded to the London office. He then transitioned into the banking space with a challenger bank in the UK, Aldermore Bank and played an important role in setting the finance infrastructure and preparing the Bank for the IPO in 2015. Following a successful IPO, he also facilitated the takeover by a South African bank in 2018. He then moved to a private bank, C.Hoare & Co in 2019. In 2021 he completed a Masters (MSc) in Leadership & Strategy at the London Business School prior to joining Cagamas.

Encik Abdul Hakim Amir also holds a BSc (Hons) Accounting & Finance from the London School of Economics and Political Science. He is a Fellow of the Association of Chartered Certified Accountants (ACCA), a member of Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Corporate Treasurers (ACT) in the UK.

- (c) Encik Delvin Chong
Senior Vice President, Treasury and Markets

Encik Delvin Chong is the Senior Vice President, Treasury and Markets overseeing the funding, liquidity management and investment operations for Cagamas. He is also the Head of regulated activities for Cagamas.

Encik Delvin Chong has over 26 years of experience in treasury, structured finance, debt capital markets and pricing analytics. He was the Senior Vice President, Corporate Strategy and Analytics before being appointed as the Senior Vice President, Treasury & Markets in 2018.

Encik Delvin Chong holds a Bachelor of Arts majoring in Business Administration & Finance from University of Strathclyde, Glasgow, United Kingdom. He is also a member of Persatuan Pasaran Kewangan Malaysia (PPKM).

- (d) Encik Ridzuan Shah Alladin
Senior Vice President, Human Capital & Administration

Encik Ridzuan Shah Alladin, Senior Vice President, Human Capital & Administration, oversees the Human Capital and Administration departments.

Encik Ridzuan Shah Alladin has over 16 years of experience in human resources and strategic talent management. He started his career with Ogilvy & Mather Group, Malaysia and later he joined Procter & Gamble (Malaysia) Sdn. Bhd. Prior to joining Cagamas, he was the Senior Consultant for Korn Ferry Hay Group, Malaysia.

Encik Ridzuan Shah Alladin holds a Bachelor of Business Administration from Northwood University, Michigan, United States of America with triple majors in Marketing, International Business and Management.

- (e) Puan Malathi Menon
Senior Vice President, Legal & Corporate Services/ Company Secretary

Puan Malathi Menon, Senior Vice President, Legal & Corporate Services, oversees the Legal, Corporate Secretariat and Strategic Communications departments. She is also the Company Secretary for Cagamas and Cagamas Holdings Berhad.

Puan Malathi Menon has over 31 years of experience in legal and compliance and has practised in the areas of corporate and commercial law and securities law, with particular emphasis on capital market transactions. She started her career as an Advocate and Solicitor in M/S Zain & Co. She was the Head of Legal before being appointed as the Senior Vice President, Legal & General Counsel in 2018.

Puan Malathi Menon holds a Bachelor of Laws (LLB) from University of Malaya.

- (f) Encik Leong See Meng
Senior Vice President, Strategy & Business

Encik Leong See Meng is the Senior Vice President, Strategy and Business, overseeing the Strategic Management, Core & Structured Business and Islamic Business Departments.

Encik Leong See Meng has over 26 years of experience in banking and finance. His career in banking started in 1993 with Hongkong & Shanghai Banking Corporation and has since worked for leading financial institutions such as Citibank and Deutsche Bank amongst others. He was the former CEO at National Bank of Abu Dhabi. Before joining Cagamas, he was the Managing Partner for Futurewerkes PLT, a consultancy firm specializing in project management and consulting for financial services and digital transformation.

Encik Leong See Meng is an accountant by training and banker by profession. He read Accounting at RMIT University, Melbourne and graduated with distinction in 1992 after which he completed the CPA programme with CPA Australia.

- (g) Encik Tan Yong Nien
Senior Vice President, Technology & Operations

Encik Tan Yong Nien is the Senior Vice President, Technology & Operations, overseeing the Information Technology and Operation departments.

Encik Tan Yong Nien has 25 years of experiences in the technology sector with over 16 years in leadership positions across a wide span of industries including financial, manufacturing, telecommunication and e-government. He had pioneered two IT shared services centres from ground up covering applications development, support and infrastructure management supporting global locations such as the United States of America (USA), Australia, China and Southeast Asia. Prior to joining Cagamas, he was the Head of IT & Transformation for a major insurance company.

Encik Tan Yong Nien holds a Master of Science in Information Systems and Technology from Johns Hopkins University, USA and a Bachelor of Science in Computer Science from Iowa State University, USA.

- (h) Y.M. Raja Shahrman Raja Harun Al Rashid
Senior Vice President, Risk Management & Compliance

Y.M. Raja Shahrman Raja Harun Al Rashid is the Senior Vice President, Risk Management & Compliance, overseeing the Risk Management, Credit, Business Continuity Management and Compliance departments.

Y.M. Raja Shahrman has 20 years of experience in the financial services industry, particularly in compliance, risk and audit. He was previously attached to various organisations including bank, regulatory body and audit firm. Prior to joining Cagamas, he was the Chief Operating Officer for SME Bank Berhad.

Y.M. Raja Shahrman holds a Master of Business Administration from Charles Sturt University, Australia, a Bachelor of Commerce majoring in Accounting from University of Queensland, Australia and he is a Chartered Banker from the Asian Institute of Chartered Bankers.

- (i) Encik Shahrul Farelli Zulkiffli
Senior Vice President, Internal Audit

Encik Shahrul Farelli Zulkiffli is the Senior Vice President of the Internal Audit department and also the Secretary to the Group Board Audit Committee of Cagamas Holdings Berhad.

Encik Shahrul Farelli has 18 years of experience in the financial services industry, particularly in audit. Prior to joining Cagamas, he was attached to various organisations including banking, statutory and regulatory bodies. He was the Vice President, Strategic Management before being appointed as the Senior Vice President, Internal Audit in 2022.

Encik Shahrul Farelli holds a Bachelor of Accounting (Hons) degree from Universiti Tenaga Nasional. He is a member of Association of Chartered Certified Accountants (ACCA) and Malaysian Institute of Accountants (MIA).

[the remainder of this page is intentionally left blank]

SECTION 4.0 INVESTMENT CONSIDERATIONS

The following is a summary of risk factors relating to the Issuer and the Notes and their possible mitigating factors, where available. This section does not purport to be comprehensive or exhaustive and is not intended to substitute or replace an independent assessment of the risk factors that may affect the Notes. Each investor should carefully conduct his or her independent evaluation of the risks associated with investing in the Notes. Investors should also note that each issue of the Notes will carry different risks and all potential investors are strongly encouraged to evaluate each Notes issue on its own merit.

4.1 *Risks relating to Cagamas*

(a) Volatility in the capital markets

Cagamas depends on its access to the debt capital markets to fund the purchase of financial assets in the secondary market. If the capital markets experience continuous volatility and the availability of funds is limited, it is possible that Cagamas' ability to raise sufficient funding may be affected by this or other factors. Accordingly, its business, financial condition, results of operations and prospects may be adversely affected.

(b) Cagamas' hedging strategies may not prevent losses

Cagamas is constantly attempting to manage profit/interest rate and other market related risks, as well as refinancing risks. If any of the variety of instruments and strategies Cagamas uses to hedge its exposure to these various types of risk is not effective, Cagamas may incur losses. This, in turn, may affect the ability of Cagamas to satisfy in full and on a timely basis its obligations in respect of a series of Notes. Cagamas may not be able to obtain economically efficient hedging opportunities that will enable it to carry on its present policies with respect to new assets and liabilities.

(c) Cagamas depends on key management for the growth and successful implementation of its strategy

Cagamas believes that the growth it has achieved to date, as well as its position as key liquidity provider in the Malaysian mortgage market, is to a large extent attributable to a strong and experienced senior management team and a skilled workforce. Cagamas believes that the continued growth of its business and the successful implementation of its strategy depend on senior management and key personnel. There can be no assurance that members of the senior management team will remain in Cagamas for the foreseeable future. Competition for key personnel in the financial industry is intense and there is limited availability of individuals with the requisite knowledge of the financial industry and relevant experience in the markets in which Cagamas operates. There is no guarantee that Cagamas will be able to successfully recruit, train or retain the necessary qualified and skilled personnel in the future.

(d) Cagamas' internal control system may be inadequate

In the course of its business activities, Cagamas is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational

risk and reputational risk. Investors should note that any failure to adequately control these risks may have an adverse effect on Cagamas' financial condition, operations, prospects and reputation.

Please refer to the sections on credit risk, market risk, liquidity risk, operational risk and reputational risk set out in Section 6.0 (*Risk Management*).

(e) Cagamas is susceptible to deterioration in the credit quality of the Selling Institutions or the underlying borrowers/obligors of the purchased assets

Cagamas purchases assets from various counterparties through the PWR and PWOR schemes. Under the PWR scheme, beneficial ownership of the assets passes to Cagamas and the assets are held on trust by the Selling Institutions for Cagamas with legal title to the assets remaining with the Selling Institutions. Further, Cagamas relies on the Selling Institutions to administer, manage and collect the payments of the instalments due on the assets. A failure by one or more Selling Institutions with material exposure to honour the terms of its contract with Cagamas, including a Selling Institution's undertaking to repurchase or replace a significant number of ineligible loans or financings, could have an adverse effect on the business, operations and financial condition of Cagamas.

Under the PWOR scheme, the assets are equitably assigned to Cagamas, such that the legal title to the assets remains with the counterparties while Cagamas carries the assets on its books and bears the full credit risk of the portfolio of loans or financings purchased without recourse for default risk. Following the sale of the assets, the counterparties acting as the appointed servicer will continue to administer the assets, and will collect and remit payments of the instalments due on the assets by the underlying borrowers/obligors of such assets to Cagamas in return for a servicer fee as agreed with Cagamas. As such, the performance of Cagamas' business under the PWOR scheme is directly dependent on the timely debt service by the underlying borrowers/obligors (which will depend on the terms of the obligation as well as on the financial condition of the underlying borrowers/obligors in respect thereof) and the collection and remittance by the relevant counterparties. A failure by the underlying borrowers/obligors to make payments to the relevant servicer when due, or poor collection discipline by the relevant servicer, will consequently impact the timely remittance of payment/repayments to Cagamas, and could have an adverse effect on the business, operations and financial condition of Cagamas.

An adverse effect on the business, operations and financial conditions of Cagamas as a result of counterparty risk/underlying borrower/obligor default under the PWR and PWOR schemes, respectively, may ultimately result in Cagamas being unable to meet its obligations in relation to the Notes issued under the Programmes.

(f) There is no assurance that the GOM will continue to promote the broader spread of home ownership and the growth of the secondary mortgage market in Malaysia

Cagamas was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia, in line with the GOM's policy at such time. There is no assurance that the GOM will continue to pursue and support this policy. Any change in policy with regard to the

promotion of home ownership in Malaysia (including, for example, an increase in the down payment requirement for mortgage financing) or changes in certain economic factors, such as an increase in profit/interest rates resulting in an increase in the cost of mortgage financing in Malaysia, may consequently reduce the attractiveness of mortgages as a source of financing for property purchases and which may in turn, adversely affect the business, operations and financial conditions of Cagamas.

- (g) Cagamas is dependent on the sale of assets by Malaysian Selling Institutions for the continuation of Cagamas' business

Cagamas' business is dependent on Malaysian Selling Institutions selling assets to it in the secondary market. Where there is strong competition in the origination of such assets in the primary market, profit margin/interest margin may tighten, resulting in there being less of an incentive for Selling Institutions to sell their assets to Cagamas. There can be no assurance that Selling Institutions will continue to make available suitable loan or financing assets for purchase by Cagamas. Any reduction in the sale of assets to Cagamas may adversely affect the business, results of operations and financial condition of Cagamas.

- (h) BNM is a substantial shareholder in Cagamas Holdings but there can be no assurance that it will continue to maintain its shareholding

As at the LPD, BNM was the registered holder of 20% of the issued share capital of Cagamas Holdings. There is no assurance that BNM will remain a substantial shareholder in Cagamas Holdings or that there will not be a change of control of Cagamas Holdings or the entry of another major shareholder with the ability to exert significant influence on the direction or operations of the Cagamas Group, or that the Cagamas Group's business, financial condition, results of operations and prospects, including that of Cagamas, would not be adversely affected by such a change in control or influence.

Any substantial shareholder in Cagamas Holdings, including BNM, will be in a position to influence decisions requiring approval of Cagamas Holdings' shareholders, including the election of Cagamas Holdings' directors and the approval for significant corporate transactions. There is no assurance that the interests of such substantial shareholders will be aligned with those of Cagamas Holdings' other shareholders. Further, as substantial shareholders own a significant portion of the shares of Cagamas Holdings, they can delay or prevent a change of control of Cagamas Holdings or veto corporate or other transactions, even if such transactions would be beneficial to Cagamas Holdings.

- (i) Cagamas is dependent upon its status as an "Approved Interbank Institution" as determined by BNM

Cagamas is a market participant under Section 140 of the Finance Services Act 2013 ("FSA") and Section 152 of the Islamic Financial Services Act 2013 ("IFSA"). Cagamas uses its status as an Approved Interbank Institution ("AII") granted by BNM to assist with its liquidity requirements. This status allows Cagamas direct access to the interbank money market. Market participants are regulated by BNM and BNM may impose on any market participant, any condition, restriction or

prohibition including, suspension from trading and restrictions on dealings for failure to comply with the requirements imposed.

(j) Cagamas business model is focused in only one country which may result in a higher level of risk

As at the LPD, 100% of the operating revenues of Cagamas were derived from within Malaysia and 100% of the assets of Cagamas were employed within Malaysia. As a result, Cagamas depends on the continued strength of Malaysia's economy to generate sufficient revenue to meet its payment obligations in relation to the Notes issued under the Programmes. The Malaysian economy is particularly affected by general economic and business conditions in the Asian region.

Due to the concentration of Cagamas' business in Malaysia, adverse developments in political, economic and regulatory conditions in Malaysia could adversely affect the financial position and business viability of Cagamas. Amongst the political, economic and regulatory uncertainties are changes in the political landscape, terrorist attacks, implementation of unfavourable industry regulations and laws by regulatory authorities, changes in the profit/interest rate environment and legislation on taxation, currency exchange rules and controls, adverse foreign currency fluctuations, nationalisation and re-negotiation or nullification of existing orders, and there can be no assurance that these changes will not adversely affect the business of Cagamas.

Furthermore, the monetary and fiscal policies of the GOM will be influenced by global and domestic developments. The GOM policies may change in tandem with the economic climate, which may, in turn, adversely affect Cagamas.

(k) Exposure to the Malaysian property market

Cagamas has significant exposure to the Malaysian property market due to its portfolio of property mortgage loans and financings. The Malaysian property market is cyclical and property prices in general have been volatile. Property prices are affected by a number of factors, including the supply of, and demand for, comparable properties, the rate of economic growth in Malaysia and political and economic developments in Malaysia. Whilst the COVID-19 pandemic appears to be under control and the Malaysian property market performance recorded a slight improvement in 2021, nonetheless it has yet to surpass the pre-pandemic level recorded prior to 2020 (*Source: National Property Information Centre (NAPIC): Press Release Property Market Report 2021 dated 1 April 2022*). As the environment remained challenging, there is no assurance that the property market will regain its momentum in 2022 or the near future, and accordingly any significant drop in property prices and/or liquidity in the Malaysian property market could adversely affect Cagamas' business, its financial condition and its results of operations.

(l) Impact of re-imposition of capital controls

As part of the package of policy responses to the 1997 economic crisis in South East Asia, the GOM introduced, on 1 September 1998, selective capital control measures. The GOM subsequently liberalised such selective capital control

measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to an exit levy based on a percentage of profits repatriated.

On 1 February 2001, the GOM revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the GOM lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Malaysia Securities Berhad).

There can be no assurance that the GOM will not re-impose these or other forms of capital controls in the future. If the GOM re-imposes or introduces foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Notes, profit paid under the Sukuk Cagamas, interest paid under the CCPs and principal paid on the Notes from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

(m) Inflationary pressures in Malaysia and potential impact upon the Malaysian economy

Headline inflation in 2021 increased to 2.5% (2020: -1.2%), reflecting mainly higher fuel inflation. Global supply-side disruptions also led to some upward price pressures, though the impact on consumer prices was relatively contained, as firms absorbed the higher cost. Underlying inflation, as measured by core inflation, remained relatively subdued at 0.7% in 2021 (2020: 1.1%), reflecting the spare capacity in the economy amid a moderate recovery in the labour market.

Year-to-date, headline inflation has averaged at 2.8%. Headline inflation is projected to peak in 3Q 2022 before moderating thereafter, due to dissipating base effects and in line with the expected easing of global commodity prices. Underlying inflation, as measured by core inflation, is expected to average closer to the upper end of the 2.0% - 3.0% forecast range in 2022, with some signs of demand-driven pressures amid the high-cost environment. The extent of upward pressures to inflation will remain partly contained by existing price controls, fuel subsidies, and the prevailing spare capacity in the economy. The inflation outlook, however, continues to be subject to domestic policy measures, as well as global commodity price developments arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions. (*Source: BNM's Monetary Policy Statement dated 8 September 2022*)

(n) Cagamas may be adversely affected by an infectious disease or pandemic

The outbreak of an infectious disease or pandemic or any other serious public health concern in Malaysia and/or globally could adversely impact the business, financial condition, results of operations and/or prospects of Cagamas.

The outbreak of an infectious disease or pandemic (such as the ongoing novel coronavirus COVID-19) in Malaysia and/or globally, together with any resulting restrictions on travel and movement, a lockdown and/or imposition of quarantines, could have a negative impact on the Malaysian and global economy and business activities and potentially result in the disruption of global supply chains and world trade, negatively affecting global economic growth.

Cagamas' business has mostly been categorised as essential in Malaysia and has continued to operate throughout COVID-19 pandemic at various capacities. With the ongoing operations, Cagamas continues to prioritise the health and safety of its employees and the implementation and adherence to Standard Operating Procedures and guidelines, relevant local health requirements and other mitigating measures, which is crucial in managing and minimising the impact of COVID-19 pandemic at the workplace and surrounding environment, as well as ensuring the health and safety of the employees.

Cagamas aims to continue to preserve its financial strength and stability by maintaining its prudent financial management approach, and has taken further proactive steps such as enhancement of its credit risk management and controls, ongoing review of capital and operational expenditures, implementation of cost management measures and active engagement and collaboration with partners and clients to manage its finance and cash flow.

Nevertheless, there can be no assurance that any precautionary measures taken against prolonged infectious diseases or pandemic would be effective. A future outbreak of a prolonged infectious disease or any other serious public health concerns in Malaysia and/or globally could adversely affect the business, financial condition, results of operations and/or prospects of Cagamas. Given the continued uncertainty posted by the pandemic, Cagamas continues to monitor both local and global developments closely and remain proactive and vigilant in mitigating any potential impacts to Cagamas' business.

4.2 Risks relating to the Notes

(a) Ratings of the Programmes

The ICP Programme has been accorded an indicative rating of P1 and MARC- 1_S by RAM and MARC, whereas the CCP Programme has been accorded an indicative rating of P1 and MARC- 1 by RAM and MARC respectively.

A credit rating is not a recommendation to purchase, hold or sell the Notes and may be revised, suspended or withdrawn by the rating agency at any time. Although Cagamas will endeavour to maintain the credit ratings, there is no assurance that the credit ratings will remain in effect for any given period of time or that the credit ratings will not be lowered or withdrawn entirely if the circumstances in the future so warrant. In the event that the credit ratings initially assigned to the Programmes are subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Notes. Any reduction or withdrawal of a credit rating may have an adverse effect on the liquidity and market price of the Notes. Any reduction or withdrawal of a credit rating will not constitute an event of default under the Programmes. There is no obligation on the part of Cagamas, the Joint Principal Advisers, the Joint Lead Arrangers, the Joint Lead Managers, the Trustee or any other person or entity to maintain or procure maintenance of the credit ratings for the Programmes.

(b) Shariah compliance

The Joint Shariah Advisers have issued pronouncements confirming amongst others that, the transactions and structures of the Sukuk Cagamas are Shariah-compliant. Investors are reminded that, as with any Shariah views, differences in opinion are possible. There can be no assurance that the transaction or structure of the Sukuk Cagamas will be accepted as Shariah-compliant by any other Shariah board or Shariah scholar. Potential investors should obtain their own independent Shariah advice as to whether the transaction or the structure of the Sukuk Cagamas meets their individual standards of compliance.

(c) Liquidity in the secondary market

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to profit/interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors.

(d) The market value of the Notes may be subject to fluctuation

Trading prices of the Notes are subject to fluctuations and may be influenced by numerous factors, including the prevailing profit/interest rates, the market for similar securities, the operating results and/or the financial condition of Cagamas, political, economic, financial and any other factors that can affect the capital markets or the industry in which Cagamas is operating. Consequently, any sale of the Notes by the Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price. Adverse economic developments could also have a material adverse effect on the market value of the Notes.

(e) An investment in the Notes is subject to profit/interest rate risks

Noteholders may suffer unforeseen losses due to fluctuations in profit/interest rates. Although the Sukuk Cagamas are Islamic securities which do not pay interest, they are similar to fixed income securities and may therefore see their prices fluctuate due to fluctuations in profit/interest rates. Generally, a rise in profit/interest rates may cause a fall in bond/Sukuk prices. The Notes may be similarly affected resulting in a capital loss for Noteholders. Conversely, when profit/interest rates fall, bond/Sukuk prices and the prices at which the Notes trade may rise. Noteholders may enjoy a capital gain but the profit received under the Sukuk Cagamas or interest received under the CCPs may be reinvested for lower returns.

(f) An investment in the Notes is subject to inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation

rates on the purchase of the Notes. An unexpected increase in inflation could reduce the real return to the Noteholders.

(g) Cagamas' ability to meet its obligations under the Programmes

The Sukuk Cagamas, pursuant to the relevant Transaction Documents, constitute direct, unconditional and unsecured obligations of Cagamas and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of Cagamas, subject to those preferred by law or the Transaction Documents.

The CCPs constitute direct, unconditional and unsecured obligations of Cagamas and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of Cagamas, subject to those preferred by law or the Transaction Documents.

The Notes will not be the obligation or responsibility of any person other than Cagamas and shall not be the obligation or responsibility of any member of the Cagamas Group or its affiliates or any other person involved or interested in the Programmes. None of such persons is obliged to accept any liability whatsoever to the Noteholders in respect of any failure by Cagamas to pay any amount due under the Notes.

(h) The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or profit/interest is payable in one or more currencies, or where the currency for principal or profit/interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for change in economic conditions, profit/interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk

or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

(i) Investors should pay attention to any modifications and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

(j) Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of financing/borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

(k) Cagamas' Sustainability Bonds/Sukuk Framework

In connection with the potential issuance of the Sustainability CCPs and/or the Sustainability Sukuk Cagamas, Cagamas has adopted the Cagamas' Sustainability Bonds/Sukuk Framework and RAM Sustainability has provided a Second Opinion on such framework. Prospective investors should be aware that Cagamas may update the Cagamas' Sustainability Bonds/Sukuk Framework from time to time and the updated framework will be published by Cagamas on its website. Further, no assurance is given that the loans/assets purchased using the proceeds of the Sustainability CCPs and/or the Sustainability Sukuk Cagamas will fulfil the environmental, social and sustainability criteria anticipated or required by prospective investors.

4.3 General Considerations

(a) Change in law

The issuance of the Notes is based on Malaysian law, tax rulings and regulations, and administrative practices in effect as at the LPD. No assurance can be given that Malaysian law, tax rulings and regulations or administrative practices will not change after the closing or that such changes, if they occur, will not impact the Programmes and the treatment of the Notes.

(b) Regulatory compliance

Changes in law and regulations are unpredictable and beyond Cagamas' control and may affect the way Cagamas conducts its business. Such changes may be more restrictive or result in higher costs than current requirements or otherwise impact Cagamas' financial condition, results of operations or its ability to meet its payment obligations under the Notes.

(c) Force majeure

An event of force majeure is an event which is not within the control of the party affected, which that party is unable to prevent, avoid or remove and shall include war and acts of terrorism, riot and disorders, natural catastrophes, viral pandemics such as the coronavirus COVID-19 pandemic, certain governmental acts and others. Force majeure events do not include economic downturn or non-availability of or insufficient or lack of financing on the part of Cagamas. The occurrence of a force majeure event may have a material impact on Cagamas' business, financial conditions and results of its operations.

4.4 Forward-looking statements

This Information Memorandum may contain forward-looking statements. Such forward-looking statements in the Information Memorandum involve known and unknown risks, uncertainties and other factors which may affect actual outcomes, many of which are outside the control of Cagamas. These factors include economic conditions in the markets in which Cagamas operates. These factors will cause the actual results, performance or achievements of Cagamas to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements. These forward-looking statements do not constitute a representation that future results will be achieved in the amounts or by the dates indicated.

[the remainder of this page is intentionally left blank]

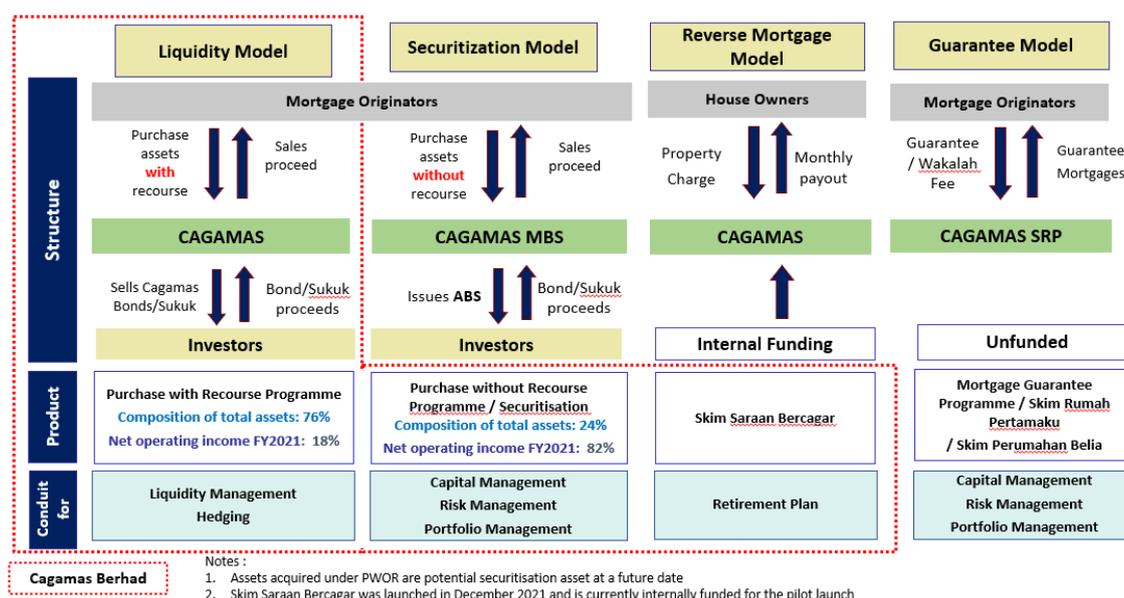
SECTION 5.0 BUSINESS

5.1 Business overview

Cagamas is the main operating company of the Cagamas Group and is primarily engaged in the purchasing of loans and financings from Selling Institutions under the PWR and PWOR schemes. Both the PWR and PWOR schemes can be used to finance conventional housing loans, Islamic house financings, hire purchase and Islamic hire purchase/ leasing receivables, whilst only the PWR scheme can be used to finance industrial property loans and financings, leasing, personal loans, Islamic personal financing and Rahn (collateral) receivables.

The diagram below illustrates how the various schemes offered by the Cagamas Group operate.

BUSINESS MODEL



5.1.1 Cagamas Business Model

Cagamas operates two schemes to purchase loans and financings from Selling Institutions: the PWR scheme and the PWOR scheme. The purchase of loans and financings is funded by the issue of conventional bonds and Sukuk by Cagamas in the debt capital markets. The purchase of loans and financings may also be funded by other funding mechanisms where Cagamas sees fit. All debt issued by Cagamas is unsecured and ranks pari passu amongst itself.

In June 2022, Cagamas recorded RM4.5 billion purchases of loans and financing under the PWR scheme (Dec 2021: RM13.8 billion). Cagamas' net outstanding loans and financing decreased by 8.0% to RM33.1 billion (Dec 2021: RM36.0 billion). As at end June 2022, residential mortgages dominated Cagamas' portfolio at 93.8% (Dec 2021: 94.3%), followed by personal loan financing at 4.4% (Dec 2021: 4.1%) and hire purchase financing at 1.8% (Dec 2021: 1.6%). Cagamas' Islamic asset portfolio against conventional assets increased to a ratio of 48:52 (Dec 2021: 42:58), while PWR and PWOR loans and financing portfolios were at 74% and 26% respectively (Dec 2021: 74% and 26% respectively).

Gross impaired loans and financing under the PWOR scheme stood at 0.45% (Dec 2021: 0.54%), while net impaired loans and financing was at 0.01% (Dec 2021: 0.07%).

Cagamas has no internal requirements to maintain a set proportion or ratio of PWR to PWOR assets. Cagamas operates the PWR and PWOR schemes independently; this allows Cagamas to react and issue in accordance with market demands.

PWR Scheme

Cagamas' PWR scheme was developed to assist Selling Institutions with liquidity and/or hedging requirements. PWR schemes can be used to finance various products, including housing loans and financings (both conventional and Islamic), hire purchase and leasing receivables (both conventional and Islamic), industrial property loans and financings (both conventional and Islamic), personal loans and financings (both conventional and Islamic), Rahn (collateral) receivables/financings, SME loans and financings and infrastructure development loans and financings. The PWR scheme comprises two sub-groups, one dealing with conventional loans ("**PWR**") and the other dealing with Islamic financings ("**Islamic PWR**").

Under the PWR scheme, stringent eligibility criteria must be satisfied before Cagamas purchases loans and financings from Selling Institutions. As such, Cagamas assumes the counterparty credit risk of the relevant Selling Institution. The key criteria used by Cagamas in relation to each individual PWR products purchased under the PWR scheme are set out below.

Funds obtained by the Selling Institutions from the sale of conventional housing loans and Islamic house financings to Cagamas are fully exempted from the statutory reserve and liquidity requirements but are not entitled to capital relief benefits. Funds obtained by the Selling Institutions from the sale of industrial property loans and financings and hire purchase and leasing debts/Islamic hire purchase and leasing facilities are also exempted from the liquidity requirements and a certain portion of such funds will be included in the eligible liabilities for the computation of the statutory reserve requirement but are not entitled to capital relief benefits.

In utilising the PWR scheme, a Selling Institution is able to hedge its profit/interest rate risks, while gaining access to alternative funding to grow its asset base. With the availability of floating rate, fixed rate and convertible rate facilities, Selling Institutions are given additional flexibility to manage their profit/interest rates risks. For example, by selling their loans and financings to Cagamas under the fixed rate facility, the Selling Institutions would have a hedge against a rising profit/interest rates environment. Similarly, in a falling profit/interest rates environment, the Selling Institutions can sell their loans and financings under the floating rate facility. A convertible rate facility (except for Islamic products) allows the Selling Institutions to convert fixed rate loans to floating rate loans or vice versa in view of changes in the interest rates environment during that period.

Under the PWR scheme, the loans and financings are purchased by Cagamas based on their book value (i.e. the principal balance outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date) either at par or at a discount to its book value. Following such sale, the Selling Institution undertakes to conduct the Retained Functions (as defined below) at its own cost as a term of the sale. The scope of Retained Functions are set out in the relevant agreement selling the loans and financings to Cagamas and include tasks such as monitoring the

performance of loans and financings sold to Cagamas, the collection of monthly instalments relating to the loans and financings (the “**Monthly Instalments**”), the remittance of the Cagamas instalments and any administrative duties and obligations arising in relation to the loans and financings (the “**Retained Functions**”). By undertaking the Retained Functions, each Selling Institution reduces the risk of Cagamas seeking recourse and/or indemnity from the Selling Institution. Cagamas will not purchase the loans and financings under the PWR scheme without the Selling Institutions undertaking the Retained Functions.

As a result of this arrangement, the duties undertaken by the Selling Institution are not deemed a service.

Following the sale of loans and financings to Cagamas under the PWR scheme, the Selling Institutions remain responsible for any losses arising from defaults by the borrower, so that in the event the loans and financings sold to Cagamas fail any pre-determined Cagamas criteria and become ineligible, the Selling Institutions must offer new loans and financings to Cagamas of an equivalent value to replace the loans and financings sold which are then repurchased by the Selling Institutions during the contracted review period. At the end of the contracted review period (which coincides with the maturity date of the bond/Sukuk issued to fund the purchase of the relevant loans and financings), Cagamas will provide the Selling Institution with a new Cagamas rate for a new term. The Selling Institutions can then either sign up for a further contracted review period or elect to repurchase the loans and financings from Cagamas if they decide the Cagamas rate is not acceptable.

Where Cagamas does not have credit limits for a Selling institution under the PWR scheme, the Selling Institution can utilise an intermediary financial institution for the onward sale of the loans and financings to Cagamas. A purchase transaction will be entered into between the Selling Institution and the intermediary financial institution and a separate purchase transaction, on identical terms, will be entered into between the intermediary financial institution and Cagamas.

As part of Cagamas’ ongoing efforts to offer competitive pricing to the Selling Institutions, it offers to purchase the loans and financings sold on a cost-plus basis in addition to the published rates. The cost-plus pricing is computed by Cagamas based on the effective cost of funds (i.e. Cagamas debts and/or other similar securities issued to fund the purchases) plus Cagamas’ margin. This pricing approach may enable the Selling Institutions to enjoy lower rates as compared with the published Cagamas rates.

To assist Selling Institutions in meeting their credit requirements, Cagamas offers the Selling Institutions alternatives to cash settlement for the sale of loans and financings. On the purchase date, the relevant Selling Institution can choose to settle the purchase consideration by receiving debt and/or other similar securities issued by Cagamas, or by nominating such debts and/or other similar securities issued by Cagamas to be delivered to such other party chosen by the Selling Institution and approved by Cagamas, or partly in cash and partly by way of an issuance of Cagamas debt and/or other similar securities. As a result, the Selling Institutions have the option to sell their loans and financings to Cagamas without having to endure negative carry in an excess liquidity environment by receiving debt and/or other similar securities issued by Cagamas to fund such purchases instead of cash. In addition to the periodic payment/repayment of principal and profit/interest of the Cagamas instalment by the Selling Institutions on the loans and financings sold to Cagamas with recourse, the Selling Institution can now choose to pay

profit/interest only throughout the contracted review period with bullet repayment/payment of the principal on the review date.

As part of Cagamas' sustainability journey, Cagamas has established the Cagamas' Sustainability Bond/Sukuk Framework in 2019 to purchase loans, assets and financings related to environmental and/or social impact projects via PWR; in line with the country's aspirations of transitioning to a more environmentally and socially friendly economy. The purchase of loans, assets and financings would be funded via the issuance of Sustainability bonds and Sukuk. Up to end October 2022, Cagamas has issued a total of RM1.7 billion Sustainability bonds and Sukuk to fund loans, assets and financings related to environmental and/or social impact projects.

Individual PWR products and their individual criteria for purchase by Cagamas

PWR Housing Loans

Under the PWR scheme, Cagamas purchases conventional housing loans ("**PWR Housing Loans**") granted to borrowers for the purchase of residential houses by Selling Institutions. In order for PWR Housing Loans to be eligible for sale by the Selling Institution to Cagamas, they must each satisfy the following Core Eligibility Criteria:

- (a) the PWR Housing Loans must be secured by a first charge or assignment of rights over the secured property;
- (b) the purpose of the PWR Housing Loans must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- (c) the PWR Housing Loans must be fully disbursed;
- (d) the monthly instalment of PWR Housing Loans must not be more than one month in arrears at the time of the proposed sale of the PWR Housing Loans to Cagamas;
- (e) the PWR Housing Loans must not expire before the end of the agreed contracted review period;
- (f) all other eligibility criteria contained in Cagamas' product guide, as updated from time to time (the "**Cagamas Guide**") (Mortgage/Housing) must be satisfied; and
- (g) in the event that the PWR Housing Loans are related to sustainability, the PWR Housing Loans must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

PWR Hire Purchase and Leasing Debts

Under the PWR scheme, Selling Institutions who are supervised by BNM are eligible to sell their hire purchase and leasing debts ("**PWR HPL Debts**") to Cagamas. The following Core Eligibility Criteria must be satisfied in order for a PWR HPL Debt to be eligible for sale to Cagamas:

- (a) the PWR HPL Debt must be in relation to the hire purchase, sale on credit terms or the leasing of equipment;
- (b) the PWR HPL Debt must be fully disbursed;
- (c) the PWR HPL Debt must be an amortising debt;
- (d) the monthly instalment of the PWR HPL Debt must not be more than one month in arrears at the time of the proposed sale;
- (e) the PWR HPL Debt must not expire before the end of the agreed contracted review period;

- (f) each PWR HPL Debt must, disregarding any unearned finance charges, have a book balance of less than RM2 million;
- (g) all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts) must be satisfied; and
- (h) in the event that the PWR HPL Debts are related to sustainability, the PWR HPL Debts must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

PWR Industrial Property Loans

Under the PWR scheme, Cagamas purchases loans and financings which have been granted for the purpose of financing or refinancing the purchase, construction or renovation of factories, warehouses or industrial complexes ("**Industrial Property Loans**") in the same manner it purchases PWR Housing Loans. The following Core Eligibility Criteria must be satisfied in order for an Industrial Property Loan to be eligible for sale to Cagamas:

- (a) the purpose of the Industrial Property Loan must be for the financing or refinancing the purchase, construction or renovation of industrial properties;
- (b) the Industrial Property Loan must be fully disbursed;
- (c) the monthly instalment of Industrial Property Loan must not be more than one month in arrears at the time of the proposed sale;
- (d) each Industrial Property Loan, disregarding any unearned interest, must have a book balance of less than RM20 million;
- (e) the Industrial Property Loan must be secured by a first ranking charge over the secured property or an assignment of rights over the secured property;
- (f) all other eligibility criteria contained in the Cagamas Guide (Commercial and Industrial Property Loans) must be satisfied; and
- (g) in the event that the Industrial Property Loans are related to sustainability, the Industrial Property Loans must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

PWR Personal Loans

Under the PWR scheme, Cagamas purchases conventional personal loans ("**PWR Personal Loans**") granted for the purpose of personal consumption. The following Core Eligibility Criteria must be satisfied in order for a PWR Personal Loan to be eligible for sale to Cagamas:

- (a) the PWR Personal Loan must have arisen pursuant to an agreement entered into between the borrower and the Selling Institution or the vendor from whom the Selling Institution has purchased the personal loan;
- (b) the PWR Personal Loan must be fully disbursed;
- (c) the monthly instalment of PWR Personal Loan must not be more than one month in arrears at the time of the proposed sale of the personal loan to Cagamas;
- (d) the PWR Personal Loan must not expire before the end of the agreed contracted review period; and
- (e) all other eligibility criteria contained in the Cagamas Guide (Personal Loans) must be satisfied.

PWR SME Loans

Under the PWR scheme, Cagamas purchases SME loans (“**SME Loans**”) where the borrower is identified as an SME granted under PWR HPL Debts and Industrial Property Loans. In addition to the Core Eligibility Criteria in relation to PWR HPL Debts or Commercial and Industrial Property Loans, SME Loans must also fulfil the following additional criteria in order to be eligible for sale to Cagamas:

- (a) the SME Loans under PWR HPL Debts and Industrial Property Loans should not in arrears at the time of sale in respect of principal and/or interest margin;
- (b) the SME Loans under PWR HPL Debts and Industrial Property Loans must have been paid at least six monthly instalments as at the purchase date;
- (c) the SME Loans under Industrial Property Loans is an amortising loan;
- (d) the SME Loans under Industrial Property Loans should at the time of sale, have a book balance less interest, if any, not exceeding RM10 million;
- (e) all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts and Commercial and Industrial Property Loans) must be satisfied; and
- (f) in the event that the SME Loans are related to sustainability, the SME Loans must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria of PWR HPL Debts or Commercial and Industrial Property Loans, where applicable.

PWR Infrastructure Loans

Under the PWR scheme, Cagamas purchases infrastructure loans (“**Infrastructure Loans**”) granted for the education, healthcare and utilities facilities. The following Core Eligibility Criteria must be satisfied in order for Infrastructure Loans to be eligible for sale to Cagamas:

- (a) the Infrastructure Loans must be fully disbursed and amortised;
- (b) the maximum project size of Infrastructure Loans is up to RM500 million each;
- (c) the properties under the Infrastructure Loans must be fully completed and lease rental have commenced with at least one month payment made;
- (d) the Infrastructure Loans should at the time of sale, have a remaining life which expires on or after the review date; and
- (e) all other eligibility criteria contained in the Cagamas Guide (Infrastructure Loans) must be satisfied.

Islamic PWR

Under the Islamic PWR scheme, Cagamas purchases Islamic facilities from Islamic financial institutions (“**IFIs**”), the Government or selected corporations based on the same principles as the conventional PWR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financings. Pursuant to carrying out the Retained Functions, any money collected by the Selling Institution from such financings on behalf of or belonging and/or payable to Cagamas is held on trust for Cagamas. Cagamas undertakes Wa’d to give Hibah by way of deduction and retention by the Selling Institution of an amount equal to the net difference in value (if any) between the monthly instalment received from customers and the Cagamas instalment provided that the Selling Institution continues to carry out the Retained Functions.

Under this scheme, Cagamas purchases debt-based financings using cash or commodities, i.e. the Shariah principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn bi al-Sila'ii (exchange of debts with commodities) and it purchases asset based financings (such as Al-Ijarah Thumma Al-Bai' (lease to purchase) ("**AITAB**") or Musharakah Mutanaqisah (diminishing partnership) in the form of cash alone (i.e. the Shariah principles of Bai' al-A'yaan (asset trading)). For Rahn (collateral) receivables/financings, Cagamas purchases the receivables using cash under Shariah principle of Hiwalah (transfer of debt).

Islamic PWR House Financing

Cagamas purchases Islamic house financings ("**IHF**") from IFIs under Bai' al-Dayn bi al-Sila'ii (exchange of debts with commodities) or Bai' al-Dayn (debts trading) and also purchases Islamic house financing assets from IFIs under Bai' al-A'yaan (asset trading) depending on the underlying Shariah contracts of the originated financings. The following Core Eligibility Criteria must be satisfied in order for an IHF to be eligible for sale to Cagamas:

- (a) the IHF must be conducted under approved Shariah principles;
- (b) the purpose of the IHF must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- (c) the IHF must be fully disbursed;
- (d) the monthly instalment of IHF must not be more than one month in arrears at the time of the proposed sale of the Islamic PWR House Financings to Cagamas;
- (e) the IHF must not expire before the end of the agreed contracted review period;
- (f) the IHF must have a profit rate greater than Cagamas' required rate of return (not applicable for floating rate and purchase at a discount to its book value);
- (g) the IHF must be secured by a first charge or assignment of rights over the secured property;
- (h) the IHF must comply with any other criteria contained in the Cagamas Guide (Islamic House Financing); and
- (i) in the event that the IHF are related to sustainability, the IHF must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

Islamic PWR Hire Purchase/Leasing

Under the PWR scheme, Cagamas purchases Islamic hire purchase/Islamic leasing ("**IHP/ Islamic Leasing**") from IFIs under Bai' al-Dayn bi al-Sila'ii (exchange of debts with commodities) or Bai' al-Dayn (debts trading) and purchases Islamic hire purchase assets from IFIs under Bai' al-A'yaan (asset trading). The following criteria must be satisfied in order for an IHP/ Islamic Leasing to be eligible for sale to Cagamas:

- (a) the IHP/ Islamic Leasing must be conducted under approved Shariah principles;
- (b) the IHP/ Islamic Leasing must be fully disbursed;
- (c) the monthly instalment of IHP/ Islamic Leasing must be no more than one month in arrears at the time of sale;
- (d) the IHP/ Islamic Leasing must not expire before the end of the agreed contracted review period;
- (e) the IHP/Islamic Leasing must have a book balance (less unearned profit, if any) not exceeding RM2 million per facility;

- (f) the IHP/ Islamic Leasing must have an effective rate equal to or greater than Cagamas' required rate of return (not applicable for floating rate and purchase at discount to its book value);
- (g) the IHP /Islamic Leasing must comply with any other criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing); and
- (h) in the event that the IHP/Islamic Leasing are related to sustainability, the IHP/Islamic Leasing must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

Islamic PWR Industrial Property Financings

Under the PWR scheme, Cagamas purchases financings which have been granted for the purpose of financing or refinancing the purchase, construction or renovation of factories, warehouses or industrial complexes ("**Industrial Property Financings**") in the same manner it purchases Islamic house financings. The following Core Eligibility Criteria must be satisfied in order for Industrial Property Financings to be eligible for sale to Cagamas:

- (a) the purpose of the Industrial Property Financings must be for the financing or refinancing of the purchase, construction or renovation of industrial properties;
- (b) the Industrial Property Financings must be fully disbursed;
- (c) the monthly instalment of the Industrial Property Financings must not be more than one month in arrears at the time of the proposed sale;
- (d) each Industrial Property Financing, disregarding any unearned profit, must have a book balance not exceeding RM20 million;
- (e) the Industrial Property Financings must be secured by a first ranking charge over the secured property or an assignment of rights over the secured property;
- (f) all other eligibility criteria contained in the Cagamas Guide (Islamic Commercial and Industrial Property Financings) must be satisfied; and
- (g) in the event that the Industrial Property Financings are related to sustainability, the Industrial Property Financings must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

Islamic PWR Personal Financing

Under the PWR scheme, Cagamas purchases Islamic personal financing ("**IPFs**") from IFIs under Bai' al-Dayn bi al-Sila'ii (exchange of debts with commodities) or Bai' al-Dayn (debts trading). The following Core Eligibility Criteria must be satisfied in order for an IPF to be eligible for sale to Cagamas:

- (a) the IPF must be conducted under approved Shariah principles;
- (b) the IPF must be fully disbursed;
- (c) the monthly instalment of IPF must not be more than one month in arrears at the time of sale;
- (d) the IPF must not expire before the end of the agreed contracted review period;
- (e) the IPF must have an effective rate equal to or greater than Cagamas' required rate of return (not applicable for floating rate and purchase at a discount to its book value); and
- (f) the IPF must comply with any other criteria contained in the Cagamas Guide (Islamic Personal Financing).

Islamic PWR Rahn receivables/financings

Under the PWR scheme, Cagamas purchases Rahn receivables/financings (“**RF**”) from IFIs or selected corporations under the Shariah principle of Hiwalah (transfer of debt). The following Core Eligibility Criteria must be satisfied in order for an RF to be eligible for sale to Cagamas:

- (a) the RF must be conducted under approved Shariah principles;
- (b) the RF must be fully disbursed;
- (c) the RF must be placed with gold as collateral and must have been valued in accordance with the IFI’s approved guidelines and policies;
- (d) the RF accounts must not (i) be closed, terminated or frozen; (ii) be written off; (iii) be assigned, pledged or transferred to any other parties at the time of sale; and
- (e) the RF must comply with any other criteria contained in the Cagamas Guide (Rahn Financing).

PWR SME Financings

Under the PWR scheme, Cagamas purchases SME financings (“**SME Financings**”) where the customer is identified as an SME granted under IHP/Islamic Leasing and Industrial Property Financings. In addition to the Core Eligibility Criteria in relation to IHP/Islamic Leasing or Islamic Commercial and Industrial Property Financings, SME Financings must also fulfil the following additional criteria in order to be eligible for sale to Cagamas:

- (a) the SME Financings under IHP/Islamic Leasing and Industrial Property Financings should not in arrears at the time of sale in respect of principal and/or profit margin;
- (b) the SME Financings under IHP/Islamic Leasing and Industrial Property Financings must have been paid at least six monthly instalments as at the purchase date;
- (c) the SME Financings under Industrial Property Financings is an amortising financing;
- (d) the SME Financings under Industrial Property Financings should at the time of sale, have a book balance less unearned profit, if any, not exceeding RM10 million;
- (e) all other eligibility criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing and Islamic Commercial and Industrial Property Financings) must be satisfied; and
- (f) in the event that the SME Financings are related to sustainability, the SME Financings must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria of IHP/Islamic Leasing or Islamic Commercial and Industrial Property Financings, where applicable.

PWR Infrastructure Financings

Under the PWR scheme, Cagamas purchases infrastructure financings (“**Infrastructure Financings**”) granted for the education, healthcare and utilities facilities. The following Core Eligibility Criteria must be satisfied in order for Infrastructure Financings to be eligible for sale to Cagamas:

- (a) the Infrastructure Financings must be fully disbursed and amortised;
- (b) the maximum project size of each Infrastructure Financing is up to RM500 million each;

- (c) the properties under the Infrastructure Financings must be fully completed and lease rental have commenced with at least one month payment made;
- (d) the Infrastructure Financings should at the time of sale, have a remaining life which expires on or after the review date; and
- (e) all other eligibility criteria contained in the Cagamas Guide (Islamic Infrastructure Facilities) must be satisfied.

PWOR Scheme

Selling Institutions that seek capital, risk and/or portfolio management solutions may seek to participate in Cagamas' PWOR scheme. The PWOR scheme encompasses housing loans and house financings (both conventional and Islamic) and hire purchase and leasing receivables (both conventional and Islamic). The PWOR scheme comprises two sub-groups, one dealing with conventional financing ("**PWOR**") and one dealing with Islamic financing ("**Islamic PWOR**").

Under the PWOR scheme, stringent eligibility criteria must be satisfied before Cagamas purchases loans and financings from Selling Institutions on a without recourse basis. The Selling Institution receives proceeds from the sale of loans and financings up-front and, post-sale, Cagamas does not have any recourse to the Selling Institution but takes on the credit risk of the underlying borrower/obligor. These loans and financings are purchased based on their book value (i.e. the principal outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date). The valuation of each loan and financing can be at a premium, discount or par and this allows the Selling Institution to secure its profit upfront from the sale to Cagamas. Due to the increased risk profile of PWOR purchases, the eligibility criteria are far more stringent than those used for the purchase of similar asset classes under the PWR scheme. The eligibility criteria used by Cagamas in relation to housing loans and financings and hire purchase products under the PWOR scheme are set out below.

Following the sale, the relevant Selling Institution is appointed as the servicer/trustee for a fee, to administer the loans and financings on behalf of Cagamas. The Selling Institutions are required to remit the instalments paid by the borrower/obligor on the remittance date. Similar to the PWR scheme, Cagamas offers the Selling Institutions a variety of options in relation to the settlement of the purchase consideration, which include cash settlement, settlement by way of an issuance of debt and/or other similar securities by Cagamas to the Selling Institutions, or to such other party as may be nominated by the Selling Institutions and approved by Cagamas, or partly in cash and partly by way of an issuance of debt and/or other similar securities by Cagamas.

Regulatory treatment of a PWOR sale transaction allows for complete off-balance sheet treatment for the Selling Institution such that the Selling Institution will show a reduction in assets on its balance sheet. In addition, the Selling Institution will benefit from full capital relief on the sales proceeds received from Cagamas. Such treatment allows the Selling Institution to better manage its portfolio of concentration risk, as the Selling Institution is released of all outstanding credit risk for the loans and financings sold to Cagamas under the PWOR scheme and the Selling Institution will also benefit from a steady income stream in the form of regular payments of the servicer fee. A standardised product structure and legal documentation are some of the key features which allow the expedient completion of transactions under the PWOR scheme.

PWOR Housing Loans

In order for a PWOR housing loan ("**PWOR Housing Loan**") to be purchased by Cagamas under the PWOR scheme, the following criteria must be satisfied:

- (a) the PWOR Housing Loan must be secured by a first charge or assignment of rights over the secured property;
- (b) the PWOR Housing Loan must be for the purchase of a completed residential unit or for the construction or renovation of a residential unit;
- (c) the outstanding amount of the PWOR Housing Loan should not exceed RM2 million for landed property and RM1 million for non-landed property as at the proposed date of purchase by Cagamas;
- (d) the PWOR Housing Loan must be repayable in Ringgit;
- (e) the maturity date of the PWOR Housing Loan must not be (1) less than five years; or (2) more than 30 years, from the proposed date of purchase by Cagamas;
- (f) in the twelve months prior to the proposed date of purchase by Cagamas, the repayment of interest/ payment of profit or principal under the PWOR Housing Loan must not have been suspended, rescheduled or restructured;
- (g) the monthly instalment payable under the PWOR Housing Loan must be greater than 110% of the interest portion of the monthly instalment;
- (h) the loan/financings-to-value ratio should be no more than 80%. (i.e. the outstanding principal payable under the relevant loan and financings as at the date of purchase divided by the property value (defined as the lower of the price under the agreement for the purchase of the mortgaged property or the current market valuation of the mortgaged property (which valuation has not been made more than a year ago)));
- (i) where the PWOR Housing Loan has been provided in relation to leasehold land, the remaining tenure of the lease must not be less than 20 years on the proposed date of sale to Cagamas; and
- (j) all other eligibility criteria in relation to PWOR Housing Loans provided in the Cagamas Guide (PWOR Housing Loan) must be satisfied.

PWOR Hire Purchase and Leasing Debts

In order for hire purchase and leasing debts to be purchased by Cagamas under the PWOR scheme ("**PWOR HPL Debts**"), the following criteria must be satisfied:

- (a) the PWOR HPL Debt must be taken in relation to hire purchase of private and non-commercial passenger car(s) only;
- (b) the age of the car/equipment of the PWOR HPL Debts must not be more than seven years prior to the proposed date of sale to Cagamas;
- (c) the initial amount financed under the PWOR HPL Debt must not exceed RM400,000;
- (d) the original margin of finance must not be more than 80% of the purchase price or market value;
- (e) the maturity date of the PWOR HPL Debt must not be less than six months from the proposed date of sale of the PWOR HPL Debt to Cagamas;
- (f) the monthly instalment payable under the PWOR HPL Debt must be greater than 110% of the interest portion of the monthly instalment; and
- (g) all other eligibility criteria in relation to PWOR HPL Debts provided in the Cagamas Guide (PWOR HPL Debts) must be satisfied.

Islamic PWOR

Under the Islamic PWOR scheme, Cagamas purchases Islamic facilities from IFIs, the Government or selected corporations based on the same principles as the conventional PWOR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financing. Under the Islamic PWOR scheme Cagamas appoints a Selling Institution as its agent and pays the Selling Institution a Wakalah (agent) fee for continuing to carry out services on its behalf. Under this scheme, Cagamas purchases debt-based financings using cash or commodities, i.e. the Shariah principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) and it purchases asset based financings (such as Al-Ijarah Thumma Al-Bai (lease to purchase) or Musharakah Mutanaqisah (diminishing partnership)) in the form of cash alone (i.e. the Shariah principles of Bai' al-A'yaan (asset trading)). The minimum eligibility criteria for products under the Islamic PWOR scheme is the same as the eligibility criteria adopted for the PWOR scheme. Products purchased under the Islamic PWOR scheme are also subject to any Shariah principles that need to be complied with.

In addition to the above product lines offered by Cagamas, the Cagamas Group has expanded its range of products through the introduction of the Mortgage Guarantee Programme ("**MGP**"), Skim Rumah Pertamaku or "My First Home Scheme" ("**SRP**") and Skim Perumahan Belia or "Youth Housing Scheme" ("**SPB**") which are offered by Cagamas SRP and the purchase of GOM staff housing loans and house financings funded through the issue of residential mortgage-backed securities by Cagamas MBS.

In 2021, Cagamas has extended its business to the following:

Capital Management Solution (CMS)

CMS is designed to provide capital support to Financial Institutions ("**FIs**") and Development Financial Institutions ("**DFIs**") under the purview of the Financial Services Act 2013 and the Development Financial Institutions Act 2002 respectively. Within Cagamas' approved parameters, Cagamas will subscribe for debt securities issued by FIs/DFIs which comply with Bank Negara Malaysia's Capital Adequacy Framework and may consider funding the purchase of such debt securities via issuance of bonds or other funding avenues.

Skim Saraan Bercagar (SSB)

SSB, a reverse mortgage loan scheme, was launched by the Finance Minister, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz in December 2021. Through the scheme, retirees can continue staying in their family home whilst receiving a monthly payout from Cagamas without repayment during their lifetime. Retired home owners can use the monthly payout amount for any purpose, such as medical-related expenses and other necessities to make their retirement years more comfortable.

The reverse mortgage loan only requires settlement upon the demise of the borrower or last surviving joint borrower where the property will be sold to settle the outstanding loan amount and any residual balance will be paid to their estate.

In 2022, Cagamas has extended its business to the following:

Skim Saraan Bercagar Islamik (SSB-i)

SSB-i, a global-first Islamic reverse mortgage financing for senior citizen homeowners, was launched in October 2022. The SSB-i aims to help senior citizen homeowners to fund their retirement in compliance with syariah principles. The scheme allows retirees aged 55 and above to leverage against the value of their fully paid homes and convert it into a steady monthly cash payout to supplement their retirement funds up to the age of 120 years, without sacrificing home ownership. The SSB-i is based on a sale-based commodity transaction, under the Shariah concept of Commodity Murabahah via Tawarruq arrangement.

5.1.2 Regulatory Treatment of Debt Securities

BNM has accorded the following regulatory treatments for the debt securities issued by Cagamas (which includes the conventional debt securities and Sukuk issued by Cagamas and guaranteed by Cagamas as further described under Section 5.1.3 below):

- (i) Holdings of debt securities by licensed institutions will qualify for a twenty percent (20%) risk weight under the Risk Weighted Capital Ratio framework;
- (ii) Holdings of debt securities that qualify for high quality liquid assets (“HQLA”) under Class Level 2A with 15% haircut under the Liquidity Coverage Ratio guidelines issued by BNM;
- (iii) Holdings of the debt securities will be aggregated with other credit facilities granted to Cagamas in the computation of “Single Customer Credit Limit”; and
- (iv) Holdings of debt securities by insurance companies incur a risk charge of 1.6% under rating category “One” under the Risk-Based Capital Framework for Insurers issued by BNM.

5.1.3 Conventional Debt Securities and Sukuk issued by Cagamas and guaranteed by Cagamas

Cagamas issues conventional debt securities and Sukuk to finance the purchase of housing loans and house financings as well as other consumer receivables for both conventional loans and Islamic financing.

Conventional Debt Securities

Conventional debt securities were/are typically issued under the 2015 CCP Programme and MTN Programme.

The conventional instruments issued under the programmes are as follows:

CMTNs with Fixed Rate

Conventional Medium Term Notes (“CMTNs”) with fixed rate under the MTN Programme have tenures of more than one year and carry a fixed coupon rate which is determined at the point of issuance. Interest on these CMTNs is normally paid at half-yearly intervals.

The redemption of the relevant CMTNs is at nominal value together with the interest due upon maturity.

CMTNs with Floating Rate

CMTNs with floating rate under the MTN Programme have an adjustable interest rate pegged to the Kuala Lumpur Interbank Offered Rate (KLIBOR), Malaysia overnight rate (MYOR) or such other reference benchmark rate which is determined at the point of issuance or any other dates as agreed by the parties. Interest on these CMTNs is paid at three or six monthly intervals. The redemption of the relevant CMTNs is at face value together with the interest due upon maturity.

Conventional Commercial Paper ("CPs")

CPs under the 2015 CCP Programme were short-term instruments with maturities of between one to twelve months, typically issued at either a discount from the face value where the relevant CPs were redeemable at their nominal value upon maturity or issued at par with interest where interest was paid on a semi-annual basis or such other periodic basis as determined by Cagamas.

Where permitted by the respective trust deeds, Cagamas may at any time purchase its debt securities and the repurchased debt securities shall be cancelled according to the requirements of the trust deeds.

Conventional Multicurrency Debt Securities

Under the USD2.5 billion Multicurrency Medium Term Note Programme ("**EMTN Programme**"), Cagamas Global may from time to time issue notes ("**EMTN Notes**") denominated in any currency (other than RM) which are unconditionally and irrevocably guaranteed by Cagamas.

The tenure of each EMTN Note under the EMTN Programme shall be determined prior to each issuance, subject to such minimum and maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws and regulations applicable to Cagamas Global, Cagamas or the relevant specific currencies. The EMTN Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant series of EMTN Notes issued.

Cagamas Global, Cagamas or any of their respective subsidiaries may at any time purchase the EMTN Notes in the open market or otherwise and at any price and such EMTN Notes may be held, resold or, at the option of Cagamas Global, surrendered to any paying agent for cancellation.

The following table sets out the outstanding conventional debt securities issued and guaranteed by Cagamas as at 31 October 2022.

Outstanding Conventional Debt Securities issued and guaranteed by Cagamas

As at 31 October 2022

	(RM '000)
Instrument issued by Cagamas	
Conventional Medium Term Notes	15,975
Instrument guaranteed by Cagamas	
Conventional Multicurrency Debt Securities	3,499
Total	19,474

Sukuk

Sukuk were/are typically issued under the 2015 ICP Programme and the MTN Programme. The Islamic instruments issued under the programmes are as follows:

Sukuk with Fixed Profit Rate

Sukuk with fixed profit rate under the MTN Programme have tenures of more than one year and carry a fixed profit rate which is determined at the point of issuance. Profit is normally paid at half-yearly intervals. The redemption of the relevant Sukuk is at nominal value together with profit due on maturity.

Sukuk with Variable Profit Rate

Sukuk with variable profit rate under the MTN Programme have tenures of more than one year and variable profit rates pegged to the KLIBOR, Malaysia Islamic Overnight Rate (MYOR-i) or such other reference benchmark rate which is determined at the point of issuance or any other dates as agreed by the parties. Profit is paid at three or six monthly intervals. At maturity, the face value of the relevant Sukuk is redeemed with any outstanding profit amounts due on maturity.

Sukuk under the 2015 ICP Programme

Sukuk under the 2015 ICP Programme were short term Islamic instruments issued by Cagamas with maturities ranging from one to twelve months issued at either a discount from the face value where the relevant Sukuk were redeemable at their nominal value upon maturity or issued at par with profit paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

Sukuk under the 2015 ICP Programme and the MTN Programme were/are issued based on but not limited to the following Shariah principles:

- *Murabahah (via a Tawarruq arrangement)*
- *Musharakah*
- *Mudharabah*
- *Ijarah; and*
- *Wakalah Bil Istithmar*

Where permitted by the respective trust deeds, Cagamas may at any time purchase its Sukuk from the open market and the purchased Sukuk shall be cancelled according to the requirements of the trust deeds.

Islamic Multicurrency Debt Securities

Under the USD2.5 billion Multicurrency Sukuk Issuance Programme ("**Sukuk Programme**"), Cagamas Global Sukuk, may from time to time issue Sukuk ("**Multicurrency Sukuk**") denominated in any currency (other than Ringgit Malaysia), where Cagamas is the obligor under the Sukuk Programme.

The tenure of each series of Multicurrency Sukuk under the Sukuk Programme shall be determined prior to each issuance, subject to such minimum and maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws and regulations applicable to Cagamas Global Sukuk, Cagamas or the relevant specified currencies. The Multicurrency Sukuk will be issued 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 Multicurrency Sukuk issued.

Cagamas Global Sukuk, Cagamas or any of their respective subsidiaries may at any time purchase the Multicurrency Sukuk in the open market or otherwise and at any price and such Multicurrency Sukuk may be held, resold or, at the option of Cagamas Global Sukuk surrendered to the registrar for cancellation.

The following table sets out the outstanding Sukuk issued by Cagamas as at 31 October 2022.

Outstanding Sukuk issued by Cagamas	As at 31 October 2022
	(RM '000)
Instrument	
Islamic Medium Term Notes	18,005
Total	18,005

5.2 Strategy and Key Objectives

Cagamas commenced operations in 1987 with two distinct objectives: supporting the broader spread of home ownership within Malaysia by increasing liquidity and accessibility to long-term funds for mortgage originators at competitive prices; and spearheading the development of the local bonds and Sukuk market by being a credible issuer of high quality securities. As part of its development, Cagamas has expanded the scope of its initial objectives to encompass the development and promotion of Islamic finance within Malaysia, introduction of innovative products for liquidity and capital management purposes and established international bond and/or Sukuk structures to the Malaysian market to attract a larger pool of regional and international investors.

Cagamas aims to be a leader in the provision of financial support in Malaysia's efforts to meet the housing needs of Malaysians, to spearhead the development of the bonds and Sukuk market within Malaysia and to contribute towards the nation's sustainable and inclusive development.

Cagamas seeks to achieve these objectives by:

- (a) developing the secondary mortgage market in Malaysia through the provision of innovative facilities and efficient service at a competitive cost to primary home lenders;
- (b) enhancing the capital market, particularly the corporate bonds and Sukuk market, through widening and deepening the scope of securitisation including issuance of Cagamas' Sustainability bonds and/or Sukuk;
- (c) continuing to support GOM's initiative such as Skim Rumah Pertamaku or "My First Home Scheme" or any other related initiatives to promote affordable home ownership in Malaysia;
- (d) offering bespoke risk and capital management solutions in line with the company's objectives;
- (e) embracing a culture of deploying sustainable initiatives;
- (f) nurturing and maintaining a competent workforce of the highest integrity and professionalism;
- (g) using technology to enhance productivity and efficiency;
- (h) valuing its staff for their commitment and loyalty; and
- (i) inculcating a caring and responsible corporate culture.

Cagamas' future plans for furthering its objectives are as follows:

- (a) remaining committed to its mandate of helping Malaysians gain access to affordable, competitive and innovative home financing through the following:
 - continuing to support the GOM's initiative in promoting affordable homes via mortgage guarantee program as well as provision of project financing to selected affordable housing developers; and
 - continuing to promote reverse mortgage product to provide alternative steady monthly cash pay out to retirees throughout their lifetime to supplement their retirement funds;
- (b) continuing to undertake its primary role in the financial system to accelerate liquidity to the secondary mortgage market through the following:
 - enhancing our offerings to financial institutions including the new entrants by digital banks through development of alternative liquidity and structured funding solutions as well as risk-transfer mechanism that are suited to meet individual needs and requirements; and
 - providing competitively priced funding, which is achieved through its diversification of funding sources and widening of its investor base; and

- (c) promoting the growth of affordable green homes in the country through the development of standards or taxonomy for green home and home improvement financing together with relevant stakeholders and exploring more environmental, social and governance (ESG) related issuances.

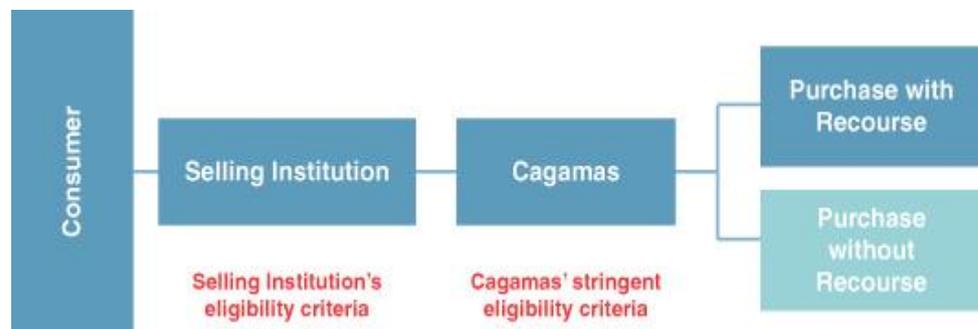
5.3 Key strengths

Cagamas' key strengths include the following:

(a) Strategic Business Model

Cagamas' business model is unique in that Cagamas acts as a secondary mortgage market conduit for the Selling Institutions within Malaysia. The business model permits Cagamas to screen potential loans and financings with its own rigorous eligibility criteria in addition to those imposed by the Selling Institutions.

The diagram below illustrates Cagamas' strategic business model:



The above diagram illustrates Cagamas' strategic business model which comprises two sets of eligibility criteria for the loans and financings sold to Cagamas. First, the Selling Institution will have applied its own eligibility criteria in granting the loan or financing to the consumer, and second, Cagamas will have applied its own stringent eligibility criteria in determining that the loan or financing to be purchased from the Selling Institution is of sufficient quality to maintain the high quality of Cagamas assets. The eligibility criteria applied by Cagamas will depend upon the type of product being purchased, and whether the product is being purchased under the PWR scheme or the PWOR scheme. The key criteria for individual products under each of the respective PWR and PWOR schemes can be found above in "Section 5.1.1 Business Overview — Cagamas Business Model".

(b) Strong Shareholding Structure

Cagamas is wholly-owned by Cagamas Holdings. Cagamas Holdings benefits from a strong, stable shareholding structure, demonstrated by the negligible disposals of shares by shareholders of Cagamas Holdings (other than as a direct result of the merger of two or more shareholders and disposal of 0.2% of shares) since its incorporation in 2007. The largest shareholder of Cagamas Holdings is BNM with whom the Cagamas Group maintains close ties. The Chairmen of Cagamas Holdings and Cagamas are appointed by their respective Board of Directors, in consultation with BNM. Although the Cagamas Group operates independently of BNM, major strategic decisions are made in consultation with

BNM. The remaining shareholders include major commercial and investment banks in Malaysia.

(c) Systemically Important to the Domestic Financial System

Cagamas plays a systemically important role in the Malaysian domestic financial system, which is underscored by its dual function as a liquidity provider via the purchase of loans and financings from Selling Institutions and as a leading issuer of conventional debt securities and Sukuk. Since its incorporation up to 31 October 2022, Cagamas and its subsidiaries have issued conventional debt securities and Sukuk of RM371.5 billion in nominal value in Malaysia. In addition, Cagamas provides credit and portfolio risk management as well as capital management solutions to Selling Institutions. Cagamas also acts as a conduit to remove systemic risk in the financial sector.

Due to its systemically important role, it is anticipated that Cagamas will continue to receive the support of its shareholders during periods of stress in the financial markets.

(d) Robust Asset Quality and Solid Capitalisation

Cagamas imposes strict limits on counterparty exposures based on the credit rating assigned to such counterparties and has exposure limits based on the type of counterparty, type of asset and property type. Malaysian commercial banks account for the majority of its counterparty exposures.

(e) Strong Risk Management Framework

Cagamas has a well-defined risk management strategy based on the Cagamas Group's Enterprise Risk Management Framework dealing with the risks and opportunities affecting value creation and preservation within its business. This provides for three lines of defence in managing risks within Cagamas, starting with the applicable business unit providing the first line of defence, then an independent Risk Management Department and Compliance Department to assess exposures and coordination of risk management on an enterprise-wide basis and finally the Internal Audit Department which is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.

In addition, Cagamas has put in place Product Development Guidelines for all new business products and variations to existing products; the business units are responsible for the development of new product ideas, which are approved by various internal committees such as the Management Executive Committee and Board Risk Committee, with final approval resting with the Board.

(f) Financial position

Cagamas has maintained stable performance and margins over the years, supported by steady business growth, discipline in cost management and strong capital management.

(g) Management team

The senior management team is a mix of members from various complementing disciplines, who contributes a range of perspectives to the day to day management of the business and development of new initiatives.

5.4 Recent developments

- (a) Cagamas' profitability remains fairly stable as it operates on a low cost base. In 2021, the Cagamas' cost to income ratio stood at 15.8%, which is below the level of 40% - 50% maintained by most commercial banks in Malaysia. Cagamas incurred minimal credit costs between 2011 and 2021 as a result of good asset-quality performance and conservative level of risk appetite.
- (b) Cagamas maintains strong capitalisation with reported Common Equity Tier 1 capital ratio of 40.6% as of the end of 2021. Cagamas' Board and management have voluntarily adopted the central bank's regulatory bank capital framework as part of Cagamas' internal governance framework. Cagamas' total adequacy ratio was 42.0% as of year-end 2021, well above its internal minimum requirement of 15%.
- (c) Cagamas is also exploring the possibility of issuing bonds in other new foreign currencies and in new markets including the Panda bonds, ProBond and Formosa bonds.
- (d) As part of its effort to enhance strategic cooperation in various areas, including research and knowledge related to housing finance, Cagamas has entered into collaborative arrangements with some of its Asian peers. Cagamas has signed memorandums of understandings namely with Indonesia's PT Sarana Multigriya Finansial, Mongolia Mortgage Corporation, Philippines' National Home Mortgage Finance Corporation, Korea Housing Finance Corporation, Japan Housing Finance Agency, The State Mortgage Company Kyrgyzstan and Pakistan Mortgage Refinance Company Limited. This cooperation is a synergistic effort between the members of the Asian Secondary Mortgage Market Association (ASMMA) as well as the newly established International Secondary Mortgage Market Association (ISMMA) in the development of mortgage financing market.
- (e) As a testament to the expertise within Cagamas in the development of the housing finance market, Cagamas has been appointed as the first chair of ISMMA by the World Bank in June 2018. ISMMA will focus on advocacy of regulatory issues, share information, and provide support to newly-established institutions in the field of housing finance market. This is the first association to bring together secondary mortgage markets institutions around the world.
- (f) In 2021, Cagamas' new Capital Management Solution product was launched, whereby Cagamas may subscribe to subordinated debt securities issued by financial institutions/development financial institutions, thereby providing capital support to enable financial institutions/development financial institutions to comply with BNM's Capital Adequacy Framework.
- (g) As part of its continuous efforts to address financial gaps in the market, Cagamas has also introduced the Skim Saraan Bercagar (SSB), a reverse mortgage

scheme in December 2021. Through SSB, retirees are able to fund their retirement by borrowing against the value of their fully paid homes and converting it into a steady monthly cash payout from Cagamas throughout their lifetime to supplement their retirement funds and thereby maintain their standard of living. Initial offering of SSB was only conventional and for properties in Klang Valley. In October 2022, Cagamas has also successfully launched the Skim Saraan Bercagar Islamik (SSB-i) and expanded coverage of both SSB and SSB-i to Johor Bahru and Penang, in addition to Klang Valley. Cagamas will continue to evaluate the expansion of SSB and SSB-i to other cities in Malaysia.

- (h) In line with the Government's initiative to promote affordable housing to the nation and homeownership among the low-income group, Cagamas SRP has collaborated with the Ministry of Housing and Local Government (KPKT) via the launch of *Inisiatif Pembiayaan Perumahan Malaysia* (i-Biaya) under the Home Ownership Programme (HOPE) in April 2022. The Government through KPKT, introduced HOPE with i-Biaya as one of the four elements under HOPE to look at the housing ecosystem, including the aspects of housing provision and financing. SRP, alongside with other Government related financing schemes are listed under the i-Biaya to assist potential house buyers especially young Malaysians to gain access to financing.
- (i) Following the announcement of five (5) successful applicants for the digital bank (DB) licenses by BNM in April 2022, Cagamas will look into the provision of possible liquidity and structured funding solutions to the new DB to support their growth and indirectly assist the underserved segment in Malaysia e.g. B40 and micro-SME lending. Cagamas is currently conducting market study on the business strategies of the DB to understand their landscape, target market and risk appetite.
- (j) Cagamas is also developing the building blocks for Cagamas' standard for green home and home improvement financing that is recognised by stakeholders in the property and property financing value chain to ensure that green compliant homes are built as feedstock for green home financing.

5.5 General

(a) Implementation of Basel II and Basel III

In line with the industry's best practice, Cagamas has implemented Basel II Pillar 1 Risk-Weighted Capital Adequacy Framework (RWCAF), Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and Basel II Pillar 3 Disclosure Policy. Additionally, Cagamas monitors its liquidity coverage ratio and net stable funding ratio as per Basel III requirements.

(b) Corporate Social Responsibility ("CSR")

Cagamas' CSR activities are in line with the GOM's policy of nurturing a caring society. Beneficiaries of Cagamas' CSR activities include charitable, non-profit organisations registered with the Social Welfare Department or the Inland Revenue Board, associations with which Cagamas has a working relationship or other charitable, non-profit organisations as may be decided upon by Cagamas, i.e. hospitals, welfare homes, old folks homes, orphanages, etc. established in

Malaysia with the aim of providing as much assistance to the needy as possible. Cagamas also gives emphasis to the promotion of sustainability via education and vocation-based programmes when considering donations towards improving society as a whole. Cagamas also encourages employees to become involved in their communities, lending their voluntary support towards CSR programmes in which Cagamas endorses. Such programmes may include, but are not limited to sustainability related programmes, i.e. those concerning the environment, social and community, education and economic causes.

Cagamas has also supported the GOM's effort to mitigate and curb the COVID-19 outbreak in Malaysia through various efforts including donations for the COVID-19 fund, through the following initiatives:

- #CovidHomeCare Programme by Malaysian Red Crescent Society for the purchase of equipment for volunteers' call centre and oximeters for COVID-19 patients;
- Malaysian Medical Relief Society ("MERCY") Malaysia's COVID-19 Strategic Preparedness and Response Plan for the purchase of medical supplies, medical equipment and essentials needed by COVID-19 facilities; and
- #TeamNAFAS by Kembara Kitchen for the provision of emergency transport services to COVID-19 positive individuals who require urgent medical attention.

In addition, donation of care packs to assist asnaf recipients under the Cagamas Zakat Wakalah Programme and contribution through the following initiatives:

- Pasca Covid-19 Food Bank via collaboration with Persatuan Kebajikan Komuniti Masyarakat Negeri Melaka to help 100 underprivileged families to purchase daily household necessities;
- purchasing 29 phone tablets to support online learning at home (PDPR) to underprivileged students via collaboration with Persatuan Kebajikan Asnaf Al-Barakah Malaysia, Kuala Lumpur;
- purchasing basic daily necessities for 'Misi Amal Banjir' for 200 families affected by floods at Yan, Kedah through Pertubuhan Kebajikan Amal Sejagat Malaysia, Kuala Lumpur.

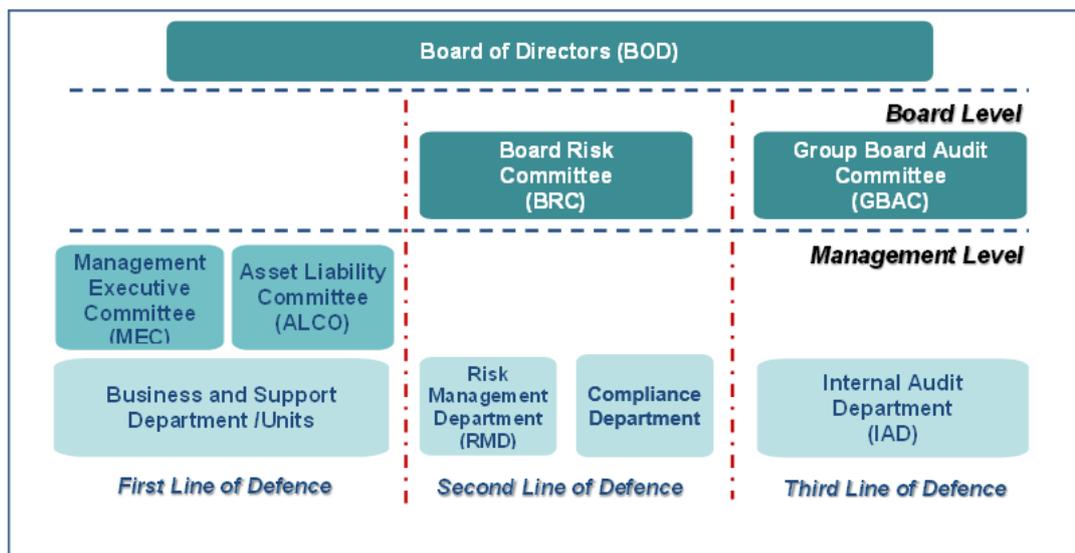
[the remainder of this page is intentionally left blank]

SECTION 6.0 RISK MANAGEMENT

6.1 Enterprise Risk Management Framework

Cagamas takes a holistic and enterprise-wide view in managing risk. The Board approved the Enterprise Management Framework ("ERM") which details the responsibility and accountability of the Board, Board Risk Committees ("BRC"), President/Chief Executive Officer ("CEO"), Senior Vice President, Risk Management ("SVP Risk Management"), Management Executive Committee ("MEC"), Asset Liability Committee ("ALCO"), Risk Management Department ("RMD"), Compliance Department ("CD"), Internal Audit Department ("IAD") and Cagamas' employees.

In line with the ERM Framework, Cagamas employs three lines of defence when managing risk as illustrated in the diagram below.



The business units within Cagamas are the first line of defence, and have the primary responsibility of identifying, mitigating and managing risks within their line of business. They also ensure that their day-to-day activities are conducted in line with established risk policies and procedures, and that no limits are exceeded.

An independent RMD and CD act as Cagamas' second line of defence by providing specialised resources to proactively manage risks. This includes assessment of risk exposures and the coordination of risk and compliance management on an enterprise-wide basis. The RMD and CD are also responsible for ensuring that risk and compliance policies are implemented, respectively.

The IAD is Cagamas' third line of defence and is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.

6.2 Risk Governance Structure

The Board sets the overall strategic direction for Cagamas. It provides ultimate oversight to ensure that management has set up appropriate risk management systems to manage

risks associated with Cagamas' operations and activities. The Board sets the risk appetite and tolerance level to be consistent with Cagamas' overall business objectives and desired risk profile. The Board also reviews and approves all significant risk management policies and risk exposures.

The BRC assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage Cagamas' risks. The BRC is supported by a management committee addressing one or more of the key risks identified.

The MEC and ALCO, which comprise senior management of Cagamas, are chaired by the CEO and undertake the oversight function for capital allocation and overall risk limits, aligning them to the risk appetite set by the Board. Management is responsible for the implementation of the policies laid down by the Board by ensuring that there are adequate and effective operational procedures, internal controls and systems.

The RMD is independent of other departments involved in risk-taking activities and reports directly to the BRC. It is responsible for identifying, measuring, analysing, controlling, monitoring and reporting of risk exposures independently and coordinating the management of risk on an enterprise-wide basis.

6.3 Key Areas of Risk Management

(a) Strategic Risk Management

Strategic risk within the Cagamas Group is the risk of not achieving its corporate strategy goals which reflect the Cagamas Group's vision. This may be caused by internal factors such as performance planning, execution and monitoring, and external factors such as market environment.

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

(b) Credit Risk Management

Credit risk is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the Cagamas Group arises from its PWR and PWOR business, CMS business, mortgage guarantee programme, investments and treasury hedging activities.

The primary objective of credit risk management is to proactively manage risk and credit limits to ensure that all exposures to credit risk are kept within parameters approved by the Board to withstand potential losses. Investment activities are guided by internal credit policies and guidelines that are approved by the Board. Specific procedures for managing credit risks are determined at business levels based on risk environment and business goals.

(c) Market and Liquidity Risk Management

Market risk is defined as the potential loss arising from movements of market prices and rates. Within Cagamas, market risk exposure is limited to interest rate

and foreign exchange as Cagamas does not engage in any equity or commodity trading activities. Involvement in the purchase and sale of commodities is solely to facilitate the issuance of Islamic debt securities. Liquidity risk arises when Cagamas does not have sufficient funds to meet its financial obligations when they fall due.

Cagamas manages market and liquidity risks by imposing threshold limits which are approved by management within the parameters approved by the Board based on a risk-return relationship. A forward-looking liquidity mechanism is in place to promote efficient and effective cashflow management while avoiding excessive concentrations of funding. Cagamas plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. Reserve liquidity which comprises marketable debt securities is also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

As a Real Time Electronic Transfer of Funds and Securities (“**RENTAS**”) member, Cagamas is eligible to use the RM Intraday credit facility granted by BNM. This facility is to ensure sufficient liquidity in the system to effect settlement on a timely basis. Cagamas is required to collateralise adequate eligible securities to BNM to cover any drawdown made under the RM Intraday credit facility. Security granted for each drawdown will be released by BNM upon Cagamas funding its account to satisfy the amount drawdown under the RM Intraday credit facility.

(d) Operational Risk Management

Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems, or from external events. Each business/support unit undertakes self-assessment of the risk and control environment to identify, assess and manage its operational risks. Cagamas has established adequate internal controls, systems and procedures that are subject to regular review by both internal and external auditors. Business continuity plans are in place to minimise unexpected disruption and reduce time to restore operations. All documentation for new products/programmes are reviewed by an internal legal adviser and/or external advisers where necessary to ensure that Cagamas’ interest is protected at all times.

(e) Reputational Risk

Cagamas’ reputation and image as perceived by clients, investors, regulators and the general public are of utmost importance to the continued growth and success of Cagamas’ businesses and operations. Invariably, reputational risk is dependent on the nature/model of business, selection of clients and counterparties and reliability and effectiveness of business processes.

Thorough assessment of potential clients to ensure maintenance of high standards is needed to safeguard Cagamas’ reputation. The design and development of products in compliance with regulations is another factor that contributes towards the maintenance of Cagamas’ image and reputation.

(f) Shariah Non-Compliance Risk

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

Periodic Shariah reviews/audits are performed to verify that Islamic products and operations of Cagamas are in compliance with the decisions endorsed by the independent Shariah adviser and the Shariah advisers for any Sukuk programmes, where applicable.

Any incidences of Shariah non-compliance are reported to both the independent Shariah advisers, the BRC and the Group Board Audit Committee. Remedial actions are presented for the endorsement of the independent Shariah adviser and for notification to the BRC or the Board.

[the remainder of this page is intentionally left blank]

SECTION 7.0 INDUSTRY OVERVIEW

7.1 *Overview of the Malaysian economy*

Overview

Economic and Financial Developments in Malaysia in the Third Quarter of 2022

The Malaysian economy registered a strong growth of 14.2% in the third quarter of 2022 (2Q 2022: 8.9%). Apart from the sizeable base effects from negative growth in the third quarter of 2021,¹ the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022.

During the quarter, domestic demand expanded by 13.1% (2Q 2022: 13.0%), driven by firm private sector expenditure.

Private consumption growth remained robust at 15.1% (2Q 2022: 18.3%). This was attributed to the continued recovery in labour market conditions with higher employment and income growth. The strong performance was driven by spending across both necessities and discretionary items. Policy support, including the increase in minimum wage and Bantuan Keluarga Malaysia also spurred consumer spending.

Public consumption expanded at a faster pace of 4.5% (2Q 2022: 2.6%), attributable to higher growth in spending on supplies and services.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), rose to 4.5% during the quarter (2Q 2022: 2.8%). As expected, the increase was largely driven by the base effect from the discount on electricity bills implemented in the third quarter of 2021, as well as sustained increases in core and price-volatile inflation. The inflationary pressures reflected the confluence of stronger demand conditions and elevated cost pressures, particularly for food-related items.

Core inflation rose to 3.7% (2Q 2022: 2.5%) attributable to continued strengthening in demand in a high-cost environment. The increase was predominantly driven by food away from home (3Q 2022: 8.2%; 2Q 2022: 5.3%) and higher rental inflation (3Q 2022: 1.4%; 2Q 2022: 0.9%). Prices for other discretionary services, such as cultural services and restaurants and hotels, also rose. Price pressures remained pervasive throughout the quarter. The share of CPI items recording monthly price increases trended lower but remained high at 58.1% (2Q 2022: 63.2%; 2011-2019 average: 45.6%).

Labour market conditions improved further in the third quarter of 2022, with the unemployment and underemployment rates declining to 3.7% and 1.1% of the labour force, respectively (2Q 2022: 3.9% and 1.3%, respectively). This was supported by strong employment gains, amid an increasing number of workers entering the labour force. The labour force participation rate continued to improve, increasing to 69.4% of the working-age population, above the pre-pandemic level (2Q 2022 69.2%; 4Q 2019: 68.5%). Data on jobless claims and new job placements from the Employment Insurance System (EIS) also showed hiring was sustained amid lower retrenchments during the quarter.

Private sector wages also continued to improve in the third quarter of 2022, supported by the strong pace of economic expansion. In terms of momentum, on a quarter-on-quarter seasonally adjusted basis, wage growth moderated closer to pre-crisis averages (1.1%; 2Q 2022: 2.1%; 2015-2019 avg.: 1.4%). Wage growth was driven by broadbased improvements across both the services and manufacturing sectors.

The current account of the balance of payments recorded a higher surplus of RM14.1 billion, or 3.1% of GDP during the quarter (2Q 2022: RM4.4 billion or 1.0% of GDP). The goods account registered a higher surplus of RM43.0 billion (2Q 2022: RM34.0 billion). The services deficit narrowed to RM9.6 billion (2Q 2022: -RM12.3 billion) mainly on account of higher travel and transport receipts amid improvement in inbound tourist arrivals. Meanwhile, the income account registered a higher deficit due mainly to lower investment income generated by Malaysian firms investing abroad. The financial account registered a net outflow of RM14.9 billion (2Q 2022: RM0.2 billion). This reflects an outflow in other investments, owing to interbank borrowing primarily for liquidity management practices as well as placement of funds abroad by corporates.

Foreign direct investment (FDI) inflows (RM12.3 billion; 2Q: RM17.3 billion) benefitted mainly the manufacturing sector and financial services subsector while direct investment abroad (DIA) outflows (-RM10.3 billion; 2Q: -RM14.7 billion) were channeled primarily into the financial services subsector and mining sector. Portfolio investments turned around to register a small net inflow (RM0.1 billion; 2Q 2022: -RM14.7 billion) due to net inflows from residents' liquidation of investments in equities and debt securities abroad (RM2.6 billion; 2Q 2022: -RM4.4 billion). Net errors and omissions stood at RM14.1 billion during the quarter, or +1.8% of total trade.

In the third quarter of 2022, global financial conditions tightened further as major central banks continued to tighten their monetary policy stance to manage the risks from elevated and prolonged inflationary pressures. Consequently, global bond yields trended higher during the quarter, while global equities continued to decline. Concerns over a weakening global growth outlook and geopolitical tensions also led to investors' preference for relatively safer forms of financial assets, which further contributed towards a stronger US dollar. In terms of non-resident capital flows for Malaysia, there continued to be differentiation across the bond and equity markets, with non-resident portfolio outflows from the bond market and non-resident portfolio inflows into the equity markets. This suggests the more dominant role of external factors in driving bond market developments while domestic equity markets were supported by domestic factors such as the positive economic outlook.

For Malaysia, domestic bond yields increased during the quarter. The 3-year, 5-year and 10-year MGS yields increased by 26.0, 8.0, and 15.0 basis points, respectively. To some extent, the rise in yields also reflected the impact from the increase in the Overnight Policy Rate (OPR) in July and September. However, the upward adjustments in bond yields were of a smaller magnitude compared to the previous quarter due to lower non-resident bond outflows.

Amid persistent strengthening in the US dollar, the ringgit depreciated by 4.9% (2Q 2022: -4.6%), in line with movements of regional currencies during the quarter (3Q 2022 regional average: -5.5%). Furthermore, the weakening of the yuan also weighed on the ringgit, given the close trade linkages between Malaysia and China.

Construction Sector in Q3 2022

The construction sector recorded a higher growth of 15.3% (2Q 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed-development and small-scale projects continued to support activities in the nonresidential and special trade subsectors.

(Source: BNM Quarterly Bulletin 3Q 2022, BNM)

Economic Outlook of the Malaysian Economy for 2023

Global Economy

The increasingly challenging global economic environment has prompted the IMF to revise its global economic growth forecast to a lower rate of 3.2% for 2022. The outlook was mainly due to a slowdown of economic activities in China and prolonged geopolitical conflicts. This scenario is expected to result in continuous supply chain disruptions, sharp increase in commodity prices as well as challenging financial conditions. Since March 2022, the price of Brent crude oil has been averaging above USD100 per barrel for the year, which has led to global inflation. Hence, the inflationary pressure has urged most central banks to tighten monetary policies, leading to weaker private consumption and household purchasing power. These challenges may linger on and are anticipated to continue affecting growth in 2023.

Domestic Economy

Malaysia's economy expanded by 6.9% in the first half of 2022 underpinned by favourable momentum in the domestic economy and steady expansion in the external sector, as well as continued improvement of the labour market conditions. The strong performance is expected to sustain, backed by an increase in private consumption and business activities as the economy transitions to endemicity phase of COVID-19 with the surging tourist arrivals. Furthermore, the growth momentum was attributed to the Government's consistent policy support, particularly with the implementation of initiatives under the Budget 2022 since the start of the year, as well as the spillover effects from the Budget 2021 measures coupled with various assistance and stimulus packages. In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% – 7%. The domestic economy remains resilient and is forecast to expand between 4% – 5% in 2023 driven by the domestic demand. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

Monetary and Financial Developments

The level of monetary accommodation was reduced following strong domestic growth prospects in an environment of moderate inflationary pressures. Consequently, the Overnight Policy Rate (OPR) was increased three times, in May, July and September 2022 respectively, to a total of 75 basis points (bps) to 2.5% from its historical low of 1.75% held since 7 July 2020. The hike in the OPR was conducted in line with strong domestic economic performance. However, given that pre-pandemic OPR levels were much higher at 3% to 3.25%, the stance of monetary policy in 2022 remains accommodative and supportive of sustainable economic growth in environment of price stability. Furthermore, the Monetary Policy Committee of Bank Negara Malaysia (BNM) had emphasised that the pace of interest rate normalisation would be implemented in a measured and gradual manner to ensure that the market could adjust accordingly. Moving forward, the domestic financial system remains resilient supported by strong governance and prudent risk management practices despite the strengthening of the USD against major currencies and challenging global growth prospects. Moreover, Malaysia's Capital Market Masterplan 2021 – 2025 and Financial Sector Blueprint 2022 – 2026, which outline the visions and strategies for the development of the nation's financial sector will further enhance the overall financial market performance in line with the evolving economic and financial landscape.

Economic Management

Malaysia's economy will remain in a positive growth trajectory in 2023 mainly driven by domestic demand following the transition to the endemic phase and the reopening of international borders. The Government continues to support the economy through implementing policies and measures to ensure a conducive business environment that facilitates economic activities and meet the needs of the rakyat. In enhancing economic resilience and sustainable growth, the Government will prioritise the structural reform agenda to sustain the post-COVID-19 economic recovery momentum, amid the challenges arising from geopolitical uncertainties and climate change.

(Source: Economic Outlook 2023, Ministry of Finance, Malaysia)

7.2 Overview of the Construction Industry

Strong domestic activities to spur growth

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials. The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance. The development of residential property is expected to remain active supported by continuous implementation of measures under the Budget 2022 including a total government guarantee of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) as well as housing projects for low income group with an allocation of RM1.5 billion. In 2022, the sector is projected to rebound by 2.3%.

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3). In addition, the approved investment projects in the manufacturing sector are anticipated to come onstream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further. Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12MP. In addition, incentive offered by the Government to encourage home ownership through the i-MILIKI programme is expected to spur demand for residential buildings while addressing the property overhang issue.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

7.3 Malaysian Property Market Outlook

The property market is expected to regain its momentum in 2022 though the environment remains challenging. The 'Transition to Endemic' phase of Covid-19 starting 1 April 2022 will see the lifting of restrictions of business operating hours and reopening of country borders, which is expected to further improve domestic economic activities.

As economy is set to be on the right trajectory, the property market performance is expected to be on similar track. The accommodative policies, continuous government support, well execution of all planned measures outlined in Budget 2022 and the proper implementation of strategies and initiatives under Rancangan Malaysia Ke-12 (RMK-12) is expected to support growth in the property sector.

(Source: National Property Information Centre (NAPIC): Press Release Property Market Report 2021 dated 1 April 2022)

[the remainder of this page is intentionally left blank]

SECTION 8.0 OTHER INFORMATION

8.1 *Material litigation*

As at the LPD, Cagamas is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which has a material adverse effect on the financial position or business of Cagamas and, to the best of the Board's knowledge and belief, the Board, having made all reasonable enquiries is not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of Cagamas.

8.2 *Material contingent liabilities*

Save as disclosed in the Information Memorandum and the audited financial statements for the FYE 2021 of the Issuer (attached herein as Appendix I), Cagamas is not aware of any material contingent liabilities or material capital commitments, which upon becoming enforceable may have a substantial impact on its financial position and/or business as at the LPD.

8.3 *Conflict-of-interest situations and appropriate mitigating measures*

(a) CIMB

Cagamas is wholly-owned by Cagamas Holdings. CIMB Bank Berhad ("**CIMB Bank**") holds 16.5% of the shareholding in Cagamas Holdings as at the LPD. In addition, Dato' Lee Kok Kwan is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also a non-independent director of CIMB, CIMB Bank and CIMB Group Holdings Berhad. CIMB and CIMB Bank are subsidiaries of CIMB Group Holdings Berhad.

Notwithstanding the abovementioned relationship between the Issuer and CIMB and after making enquiries as were reasonable in the circumstances, CIMB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager in relation to the Programmes.

In addition, CIMB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes, have been and will be maintained at all times for the following reasons:

- (a) CIMB is a licensed investment bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes is in the ordinary course of its business;
- (b) the roles of CIMB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB in its capacity as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes and shall be carried out on an arms-length basis; and

- (c) the conduct of CIMB is regulated strictly by the FSA and the CMSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the Programmes based on the present arrangement and terms.

(b) HSBC Amanah

Cagamas is wholly-owned by Cagamas Holdings. HSBC Bank Malaysia Berhad (“**HSBC Bank**”) holds 4.1% of the shareholding in Cagamas Holdings as at the LPD and wholly-owns HSBC Amanah. In addition, Ms. Ho Chai Huey is an independent non-executive director on the Board of Directors of Cagamas. She is also the independent non-executive director of HSBC Amanah.

Notwithstanding the abovementioned relationship between the Issuer and HSBC Amanah and after making enquiries as were reasonable in the circumstances, HSBC Amanah is not aware of any circumstances that would give rise to a conflict-of-interest in its various roles in relation to the ICP Programme.

In addition, HSBC Amanah has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Joint Principal Adviser/Joint Lead Arranger, a Joint Shariah Adviser and a Joint Lead Manager in relation to the ICP Programme, have been and will be maintained at all times for the following reasons:

- (a) HSBC Amanah is a licensed Islamic bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger, Joint Shariah Adviser and a Joint Lead Manager in relation to the ICP Programme is in the ordinary course of its business;
- (b) the roles of HSBC Amanah will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Amanah in its capacities as a Joint Principal Adviser/Joint Lead Arranger, a Joint Shariah Adviser and a Joint Lead Manager in relation to the ICP Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of HSBC Amanah is regulated strictly by the IFSA, the CMSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the ICP Programme based on the present arrangement and terms.

(c) HSBC Bank

Cagamas is wholly-owned by Cagamas Holdings. HSBC Bank holds 4.1% of the shareholding in Cagamas Holdings as at the LPD. In addition, Ms. Ho Chai Huey is an independent non-executive director on the Board of Directors of Cagamas.

She is also the independent non-executive director of HSBC Amanah, a wholly-owned subsidiary of HSBC Bank.

Notwithstanding the abovementioned relationship between the Issuer and HSBC Bank and after making enquiries as were reasonable in the circumstances, HSBC Bank is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager in relation to the CCP Programme.

In addition, HSBC Bank has considered the factors involved and it believes that objectivity and independence in carrying out its roles as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the CCP Programme, have been and will be maintained at all times for the following reasons:

- (a) HSBC Bank is a licensed commercial bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the CCP Programme is in the ordinary course of its business;
- (b) the roles of HSBC Bank will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Bank in its capacities as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the CCP Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of HSBC Bank is regulated strictly by the FSA, the CMSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the CCP Programme based on the present arrangement and terms.

(d) MIBB

Cagamas is wholly-owned by Cagamas Holdings. Malayan Banking Berhad holds 14.2% of the shareholding in Cagamas Holdings as at the LPD. MIBB is wholly-owned by Malayan Banking Berhad. In addition, Dato' Khairussaleh Bin Ramli is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent executive director of Malayan Banking Berhad, which wholly owns MIBB.

Notwithstanding the abovementioned relationship between the Issuer and MIBB and after making enquiries as were reasonable in the circumstances, MIBB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager in relation to the Programmes.

In addition, MIBB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the

Programmes, have been and will be maintained at all times for the following reasons:

- (a) MIBB is a licensed investment bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes is in the ordinary course of its business;
- (b) the roles of MIBB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of MIBB in its capacity as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes and shall be carried out on an arms-length basis; and
- (c) the conduct of MIBB is regulated strictly by the FSA, the CMSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the Programmes based on the present arrangement and terms.

(e) CIMB Islamic

Cagamas is wholly-owned by Cagamas Holdings. CIMB Bank holds 16.5% of the shareholding in Cagamas Holdings as at the LPD. In addition, Dato' Lee Kok Kwan is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent director of CIMB, CIMB Bank and CIMB Group Holdings Berhad. CIMB Islamic is wholly-owned by CIMB Bank. CIMB, CIMB Islamic and CIMB Bank are subsidiaries of CIMB Group Holdings Berhad.

Notwithstanding the abovementioned relationship between the Issuer and CIMB Islamic and after making enquiries as were reasonable in the circumstances, CIMB Islamic is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Shariah Adviser in relation to the ICP Programme.

CIMB Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its role as the Joint Shariah Adviser in relation to the ICP Programme, have been and will be maintained at all times for the following reasons:

- (a) CIMB Islamic is a licensed Islamic bank and its appointment as the Joint Shariah Adviser in relation to the ICP Programme is in the ordinary course of its business;
- (b) the role of CIMB Islamic will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB Islamic in its capacity as the Joint Shariah Adviser in relation to the ICP Programme and shall be carried out on an arms-length basis; and

- (c) the conduct of CIMB Islamic is regulated strictly by the IFSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the ICP Programme based on the present arrangement and terms.

(f) Maybank Islamic

Cagamas is wholly-owned by Cagamas Holdings. Malayan Banking Berhad holds 14.2% of the shareholding in Cagamas Holdings as at the LPD. Maybank Islamic is wholly-owned by Malayan Banking Berhad. In addition, Dato' Khairussaleh Bin Ramli is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also a non-independent executive director of Malayan Banking Berhad, which wholly owns Maybank Islamic.

Notwithstanding the abovementioned relationship between the Issuer and Maybank Islamic and after making enquiries as were reasonable in the circumstances, Maybank Islamic is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as the Joint Shariah Adviser in relation to the ICP Programme.

In addition, Maybank Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its roles as the Joint Shariah Adviser in relation to the ICP Programme, have been and will be maintained at all times for the following reasons:

- (a) Maybank Islamic is a licensed Islamic bank and its appointment as the Joint Shariah Adviser in relation to the ICP Programme is in the ordinary course of its business;
- (b) the role of Maybank Islamic will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of Maybank Islamic in its capacity as the Joint Shariah Adviser in relation to the ICP Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of Maybank Islamic is regulated strictly by the IFSA and by its own internal controls and checks.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the ICP Programme based on the present arrangement and terms.

(g) Messrs Adnan Sundra & Low

As at the LPD and after making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the legal

counsel to the Joint Principal Advisers/Joint Lead Arrangers in relation to the Programmes.

(h) Messrs Zaid Ibrahim & Co

As at the LPD and after making enquiries as were reasonable in the circumstances, Messrs Zaid Ibrahim & Co confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the legal counsel to the Issuer in relation to the Programmes.

(i) Malaysian Trustees Berhad

Cagamas is wholly-owned by Cagamas Holdings. Malaysian Trustees Berhad is part of RHB Banking Group which RHB Bank Berhad and RHB Investment Bank Berhad are the shareholders of Malaysian Trustees Berhad and Cagamas Holdings.

As at the LPD and after making enquiries as were reasonable in the circumstances, Malaysian Trustees Berhad is not aware of any circumstances that would give rise to a conflict-of-interest or potential conflict-of-interest situation in its capacity as the Sukuk Trustee in relation to the ICP Programme and the Trustee in relation to the CCP Programme.

As a mitigating measure and to address the potential conflict-of-interest situation set out above, the following measures have been or will be taken:

- (a) Malaysian Trustees Berhad will disclose to the potential investor(s) the roles undertaken by them and their conflict-of-interest and/or potential conflict-of-interest;
- (b) Malaysian Trustees Berhad is a trustee company and registered bond trustee with the SC and its appointment as the Sukuk Trustee in relation to the ICP Programme and the Trustee in relation to the CCP Programme is in the ordinary course of its business;
- (c) Malaysian Trustees Berhad will be governed by the relevant agreements and documentation, which shall clearly set out its rights, duties and responsibilities in its capacity as the Sukuk Trustee in relation to the ICP Programme and the Trustee in relation to the CCP Programme, and shall be carried out on an arm's-length basis and independently by it;
- (d) Malaysian Trustees Berhad's conduct is subject to its own internal controls and checks; and
- (e) Malaysian Trustees Berhad has acted as trustee in transactions in the Malaysian corporate bonds and Sukuk market and is committed to upholding its professional integrity and responsibilities in relation to the Programmes.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement

and is agreeable to proceed with the implementation of the Programmes based on the present arrangement and terms.

(j) MARC

Cagamas is wholly-owned by Cagamas Holdings. Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani who is an independent non-executive director on the Board of Directors of Cagamas Holdings, is also an independent non-executive chairman of Malaysian Rating Corporation Berhad. MARC is wholly owned by Malaysian Rating Corporation Berhad.

Notwithstanding the abovementioned relationship between the Issuer and MARC and after making due enquiries as were reasonable in the circumstances, MARC is not aware of any circumstances that would give rise to a conflict-of-interest in its role in relation to credit rating for the ICP Programme and the CCP Programme.

In addition, MARC has considered the factors involved and it believes that objectivity and independence in carrying out its role as a Rating Agency, has been maintained at all times for the following reasons:

- (a) MARC is a registered credit rating agency with the SC and an external credit accreditation institution recognised by BNM, and its appointment as a Rating Agency is in the ordinary course of its business;
- (b) the conduct of MARC is regulated by the SC's Guidelines on Registration of Credit Rating Agencies ("**CRA Guidelines**") and by its own internal controls and checks (including its own policies and regulation); and
- (c) Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani does not sit on the board of MARC and is neither a member of the rating committee of MARC that performs the credit rating analysis on Cagamas nor involved in the day-to-day operation of MARC.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the Programmes based on the present arrangement and terms.

(k) RAM

Cagamas is wholly-owned by Cagamas Holdings. Dato' Lee Kok Kwan who is a non-independent non-executive director on the Board of Directors of Cagamas Holdings is also an independent non-executive director and a member of the Audit and Risk Management Committee of RAM.

Notwithstanding the abovementioned relationship between the Issuer and RAM and after making enquiries as were reasonable in the circumstances, RAM is not aware of any circumstances that would give rise to a conflict-of-interest in its role in relation to the ICP Programme and the CCP Programme.

In addition, RAM has considered the factors involved and it believes that objectivity and independence in carrying out its role as a Rating Agency, have been and will be maintained at all times for the following reasons:

- (a) RAM is a registered credit rating agency with the SC and its appointment as a Rating Agency is in the ordinary course of its business;
- (b) the conduct of RAM is regulated by the CRA Guidelines and by its own internal controls and checks;
- (c) The CRA Guidelines expressly provide that the rating teams are to perform its duties free of undue intervention of influence from its shareholders and Board of Directors; and
- (d) Dato' Lee Kok Kwan is neither a member of the internal or external rating committee of RAM nor involved in any way in the rating committee.

The Board has been informed and is aware of the situations as described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the Programmes based on the present arrangement and terms.

[the remainder of this page is intentionally left blank]

APPENDIX I

Audited financial statements of Cagamas for the Financial Year Ended 2021

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Lodged by:
CAGAMAS BERHAD
Registration number: 198601008739 (157931-A)
Level 32, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel. +603 2262 1800 Fax. +603 2282 9125

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

CONTENT	PAGES
DIRECTORS' REPORT	1 - 6
STATEMENTS OF FINANCIAL POSITION	7
INCOME STATEMENTS	8
STATEMENTS OF COMPREHENSIVE INCOME	9
STATEMENTS OF CHANGES IN EQUITY	10 - 11
STATEMENTS OF CASH FLOWS	12 - 16
NOTES TO THE FINANCIAL STATEMENTS	17 - 136
STATEMENT BY DIRECTORS	137
STATUTORY DECLARATION	138
INDEPENDENT AUDITORS' REPORT	139 - 143

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>208,875</u>	<u>209,078</u>

DIVIDENDS

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS (CONTINUED)

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

SHARE CAPITAL

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

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

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

RAM Rating Services Berhad ("RAM Ratings") has assigned corporate credit ratings of Cagamas Berhad's Global, ASEAN and National-scale at $gA2/$ Stable/ $gP1$, $seaAAA/$ Stable/ $seaP1$ and AAA/Stable/P1, respectively. In addition, RAM has also assigned Cagamas' bonds and Sukuk issues rating at AAA/Stable and P1 respectively.

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

Additionally, RAM and Moody's have maintained the ratings of $gA2(s)/$ Stable and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme ("Islamic EMTN") issued by Cagamas Berhad's subsidiaries.

RELATED PARTY TRANSACTIONS

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

Dato' Bakarudin Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yiau Hin

Ho Chai Huey

Datuk Seri Tajuddin Atan

Datuk Chung Chee Leong

Datuk Azizan Haji Abd Rahman

(Resigned w.e.f. 09.03.2022)

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

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

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

DIRECTORS' BENEFITS AND REMUNERATION

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

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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 realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amounts to be written-off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

SUBSIDIARIES

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

ULTIMATE HOLDING COMPANY

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

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2021

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

AUDITORS' REMUNERATION

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

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

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN ISHAK
CHAIRMAN



DATUK CHUNG CHEE LEONG
DIRECTOR

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

* denotes USD1 in CGP and RM2 in CGS.

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	<u>Group</u>		<u>Company</u>	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	208,875	223,922	209,078	223,941
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
- Net (loss)/gain on fair value changes before taxation	(95,276)	45,811	(95,276)	45,811
- Deferred taxation	22,921	(10,976)	22,921	(10,976)
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(8,749)	4,992	(8,749)	4,992
- Deferred taxation	2,100	(1,198)	2,100	(1,198)
Other comprehensive (loss)/income for the financial year, net of taxation	(79,004)	38,629	(79,004)	38,629
Total comprehensive income for the financial year	129,871	262,551	130,074	262,570

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit before taxation and zakat	281,174	301,391	281,377	301,368
<u>Adjustments for the investment items and items not involving the movement of cash and cash equivalents:</u>				
Amortisation of premium less accretion of discount on:				
- Financial assets at FVOCI	4,516	(6,532)	4,516	(6,532)
- Unsecured bearer bonds and notes	9	(3,410)	9	(3,410)
- Sukuk	-	(7,568)	-	(7,568)
Accretion of discount on:				
Mortgage assets				
- Conventional	(77,821)	(98,980)	(77,821)	(98,980)
- Islamic	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) for impairment losses on:				
- Cash and cash equivalents	11	(105)	11	(105)
- Financial assets at FVOCI	227	(51)	227	(51)
- Financial assets at amortised cost	1,155	-	1,155	-
- Amount due from counterparties/ Islamic financing assets	(38)	(594)	(38)	(594)
- Mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets	(10,445)	(14,204)	(10,445)	(14,204)
Interest income	(761,044)	(859,224)	(761,044)	(859,224)
Income from derivatives	(61,844)	(101,763)	(61,844)	(101,763)
Income from Islamic operations	(607,236)	(699,938)	(607,236)	(699,938)
Interest expense	625,016	739,787	625,016	740,160
Interest expense on derivatives	73,750	110,754	73,750	110,754
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Depreciation of property and equipment	1,652	1,582	1,652	1,582
Amortisation of intangible assets	3,843	3,608	3,843	3,608
Amortisation of right-of-use asset	1,996	937	1,996	937
Gain on disposal of:				
- Property and equipment	(3)	(10)	(3)	(10)
- Financial assets at FVOCI	(8,318)	(9,467)	(8,318)	(9,467)
Operating loss before working capital changes	(40,999)	(25,814)	(40,796)	(25,464)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

<u>Group</u>	<u>Lease liability</u> RM'000	<u>Unsecured bonds and notes</u> RM'000	<u>Sukuk</u> RM'000	<u>Total</u> RM'000
<u>2021</u>				
As at 1 January	4,583	17,482,979	14,063,392	31,550,954
Proceeds from issuance	-	14,540,197	7,255,000	21,795,197
Repayment and redemption	(2,153)	(10,171,987)	(6,225,000)	(16,399,140)
Interest/profit paid	-	(2,521,674)	(560,142)	(3,081,816)
Exchange fluctuation	-	7,429	-	7,429
Other non-cash movement	11,308	620,010	548,778	1,180,096
As at 31 December	<u>13,738</u>	<u>19,956,954</u>	<u>15,082,028</u>	<u>35,052,720</u>
<u>2020</u>				
As at 1 January	4,791	20,661,027	15,849,883	36,515,701
Proceeds from issuance	-	8,581,426	3,085,000	11,666,426
Repayment and redemption	(2,649)	(11,802,132)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(793,078)	(685,506)	(1,478,584)
Exchange fluctuation	-	101,931	-	101,931
Other non-cash movement	2,441	733,805	659,015	1,395,261
As at 31 December	<u>4,583</u>	<u>17,482,979</u>	<u>14,063,392</u>	<u>31,550,954</u>

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

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

The Islamic operations of the Group and the Company refer to:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

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

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

The amendments shall be applied prospectively.

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

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

The amendments shall be applied retrospectively.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.
- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

The amendments shall be applied retrospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Interbank Offered Rate (“IBOR”) reform (continued)

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

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

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

- Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Company will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
 - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
 - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
 - c) amending the description of the hedging instrument.

The Group and the Company will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Company to discontinue its hedge relationships. As of the financial year ended 31 December 2021, the Group and the Company has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform as the replacement of KLIBOR is not yet effective.

Amounts accumulated in the cash flow hedge reserve: When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR") and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As at 31 December 2021, the Group and the Company has no exposures which are referred to other IBORs except for KLIBOR. The Group and the Company hold the following financial instruments which are referenced to KLIBOR and have yet to transition to an alternative interest rate benchmark:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122²⁰⁰⁴ to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

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

Acquisition-related costs are expensed as incurred.

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Amount due from counterparties and Islamic financing assets

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

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

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

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

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

2.5 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.8 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment and depreciation

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

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

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

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

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

2.7 Financial assets

(a) Classification

The Group and the Company classify their financial assets in the following measurement categories:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

There are three measurement categories into which the Group and the Company classify their debt instruments:

(i) Amortised cost

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

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

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

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

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

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

Equity instruments

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

2.8.1 Financial assets

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

The Group and the Company have four of their financial assets that are subject to the ECL model:

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

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

The measurement of ECL reflects:

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

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

General approach

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

General approach (continued)

- **Stage 2: Lifetime ECL – not credit impaired**

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

- **Stage 3: Lifetime ECL – credit impaired**

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

Simplified approach

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

Significant increase in credit risk

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

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' 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.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.1 Financial assets (continued)

Significant increase in credit risk (continued)

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

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

Definition of default and credit impaired financial assets

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

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

2.8.2 Non-financial assets

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

2.9 Write-off

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

2.10 Financial liabilities

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

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.17 on hedge accounting.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities (continued)

(b) Borrowings measured at amortised cost

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

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

(c) Other financial liabilities measured at amortised cost

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

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

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

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

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

2.13 Current and deferred tax

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Current and deferred tax (continued)

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

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

2.14 Cash and cash equivalents

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

2.15 Offsetting financial instruments

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

2.16 Segment reporting

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

2.17 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 9 to the financial statements.

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Derivative financial instruments and hedge accounting (continued)

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

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

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

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

Cash flow hedge

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

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

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

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

2.19 Zakat

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2019: 2.5%) of the zakat base.

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contributions plans

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

2.21 Intangible assets

(a) Computer software

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

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

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

(b) Service rights to transaction administrator and administrator fees

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Intangible assets (continued)

(b) Service rights to transaction administrator and administrator fees

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

2.22 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

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

(b) Dividends to the shareholder of the Company

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

2.23 Currency translations

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Contingent liabilities and contingent assets

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

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

2.25 Deferred financing fees

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

2.26 Leases

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

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

Lease term

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (continued)

Lease liabilities (continued)

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

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

Reassessment of lease liabilities

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

Short-term leases and leases of low value assets

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

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Fair value of financial assets at FVTPL, FVOCI and derivatives (Note 7, 8, 10 and 47)

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

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

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

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

(c) Accretion of discount on mortgage assets and hire purchase assets (Note 13, 14 and 15)

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.1 Risk management structure

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

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

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

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

4.2 Credit risk management

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

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

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

4.3 Market risk management

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.3 Market risk management (continued)

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

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

4.4 Liquidity risk management

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

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

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

- (a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company to meet the cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group and the Company against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

4.5 Operational risk management

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational risk management (continued)

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

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

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

5 CASH AND CASH EQUIVALENTS

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Stage 1		
As at 1 January	-	105
Allowance/(reversal) during the year	11	(105)
As at 31 December	<u>11</u>	<u>-</u>

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>172,021</u>	<u>102,886</u>	<u>172,021</u>	<u>102,886</u>

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

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unit trusts	<u>123,132</u>	<u>193,466</u>

Financial assets classified or designated as FVTPL are not subjected to impairment assessment under MFRS 9.

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Maturing within one year	677,907	342,574
One to three years	594,477	727,173
Three to five years	341,312	334,100
More than five years	1,178,398	979,469
	<u>2,792,094</u>	<u>2,383,316</u>

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:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

9 FINANCIAL ASSETS AT AMORTISED COST

Corporate Sukuk	<u>354,353</u>	<u>-</u>
-----------------	----------------	----------

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

More than five years	355,508	-
Less: Allowance for impairment losses	(1,155)	-
	<u>354,353</u>	<u>-</u>

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

The Group and the Company will issue short duration bonds/Sukuk and enter into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group and the Company pay fixed rate interest/profit to the swap counterparty and receive floating rate interest/profit to pay to the bondholders/Sukuk holders.

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

- (i) At inception, the Group and the Company will swap the proceeds from the foreign currency bonds/Sukuk to the functional currency at the pre-agreed exchange rate with CCS/ICCS counterparty.
- (ii) In the interim, the Group and the Company will receive interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/Sukuk holders for coupon payment. Simultaneously, the Group and the Company pay interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.
- (iii) On maturity, the Group and the Company will pay principal in functional currency at the same pre-agreed exchange rate to the CCS/ICCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/Sukuk which will then be used to redeem the bonds/Sukuk. The Group's and the Company's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Designated as cashflow hedges

<u>Group and Company</u>	<u>Contract/ Notional amount</u> RM'000	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	<u>Average fixed interest rate</u> %
<u>2021</u>				
<i>IRS/IPRS</i>				
Maturing within one year	1,165,000	12	(13,655)	3.08
One to three years	590,000	2,656	(7,813)	3.22
Three to five years	-	-	-	-
More than five years	160,000	20,367	-	4.66
	<u>1,915,000</u>	<u>23,035</u>	<u>(21,468)</u>	
 <i>CCS</i>				
Maturing within one year	1,526,640	6,572	(3,210)	2.22
One to three years	1,036,600	-	(3,917)	2.59
	<u>2,563,240</u>	<u>6,572</u>	<u>(7,127)</u>	
	<u>4,478,240</u>	<u>29,607</u>	<u>(28,595)</u>	

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Designated as cashflow hedges (continued)

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Cash flow hedge</u>		
As at 1 January	11,062	7,268
Effective portion of changes in fair value:		
- Interest rate risk	30,509	(68,733)
Net amount reclassified to profit or loss:		
- Foreign exchange fluctuations (Note 33)	(39,258)	73,725
Income tax effects	2,100	(1,198)
	<u>4,413</u>	<u>11,062</u>

11 AMOUNT DUE FROM COUNTERPARTIES

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

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

12 ISLAMIC FINANCING ASSETS

Relating to:

Islamic house financing	8,805,885	9,662,661
Islamic personal financing	1,467,862	-
	<u>10,273,747</u>	<u>9,662,661</u>

The maturity structure Islamic financing assets are as follows:

Maturing within one year	2,768,566	3,528,607
One to three years	7,505,242	5,218,907
Three to five years	-	915,246
	<u>10,273,808</u>	<u>9,662,760</u>
Less: Allowance for impairment losses	(61)	(99)
	<u>10,273,747</u>	<u>9,662,661</u>

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	99	653
Allowance during the year on new assets purchased	26	3
Loans derecognised during the year due to maturity of assets	(5)	(3)
Reversal during the year due to changes in credit risk	(59)	(554)
	<u>61</u>	<u>99</u>

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Purchase without recourse (“PWOR”)	3,886,956	4,366,916
	<u>3,886,956</u>	<u>4,366,916</u>
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	652,653	729,768
One to three years	846,026	923,536
Three to five years	715,011	774,026
More than five years	1,694,605	1,965,556
	<u>3,908,295</u>	<u>4,392,886</u>
Less:		
Allowance for impairment losses	(21,339)	(25,970)
	<u>3,886,956</u>	<u>4,366,916</u>

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC

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

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 HIRE PURCHASE ASSETS – ISLAMIC

	<u>Group and Company</u>	
	<u>2021</u> RM'000	<u>2020</u> RM'000
PWOR	62	34
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	74	46
Less: Allowance for impairment losses	(12)	(12)
	<u>62</u>	<u>34</u>

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

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 AMOUNT DUE FROM SUBSIDIARIES

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

17 OTHER ASSETS

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

18 INVESTMENT IN SUBSIDIARIES

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unquoted shares at cost	-*	-*
	<u>-*</u>	<u>-*</u>

* denotes USD1 in CGP and RM2 in CGS.

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 PROPERTY AND EQUIPMENT

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 INTANGIBLE ASSETS

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 RIGHT-OF-USE ASSET

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

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

22 OTHER LIABILITIES

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23 LEASE LIABILITY

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
As at 1 January	4,583	4,791
Modification arising from extension of lease term	10,545	-
Lease obligation interest expense (Note 36)	763	2,441
Lease obligation repayment	(2,153)	(2,649)
As at 31 December	<u>13,738</u>	<u>4,583</u>

The maturity structure of lease liability are as follows:

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

24 DEFERRED TAXATION

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

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

The movements of deferred tax are as follows:

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 DEFERRED TAXATION (CONTINUED)

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 DEFERRED TAXATION (CONTINUED)

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 LOANS/FINANCING FROM SUBSIDIARY

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

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

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 UNSECURED BEARER BONDS AND NOTES

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

			<u>2021</u>		<u>Company</u>
	<u>Year of</u>	<u>Amount</u>	<u>Effective</u>	<u>Amount</u>	<u>2020</u>
	<u>maturity</u>	<u>outstanding</u>	<u>interest rate</u>	<u>outstanding</u>	<u>Effective</u>
		RM'000	%	RM'000	interest rate
					%
(a)	Floating rate notes	200,000	1.940	-	-
	Add:				
	Interest payable	393		-	
		<u>200,393</u>		<u>-</u>	
(b)	Commercial paper				
	2021	-	-	2,800,000	1.900-2.050
	2022	1,300,000	1.990-2.080	-	-
	Add:				
	Interest payable	1,236		6,388	
		<u>1,301,236</u>		<u>2,806,388</u>	
(c)	Conventional medium-term notes				
	2021	-	-	3,815,000	2.000-5.380
	2022	7,915,000	2.100-4.650	6,850,000	2.130-4.650
	2023	3,665,000	2.180-6.050	570,000	2.180-6.050
	2024	1,970,000	2.380-5.520	430,000	4.000-5.520
	2025	640,000	4.550-4.850	640,000	4.550-4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140-4.900	275,000	4.140-4.900
	2028	890,000	4.750-6.500	890,000	4.750-6.500
	2029	245,000	5.500-5.750	245,000	5.500-5.750
	2035	160,000	5.070	160,000	5.070
		<u>15,770,000</u>		<u>13,885,000</u>	
	Add:				
	Interest payable	114,451		120,199	
	Less:				
	Unamortised discount	-		(9)	
		<u>15,884,451</u>		<u>14,005,190</u>	
	Total	<u><u>17,386,080</u></u>		<u><u>16,811,578</u></u>	

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

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

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

(a) Floating Rate Notes ("FRNs")

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

(b) Commercial paper ("CP")

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

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

27 SUKUK

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 **SUKUK (CONTINUED)**

The maturity structure of Sukuk are as follows:

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

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

(a) Islamic commercial papers ("ICP")

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

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

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

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

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

(d) Multicurrency Sukuk

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 SHARE CAPITAL

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

29 RESERVES

(a) Financial assets at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial assets at FVOCI, net of taxation.

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

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

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group and the Company have adopted the Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing.

CAGAMAS BERHAD
(Incorporated in Malaysia)

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 RM4,140,307,000 of the Group and RM4,124,932,000 of the Company respectively (2020: RM4,138,448,000 of the Group and RM4,122,871,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM208,875,000 of the Group and RM209,078,000 of the Company respectively (2020: RM223,922,000 of the Group and RM223,941,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

31 INTEREST INCOME

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

32 INTEREST EXPENSE

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33 NON-INTEREST INCOME/(EXPENSE)

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

34 PERSONNEL COSTS

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35 ALLOWANCE FOR IMPAIRMENT LOSSES

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

36 PROFIT BEFORE TAXATION AND ZAKAT

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yiau Hin

Ho Chai Huey

Datuk Seri Tajuddin Atan

Datuk Azizan Haji Abd Rahman

(Resigned w.e.f. 09.03.2022)

Executive Director

Datuk Chung Chee Leong

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

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

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

38 TAXATION

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 TAXATION (CONTINUED)

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

(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:

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

(c) In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that for year of assessment ("YA") 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022. The Company has assessed that it is not significantly impacted by the Cukai Makmur.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 DIVIDENDS

Dividends of the Group and the Company are as follows:

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

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

40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Related parties and relationships (continued)

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

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

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

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

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

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

(b) Significant related party transactions and balances

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total salaries and other employees' benefits paid to the Group's key management personnel was RM8,677,505 (2020: RM8,053,839).

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

41 CAPITAL COMMITMENTS AND CONTINGENCIES

a) Capital commitments

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

b) Contingencies

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

The Company is currently in discussion with the IRB as the tax treatment has been applied consistently and discussed with the relevant authorities prior to adoption by the Company. An adverse decision from this disagreement could lead to additional tax liability and tax penalty for YA 2018 to YA 2020. The estimate is approximately RM103.8 million and RM39.0 million respectively. The estimated additional tax liability of RM103.8 million is not expected to significantly impact the profit after taxation ("PAT") of the Company as the Company has consistently recognised temporary differences as deferred tax on the tax treatment currently under dispute.

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42 FINANCIAL INSTRUMENTS BY CATEGORY

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43 INTEREST/PROFIT RATE RISK

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

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

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

<u>Group and Company</u>	<u>+100 basis</u>		<u>-100 basis</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<i>Impact to equity:</i>				
Financial assets at FVOCI reserves	(105,106)	(99,527)	114,374	108,754
Derivatives financial instruments	-	-	-	-
Taxation effects on the above at tax rate of 24%	25,225	23,886	(27,450)	(26,101)
Effect on shareholder's funds	<u>(79,881)</u>	<u>(75,641)</u>	<u>86,924</u>	<u>82,653</u>
As percentage of shareholder's funds	<u>(1.9%)</u>	<u>(1.8%)</u>	<u>2.1%</u>	<u>2.0%</u>
<i>Impact to income statements:</i>				
Net interest income	14,666	12,319	(14,708)	(12,316)
Taxation effects at the rate of 24%	(3,520)	(2,957)	3,530	2,956
Effect on net interest income	<u>11,146</u>	<u>9,362</u>	<u>(11,178)</u>	<u>(9,360)</u>
As percentage of profit after tax	<u>5.3%</u>	<u>4.2%</u>	<u>(5.4%)</u>	<u>(4.2%)</u>

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK

44.1 Credit risk concentrations

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

Industrial analysis based on its industrial distribution

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:

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

Neither more than 90 days past due nor individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets are classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

* These assets have been provided for under collective assessment.

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

44.3 Amount due from related company

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.4 Credit quality

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.4 Credit quality

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.5 Credit risk mitigation

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

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

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

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

The Company has assessed that its:

- a) Mortgage and Islamic mortgage assets are not impacted by COVID-19 as the Government of Malaysia does not provide deferment or moratorium on housing loans taken by civil servants with LPPSA.
- b) Amount due from counterparties and Islamic financing assets are not impacted as defaulted loans and financings will be replaced and repurchased under first recourse to regulated counterparties.

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.7 Offsetting financial instruments

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

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

45 LIQUIDITY RISK

45.1 Funding approach

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.2 Liquidity pool

The liquidity pool comprised the following cash and unencumbered assets:

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.4 Derivative liabilities

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

The following table analyses the Group and the Company's derivatives financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FOREIGN EXCHANGE RISK

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

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

46.1 Exposure to foreign currency risk

<u>GROUP</u>	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000
<u>2021</u>			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Unsecured bearer bonds and notes	430,850	1,118,649	1,021,375
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401
<u>COMPANY</u>			
<u>2021</u>			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Loans/financing from subsidiary	431,106	1,119,238	1,022,313
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Loans/financing from subsidiary	163,296	112,839	395,624

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46 FOREIGN EXCHANGE RISK (CONTINUED)

46.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

	Group		Company	
	Equity	Profit	Equity	Profit
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	22	-	22	-
	22	-	22	-
<u>2020</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	22	-	22	-
	22	-	22	-

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

47.1 Fair value of financial instruments carried at fair value

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

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

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

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

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

47.2 Fair value of financial instruments carried other than fair value

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

- (a) Cash and cash equivalents and deposits and placements with financial institutions

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

- (b) Other financial assets

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(c) Amount due from related company and subsidiaries

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

(d) Other financial liabilities

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

The fair value of financial assets at amortised cost is based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets yield to maturity at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the short-term borrowing is estimated at their carrying amount due to short tenure of less than one year.

The fair value of the unsecured bearer bonds and notes and Sukuk are derived based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

48 SEGMENT REPORTING

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

(a) PWR

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

(b) PWOR

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Company</u> <u>Total</u> RM'000
<u>2021</u>			
External revenue	949,152	556,353	1,505,505
Internal interest/profit expense	(15,482)	-	(15,482)
External interest/profit expense	(800,748)	(356,872)	(1,157,620)
Total interest/profit expense	(816,230)	(356,872)	(1,173,102)
Profit from operations	87,867	193,510	281,377
Zakat	(3,892)	(1,202)	(5,094)
Taxation	(21,385)	(45,820)	(67,205)
Profit after taxation and zakat by segment	62,590	146,488	209,078
Segment assets	30,454,876	9,418,614	39,873,490
Segment liabilities	26,555,539	9,174,662	35,730,201
<u>Other information:</u>			
Capital expenditure	1,986	614	2,600
Depreciation and amortisation	4,197	1,298	5,495

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

(b) PWOR (continued)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 CAPITAL ADEQUACY

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

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholder and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

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

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

The regulatory capital comprise of two tiers:

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

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

49 CAPITAL ADEQUACY

Components of CET1, Tier 1 and Tier 2 capital:

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	83,998	85,626	84,129	85,778

Other comprehensive income:

**Items that may be subsequently
reclassified to income statement**

Financial assets at FVOCI				
- Net gain on fair value changes before taxation	(9,853)	3,875	(9,853)	3,875
- Deferred taxation	2,378	(929)	2,378	(929)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	7,838	(5,911)	7,838	(5,911)
- Deferred taxation	(1,881)	1,419	(1,881)	1,419

Other comprehensive loss/ (gain) for the financial year net of taxation	(1,518)	(1,546)	(1,518)	(1,546)
Total comprehensive income for the financial year	82,480	84,080	82,611	84,232

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
OPERATING ACTIVITIES				
Profit before taxation	117,927	117,054	118,058	117,206
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
Financial assets at FVOCI Sukuk	2,065 -	(6,255) (7,568)	2,065 -	(6,255) (7,568)
Accretion of discount on: Mortgage assets	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) of impairment losses on:				
Cash and cash equivalents	11	(105)	11	(105)
Financial assets at FVOCI	55	(6)	55	(6)
Financial assets at amortised cost	1,155	-	1,155	-
Financing assets	(38)	(554)	(38)	(554)
Mortgage assets and hire purchase assets	(5,814)	(6,636)	(5,814)	(6,636)
Income from:				
Financial assets at FVOCI	(18,858)	(11,829)	(18,858)	(11,829)
Islamic operations	(591,841)	(660,654)	(591,841)	(660,654)
Income from derivatives	(13,119)	(39,284)	(13,119)	(39,284)
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Gain on disposal of financial asset at FVOCI	83	(670)	83	(670)
Operating loss before working capital changes	(15,973)	1,466	(15,842)	1,618

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
FINANCING ACTIVITY				
Proceed from issuance of Sukuk	7,255,000	3,085,000	7,255,000	3,085,000
Redemption of Sukuk	(6,225,000)	(4,845,000)	(6,225,000)	(4,845,000)
Profit paid to Sukuk holders	(560,142)	(685,506)	(560,142)	(685,506)
Net from financing activity	<u>469,858</u>	<u>(2,445,506)</u>	<u>469,858</u>	<u>(2,445,506)</u>
Net change in cash and cash equivalents	52,645	(83,273)	52,642	(83,267)
Cash and cash equivalents as at 1 January	<u>53,643</u>	<u>136,916</u>	<u>53,633</u>	<u>136,900</u>
Cash and cash equivalents as at 31 December	<u><u>106,288</u></u>	<u><u>53,643</u></u>	<u><u>106,275</u></u>	<u><u>53,633</u></u>
<u>Group and Company</u>			<u>Sukuk</u>	<u>Total</u>
			RM'000	RM'000
<u>2021</u>				
As at 1 January			14,063,392	14,063,392
Proceeds from issuance			7,255,000	7,255,000
Repayment and redemption			(6,225,000)	(6,225,000)
Profit paid			(560,142)	(560,142)
Other non-cash movement			548,778	548,778
As at 31 December			<u><u>15,082,028</u></u>	<u><u>15,082,028</u></u>
<u>2020</u>				
As at 1 January			15,849,883	15,849,883
Proceeds from issuance			3,085,000	3,085,000
Repayment and redemption			(4,845,000)	(4,845,000)
Profit paid			(685,506)	(685,506)
Other non-cash movement			659,015	659,015
As at 31 December			<u><u>14,063,392</u></u>	<u><u>14,063,392</u></u>

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and cash equivalents*

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial assets at FVOCI*

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

The maturity structure of financial assets at FVOCI as follows:

Maturing within one year	378,020	99,139
One to three years	210,473	119,458
Three to five years	65,313	20,880
More than five years	140,231	79,801
	<u>794,037</u>	<u>319,278</u>

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

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

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

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

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

(c) *Financing assets*

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

The maturity structure of financing assets are as follows:

Maturing within one year	2,768,566	3,528,607
One to three years	7,505,242	5,218,907
Three to five years	-	915,246
	<u>10,273,808</u>	<u>9,662,760</u>
Less:		
Allowance for impairment losses	(61)	(99)
	<u>10,273,747</u>	<u>9,662,661</u>

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets (continued)*

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

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

(d) *Mortgage assets*

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

The maturity structure of mortgage assets are as follows:

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets (continued)*

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets (continued)*

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets (continued)*

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(e) *Hire purchase assets*

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
PWOR	55	26
	<u>55</u>	<u>26</u>
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	66	37
Less: Allowance for impairment losses	(11)	(11)
	<u>55</u>	<u>26</u>

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

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(e) *Hire purchase assets (continued)*

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

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

(f) *Other liabilities*

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(g) *Sukuk*

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

The maturity structure of Sukuk are as follows:

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

(h) *Income attributable to the Sukuk holders*

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(i) *Total net income attributable*

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

Total net income attributable analysed by concept are as follows:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(j) *Capital adequacy*

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

Components of CET1, Tier 1 and Tier 2 capital:

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(j) *Capital adequacy (continued)*

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

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

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

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

(k) *Shariah advisor*

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

51 APPROVAL OF FINANCIAL STATEMENTS

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

We, Dato' Bakarudin Ishak and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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



DATO' BAKARUDIN ISHAK
CHAIRMAN



DATUK CHUNG CHEE LEONG
DIRECTOR

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

I, Abdul Hakim Amir Zainol, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 136 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



ABDUL HAKIM AMIR ZAINOL
MIA No. CA-48822

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

23 MAR 2022



Before me,
COMMISSIONER FOR OATHS

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 136.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

OTHER MATTERS

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

Pricewaterhousecoopers PLT
PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

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

Kuala Lumpur
23 March 2022

APPENDIX II

Cagamas' Sustainability Bond/Sukuk Framework as at 18 June 2020



National Mortgage Corporation of Malaysia

Sustainability Bond/Sukuk Framework

18 June 2020





Housing the Nation

1. Background

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia was established in 1986 by Bank Negara Malaysia to support the national agenda of increasing home ownership and affordability through provision of competitively priced liquidity in the secondary mortgage market in Malaysia.

Cagamas issues highly-rated corporate bonds/sukuk to mainly finance the purchase of eligible housing loans/financing from financial institutions (FIs) and non-FIs. The provision of liquidity at a competitive cost to the primary lenders of mortgages encourage further expansion of financing for houses at an affordable cost and thus increase home ownership by Malaysian.

At present, Cagamas is assigned with the highest domestic rating of AAA by the local rating agencies, namely RAM Rating Services Berhad (“RAM Ratings”) and Malaysian Rating Corporation Berhad (“MARC”), as well as a global rating of A3 by Moody’s Investors Service (“Moody’s”), at par with Malaysia’s sovereign rating. Cagamas is highly committed to maintain its highest rating at all times to uphold its core mission in promoting home ownership in Malaysia. Since its inception in 1986, Cagamas has cumulatively refinanced housing loans and house financing in the secondary market amounting to RM158 billion, equivalent to 2 million houses in aggregate by end 2019.

Cagamas recognises its responsibilities towards the environment and the nation as affordable housing vis-à-vis sustainable development has always been the Company’s core priority. Hence, Cagamas Sustainability Bond/Sukuk Framework (“Cagamas Sustainability Framework”) is a step towards reaffirming and deepening Cagamas’ mission, and raising awareness among the community about the importance of sustainable development i.e. the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

This Framework is also a step to support and promote the 17 Sustainable Development Goals (**SDGs**) established by the United Nations in September 2015 as well as Government's initiatives under the 11th Malaysia Plan namely the Strategic Thrust 2: "Improving Wellbeing for All" and Strategic Thrust 4: "Pursuing Green Growth for Sustainability and Resilience". In addition, issuance of sustainability bonds/sukuk under the Framework will also provide an alternative investment option to Cagamas' investors to meet their sustainable and responsible investment objective.

The Framework is aligned with the following:

- (i) ICMA's 2018 Green Bond Principles, 2018 Social Bond Principles and 2018 Sustainability Bond Guidelines;
- (ii) The ASEAN Green Bond Standards updated in October 2018, ASEAN Social Bond Standards dated October 2018 and ASEAN Sustainability Bond Standards dated October 2018 endorsed by the ASEAN Capital Markets Forum (ACMF)¹; and
- (iii) The Sustainable and Responsible Investment Sukuk framework issued by the Securities Commission Malaysia.²

2. Framework Overview

Cagamas Sustainability Framework is presented through the following key pillars:

- (i) Use of Proceeds;
- (ii) Process for Project Evaluation and Selection;
- (iii) Management of Proceeds;
- (iv) Reporting; and
- (v) External Reviews.

¹ Chapter 8 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia

² Chapter 7 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia

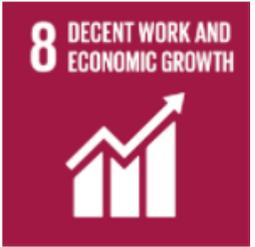
2.1 Use of Proceeds

The cornerstone of a sustainability bond/sukuk is the use of proceeds. The proceeds of any Cagamas' sustainability bonds/sukuk ("Sustainability Bonds/Sukuk") will be used to purchase loans/financing/assets that meet any of the following criteria:

Table 1: Eligible Loans/Financing Categories

Loans/Financing/ Assets related to	Description /Examples	SDGs Mapping
Renewable Energy	<p>Operation and maintenance of renewable energy plant</p> <p>Generation and transmission of energy from renewable energy sources.</p> <p>Renewable energy sources include small scale Hydro (not more than 30 megawatts), Solar, Fuel Cell, Wind, Kinetic, Biomass and combustible waste.</p>	 <ul style="list-style-type: none"> • 7.2, 7a
Energy Efficiency	<p>Development and production of products or technologies that reduce industrial energy consumption, such as improved chillers, improved lighting technology and enhanced battery capacity.</p> <p>Improved efficiency in the delivery of bulk energy services such as district heating/cooling systems, smart grids, energy recovery technology, and the storage, transmission and distribution of energy that results in reduced energy losses.</p>	 <ul style="list-style-type: none"> • 7.3, 7a
Green Buildings	<p>Green buildings mean commercial or residential buildings that meet the widely accepted green building standards locally or internationally with at least any of the following:</p> <ul style="list-style-type: none"> (i) LEED¹ certification; (ii) BREEAM² certification; (iii) Green Building Index (GBI)³; (iv) GreenRE⁴; or (v) Any other standards/certificates that are widely accepted and recognised locally or internationally. 	 <ul style="list-style-type: none"> • 11c

	<p>1 Leadership in Energy and Environmental Design (LEED) Certification developed by the United States Green Building Council.</p> <p>2 Building Research Establishment Environmental Assessment Method (BREEAM) developed by the Building Research Establishment based in England, UK.</p> <p>3 Green Building Index (GBI) developed by Malaysian Institute of Architects and Association of Consulting Engineers Malaysia.</p> <p>4 GreenRE was developed by the Real Estate and Housing Development Association of Malaysia (REHDA).</p>	
<p>Low Carbon and Low Emission Transportation</p>	<p>Development, manufacture and/or distribution of technologies and equipment to increase the sustainability (through improved energy/fuel efficiency or switching to electricity) of auto, truck, train, marine and aerospace transportation.</p> <p>Development and operation of sustainable public/mass transportation systems and/or of equipment for such systems (including most rail and Bus Rapid Transit that meets the BRT standard).</p>	 <ul style="list-style-type: none"> • 11.2
<p>Sustainable Water and Wastewater Management</p>	<p>Water collection, treatment, recycling, reuse, technologies and related infrastructure. Examples include water pipes and collection facilities to collect water/rainwater, dams and treatment plant facilities.</p>	 <ul style="list-style-type: none"> • 6.1,6.2,6.3,6.4
<p>Affordable Housing</p>	<p>Loans/financing/assets in relation to</p> <p>(i) Any of the following government supported schemes that promote home affordability:</p> <p>(a) Skim Rumah Pertamaku;</p> <p>(b) Skim Perumahan Belia; or</p> <p>(c) Such other government supported schemes as defined by the Federal or any State Government from time to time.</p> <p>(ii) Any of the following affordable housing projects:</p> <p>(a) Skim Perumahan Rakyat 1Malaysia (PR1MA)</p> <p>(b) Skim Perumahan Mampu Milik Swasta (MyHome)</p>	 <ul style="list-style-type: none"> • 11.1

	<ul style="list-style-type: none"> (c) Perumahan Penjawat Awam 1Malaysia (PPA1M) (d) Program Perumahan Rakyat (PPR) (e) Rumah Mesra Rakyat 1Malaysia (RMR1M) (f) Rumah Mampu Milik Wilayah Persekutuan (RUMAWIP) (g) Rumah Selangorku (h) Rumah Idaman Rakyat (RIR) or (i) Such other affordable housing projects as defined by the Federal or any State Government from time to time <p>(iii) “Affordable housing” as defined by the Federal or any State Government or other relevant entity from time to time; OR</p> <p>(iv) Any property where the purchase price is not more than the Property Price Matrix for Affordable Housing as tabulated in Appendix 1.</p>	
<p>Employment Generation</p>	<p>Loans/financing/assets related to SME* sectors (SMEs)</p> <p><i>*A business can qualify as an SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower:</i></p> <ul style="list-style-type: none"> • <i>For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million OR number of full-time employees not exceeding 200.</i> • <i>For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.</i> <p><i>Based on the Definition of Small and Medium Enterprises (SMEs) issued by Bank Negara Malaysia.</i></p>	 <ul style="list-style-type: none"> • 8.3

- All the eligible loans/financing/assets must be supported by supporting documents/confirmations provided by the FI/non-FIs to Business Units as evidence for the loans/financing/assets eligibility.

- Cagamas purchases loans/financing through the Company's Purchase With Recourse ("PWR") and Purchase Without Recourse ("PWOR") schemes. Both the PWR and PWOR schemes can be used to finance housing loans, Islamic house financings, hire purchase and Islamic hire purchase and leasing receivables, while only the PWR scheme can be used to finance industrial property loans and financings, hire purchase/leasing, personal loans and financings, Rahn (collateral) receivables, SME loans and financings and infrastructure development loans and financings.
- For the purchase of other types of loans/financing/assets, the Board's approval is required.

2.1.1 Exclusion Criteria

For the avoidance of doubt, in any case, loans/financing/assets related to fossil fuel, nuclear, weapon, alcohol, tobacco, child labour and gambling/adult entertainment are excluded.

2.2 Process for Project Evaluation and Selection

2.2.1. A set of Eligible Criteria ("EC") including those as set out in **Table 1** will be given to FIs/Non-FIs ("The Approved Seller").

2.2.2. The Approved Seller will evaluate and provide the listing of Eligible Loans/Financing/Assets that complies with the EC. The Approved Seller is obliged to ensure that the loans/financing/assets sold met Cagamas' EC at all times as stipulated under the Warranties and Covenants in the Master Sale & Purchase Agreement.

2.2.3. Recommendation will be made for approval of the ALCO Committee to issue Sustainability Bonds/Sukuk to purchase the identified Eligible Loans/Financing/Assets. The recommendation will be made after taking into consideration the following:

- a) Adherence to the proposed Eligible Loans/Financing/Assets against Cagamas Sustainability Bond/Sukuk Framework and/or other relevant available standards and benchmarks; and

- b) Commitment by the Approved Seller in the adoption/promotion of any environmental, social and governance standards or recognised best practices in its business operations and strategy in relation to the management of material environmental or social risk associated with the identified Loans/Financing/Assets.

2.2.4. The ALCO Committee is chaired by the Chief Executive Officer (CEO) of Cagamas and comprises the following:

- (i) President/Chief Executive Officer (CEO) – Chairman
- (ii) Senior Vice President (SVP), Strategy & Business
- (iii) SVP, Technology & Operations
- (iv) SVP, Finance
- (v) SVP, Treasury & Markets
- (vi) SVP, Risk Management & Compliance

2.3 Management of Proceeds

2.3.1. Proceeds of the Sustainability Bonds/Sukuk will be fully utilised to purchase similar amount of Eligible Loans/Financing/Assets immediately at the point of issuance.

2.3.2. The portfolio of Eligible Loans/Financing/Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system by Cagamas' Operation Department.

2.3.3. During the life of the Sustainability Bonds/Sukuk, if the designated loans/financing/assets cease to fulfil the EC, Cagamas will use its best efforts to ensure replacement with loans/financing/assets that comply with the EC as soon as reasonably practicable.

2.4 Reporting

2.4.1. Cagamas will publish an annual sustainability bonds/sukuk progress report ("Annual Sustainability Progress Report"), which will provide information on allocation and impacts throughout the tenure of Sustainability Bonds/Sukuk. The Annual Sustainability Progress Report will be updated on a timely basis in the case of material development.

(i) Allocation Reporting

Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/Sukuk issued including:

- (a) Aggregate amount allocated to the various Eligible Loans/Financing/Assets Categories
- (b) Remaining balance of funds which have not yet been allocated
- (c) Examples of Eligible Loans/Financing/Assets (subject to confidentiality disclosures)

(ii) Impact Reporting

Where possible, Cagamas will report on the environmental and social (where relevant) impacts resulting from the Eligible Loans/Financing/Assets. Cagamas may select alternative quantitative or qualitative indicators to remain relevant to the selected Eligible loans/financing/assets. Subject to the nature of Eligible Loans/Financing/Assets, confidentiality and availability of information, Cagamas endeavours to include, but not limited to, the following Impact Indicators:

Table 2: Indicative Impact Reporting Criteria

Eligible Loans/ Financing/Assets Categories	Indicative Reporting Criteria
Renewable Energy	<ul style="list-style-type: none"> • KWh of power generated from renewable energy • Tonnes of carbon emissions avoided • Installed capacity (MW) • Number and location of renewable energy facilities
Energy Efficiency	<ul style="list-style-type: none"> • KWh of energy saved per year • Percentage energy efficiency achieved
Green Buildings	<ul style="list-style-type: none"> • Energy consumption disclosed by absolute consumption and intensity (KWh and KWh/m²) • Calculated carbon footprint disclosed by absolute emissions and intensity (tonnes and tonnes/m²) • List of eligible buildings that received third party verified green building certification

Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"> • Tonnes of CO₂ (or other GHG) avoided • Km of tracks built • No. of passenger • Number of electric/hybrid/low emission vehicles provided
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Amount of water saved (m³) • Amount of waste water treated(m³) • Water withdrawals or treatment capacity (m³ per day)
Affordable Housing	<ul style="list-style-type: none"> • Number of houses/household/residents
Employment Generation	<ul style="list-style-type: none"> • Number of SMEs financed • Type of SME • Number of jobs created

2.5 External Reviews

- 2.5.1. Cagamas has obtained a second party opinion from an appropriate provider to confirm the validity of Cagamas Sustainability Framework. The second party opinion will also be published on Cagamas website at www.cagamas.com.my.
- 2.5.2. For any Sustainability Bonds/Sukuk issuance under Cagamas Sustainability Framework, we will engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Cagamas Sustainability Framework.
- 2.5.3. The Annual Sustainability Progress Report and related assurance report will be made available to the public in Cagamas website at www.cagamas.com.my and the reporting cycle will be in conjunction with the Company's annual report.

3. Financial Consideration

Apart from the elements on the Use of Proceeds described above, sustainability bonds/sukuk issued under this Framework will have the same financial characteristics as any other senior unsecured debt securities issued by Cagamas and rank pari passu amongst itself. To manage liquidity risk, Cagamas issues debt securities that match as closely as possible the corresponding cash flows and maturity profiles of the loans/financing/assets.

4. Potential Evolutions

As the sustainability bonds/sukuk market is still in an early stage and is expected to evolve in the coming years, Cagamas will continuously enhance and improve its Framework and publish any refinements as a supplement to the Framework in Cagamas' website.

Appendix 1: Property Price¹ Matrix for Affordable Housing using Housing Cost Burden

YEAR		Malaysia	Kuala Lumpur	Putrajaya	Selangor	Labuan	Johor	Melaka	Pulau Pinang	Terengganu	Negeri Sembilan	Perlis	Sarawak	Sabah	Perak	Pahang	Kedah	Kelantan
From	To																	
2019	2020	316,000	568,000	538,000	442,000	362,000	346,000	326,000	332,000	299,000	270,000	248,000	245,000	228,000	230,000	239,000	233,000	192,000
2016	2018	282,000	489,000	446,000	389,000	319,000	305,000	301,000	291,000	253,000	247,000	226,000	224,000	221,000	216,000	214,000	205,000	166,000
2014	2015	247,000	411,000	405,000	335,000	306,000	280,000	271,000	253,000	204,000	222,000	189,000	204,000	202,000	186,000	183,000	186,000	146,000
2012	2013	195,000	315,000	349,000	288,000	273,000	197,000	211,000	218,000	163,000	193,000	129,000	164,000	154,000	144,000	165,000	142,000	123,000
2009	2011	153,000	238,000	294,000	232,000	188,000	159,000	162,000	172,000	113,000	146,000	99,000	129,000	111,000	113,000	134,000	106,000	92,000
2007	2008	138,000	199,000	231,000	218,000	150,000	147,000	146,000	156,000	97,000	138,000	94,000	121,000	64,000	103,000	120,000	95,000	81,000
2004	2006	119,000	180,000	na	193,000	na	125,000	124,000	143,000	73,000	123,000	79,000	97,000	87,000	93,000	96,000	87,000	68,000
2002	2003	110,000	181,000	na	169,000	na	119,000	111,000	139,000	72,000	112,000	77,000	92,000	85,000	87,000	77,000	78,000	62,000
1999	2001	92,000	152,000	na	148,000	na	108,000	92,000	125,000	62,000	96,000	59,000	90,000	68,000	73,000	65,000	66,000	51,000
1997	1998	93,000	166,000	na	154,000	na	111,000	97,000	126,000	55,000	93,000	60,000	81,000	75,000	82,000	68,000	63,000	47,000
1995	1996	74,000	125,000	na	122,000	na	87,000	75,000	91,000	41,000	73,000	48,000	70,000	61,000	59,000	61,000	53,000	43,000

Note:

- (1) Derive from Median Monthly Household Income and 35-year home financing rate of 4.50%.
- (2) Based on the Housing Cost Burden (HCB) approach, in which a house is affordable if housing costs are less than 30% of monthly household income.

Appendix 2: Version History

Version	Date	Summary of Key Changes
1.0	17 January 2019	
2.0	5 December 2019	Inclusion of Property Price Matrix for Affordable Housing
3.0	18 June 2020	<ul style="list-style-type: none"> • Inclusion of 2.2.3 to align with Securities Commissions' Sustainable and Responsible Investment (SRI) Sukuk framework updated in November 2019. • Inclusion of definition for Small Medium Enterprise (SME)

Cagamas Berhad
Registration No. 198601008739 (157931-A)
Level 32, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel: +603 - 2262 1800
Fax: +603 - 2282 9125

www.cagamas.com.my



APPENDIX III

Second Opinion



CAGAMAS BERHAD

- ASEAN SUSTAINABILITY BONDS
- ASEAN SUSTAINABILITY SRI SUKUK

UNDER THE MEDIUM TERM NOTES & ISLAMIC MEDIUM TERM NOTES
PROGRAMME OF RM60 BILLION (2007/2067)

SECOND OPINION REPORT 21 September 2020

Analyst

Gladys Chua

(603) 3385 2611

gladys@ram.com.my

Disclaimer

In preparing this report, RAM Sustainability Sdn Bhd (RAM Sustainability) relied on information provided by the issuer. Therefore, RAM Sustainability does not represent or warrant that the information contained herein is complete, accurate or up to date. This report explains why the proposed Green, Social or Sustainability Bonds/Sukuk is considered sustainable and responsible. The report is prepared for consumption of the readers of our Second Opinion and RAM Sustainability will not be liable for the substance of the opinion and/or any liability for damage arising from the use of our Second Opinion and/or the information contained in the report.

Our report is not a recommendation to buy or sell securities. It is also not a credit assessment on the proposed Green, Social or Sustainability Bonds/Sukuk.

This Second Opinion may not be reproduced, transmitted or published in any form or by any means without the prior written permission of RAM Sustainability. All rights are reserved by RAM Sustainability.

RAM Sustainability receives compensation for its opinion services which are normally paid by the issuers of this instrument. The receipt of this compensation has no influence on RAM Sustainability's analytical process, diligence and professional opinion. In all instances, RAM Sustainability is committed to preserving the objectivity, integrity and independence of its opinion.

RAM Sustainability is not aware of any conflict of interest relating to the opinion it provides in this report. RAM Sustainability will adequately disclose all related information in the report if there are such instances.

TABLE OF CONTENTS

ABOUT RAM SUSTAINABILITY	4
SUMMARY OF SECOND OPINION ON CAGAMAS' ASEAN SUSTAINABILITY BONDS/SRI SUKUK	5
RAM SUSTAINABILITY'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION	7
RAM SUSTAINABILITY'S SOCIAL BENEFIT ASSESSMENT AND DEFINITION	8
1. SCOPE AND OBJECTIVES	9
2. CORPORATE PROFILE	9
3. REVIEW OF ASEAN SUSTAINABILITY BONDS/SRI SUKUK FRAMEWORK	10
3.1. Utilisation of Proceeds	10
3.2. Project Evaluation & Selection	11
3.3. Management of Proceeds	12
3.4. Reporting Commitments	12
4. SUSTAINABILITY ASSESSMENT	13
4.1. National-Level Drivers	13
4.2. Group-Level Assessment	14
4.3. Sustainability Management	15
4.4. Creation of Positive Impact by Bonds/Sukuk	16
APPENDIX 1	20
APPENDIX 2	22
APPENDIX 3	26
APPENDIX 4	29

ABOUT RAM SUSTAINABILITY

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and environment, social and governance (ESG) analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines in ASEAN. It is also a member of both ICMA's 2019/2020 New Markets Taskforce and 2019/2020 Advisory Council to the GBP and SBP Executive Committee. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board. For further details, please refer to <https://www.ram.com.my/sustainability>.

About the RAM Group

The RAM Group is a leading provider of independent credit ratings, research, training, risk analysis and bond pricing. Formerly known as Rating Agency Malaysia Berhad, the RAM Group was established in November 1990 as a catalyst for the domestic debt capital market and as the nation's first credit rating agency. On 1 July 2007, its rating operations were novated to RAM Rating Services Berhad (RAM Ratings). RAM Ratings is a wholly owned subsidiary of the RAM Group.

RAM Ratings is the leading and largest credit rating agency in both Malaysia and ASEAN. Established in 1990 by the central bank of Malaysia as part of the "institutional infrastructure" to support the development of Malaysia's bond market, RAM Ratings has rated over USD400 billion of bonds issued by over 500 entities based in Malaysia and 13 other countries. Its rating portfolio encompasses corporates, sovereign nations, financial institutions, insurance companies, project finance and structured finance obligations.

RAM Ratings is also the world's leading rating agency for securities issued under Islamic principles, or sukuk. RAM Ratings' experience in and contributions to the fast-growing sukuk market has won numerous awards, including *Best Rating Agency* (South-East Asia 2017) from CPI Financial and *Best Islamic Rating Agency* in 2016 from Islamic Finance News. Accredited by the Tokyo Stock Exchange for listings on the Japanese Pro-Bond Market, RAM Ratings also offers ratings on the ASEAN and global rating scales, in addition to the Malaysian national scale. On 26 May 2016, RAM Ratings joined the line-up of pioneer credit rating agency signatories to the United Nations-supported Principles for Responsible Investment's Statement on ESG in Credit Ratings. The Statement on ESG in Credit Ratings is a way for RAM Ratings to communicate its commitment to a more systematic and transparent incorporation of ESG into credit ratings and analysis.

The latest addition to the RAM Group, RAM Solutions Sdn Bhd, was founded in 2016 and provides independent credit opinions on ventures listed on a multi-bank, web-based platform known as the Investment Account Platform (IAP). As an associate of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. The RAM Group also organises capital markets professional training, educational courses and conferences. For further details, please refer to <https://www.ram.com.my>



SUMMARY OF SECOND OPINION ON CAGAMAS' ASEAN SUSTAINABILITY BONDS/SRI SUKUK

Cagamas Berhad's (Cagamas or the Issuer) ASEAN Sustainability Bonds/SRI Sukuk Framework (the Framework) is aligned with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment (SRI) Sukuk Framework, the ASEAN Green Bond Standards (ASEAN GBS), the ASEAN Social Bond Standards (ASEAN SBS), the ASEAN Sustainability Bond Standards (ASEAN SUS) and the globally recognised Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). Cagamas' Framework is clearly defined and provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments.

Cagamas, the national mortgage corporation of Malaysia, was established by Bank Negara Malaysia (BNM or the central bank of Malaysia) in 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will be issued to purchase eligible loans/financing/assets. The Framework facilitates financing for projects and solutions that are important for a sustainable future. Issuance proceeds will be used to purchase loans/financing/assets in green and social project categories: renewable energy, energy efficiency, green buildings, low-carbon transportation, sustainable water and wastewater management, affordable housing and employment generation via SMEs. RAM Sustainability opines that the bonds/sukuk issued under the Framework will make a positive contribution to Malaysia's commitment to sustainable development while generating a positive impact on climate, the environment and society in general.

RAM Sustainability's Environmental Benefit assessment tiers projects and solutions based on their overall contributions to a 2-Degree Scenario (2DS) and broader environmental benefits. Tier ratings have been assigned to five applicable solutions within the Framework, which are vital for a low-carbon and environmentally friendly future. Top-tiered projects comprise technologies that contribute to substantial decarbonisation of the energy system.

No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Environmental Benefit Rating
1	Renewable Energy	 RAM Environmental Benefit Tier-1
2	Energy Efficiency	 RAM Environmental Benefit Tier-1
3	Low-Carbon and Low-Emission Transportation	 RAM Environmental Benefit Tier-2
4	Sustainable Water and Wastewater Management	 RAM Environmental Benefit Tier-2
5	Green Buildings	 RAM Environmental Benefit Tier-3

SUMMARY OF SECOND OPINION ON CAGAMAS' ASEAN SUSTAINABILITY BONDS/SRI SUKUK

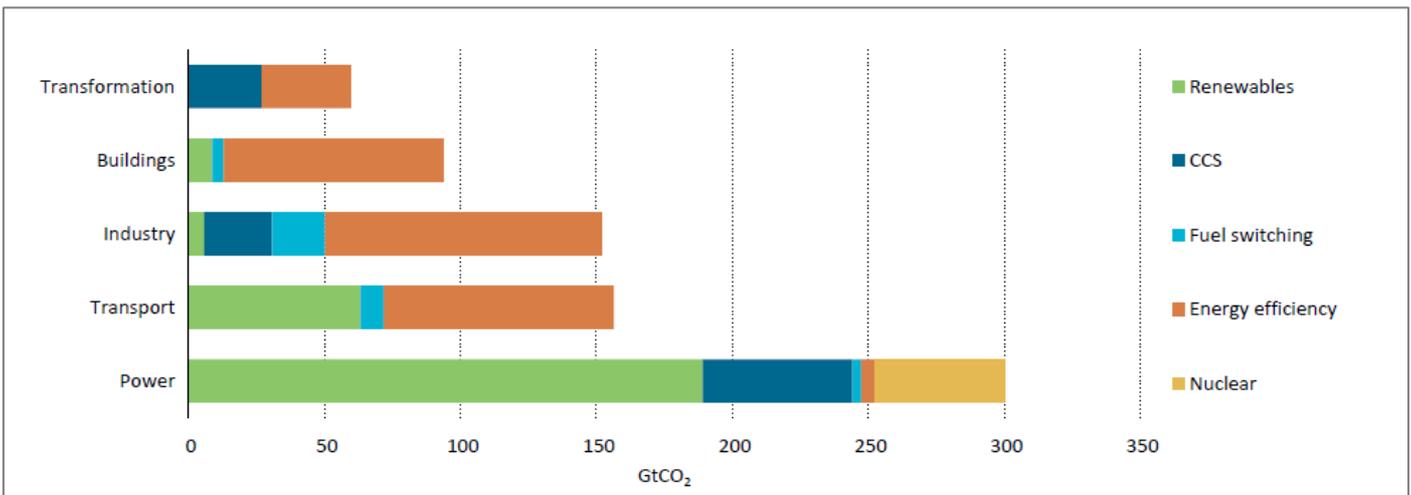
At the same time, RAM Sustainability has also assigned Social Benefit tier ratings to social solutions under the Framework. We have assigned Tier-1 Social Benefit ratings to Cagamas' affordable housing and employment generation for SME solutions, reflecting the importance of these socio-economic agendas in Malaysia. The assigned ratings are also underpinned by the strategic role that Cagamas, as a national institution, can play in supporting social benefits at the national level on a potentially significant scale, depth and duration.

No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Social Benefit Rating
1	Affordable Housing	 RAM Social Benefit Tier-1
2	Employment Generation via SMEs	 RAM Social Benefit Tier-1

RAM SUSTAINABILITY'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION

Climate change represents a fundamental threat to the planet and society, and is transforming life on Earth. The effects of climate change are wide-ranging and can be observed everywhere in our biosphere. The COP21 sets a global action plan for the 197 participating governments, including the Government of Malaysia (GoM), to limit global warming to well below 2°C above pre-industrial levels. In addition, these countries have committed to the United Nations' 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance to the planet and society. The International Energy Agency has identified the industries for which reductions in carbon emissions should be targeted for achievement by 2050. A portfolio of low-carbon technologies is needed to reach 2DS; some solutions will be broadly applicable while others will need to target specific sectors.

Figure 1: Cumulative CO₂ reduction by sector and technology in 2DS, up to 2050



Source: Energy Technology Perspectives 2017, International Energy Agency

The ultimate objective of green bonds/sukuk is to facilitate the financing of environmentally friendly solutions that can help mitigate the effects of climate change and/or create value for the surrounding ecosystem. RAM Sustainability's green bonds/sukuk evaluation is a qualitative and quantitative assessment of the contributions of a project or financing facility to a low-carbon, sustainable future. The transparency and disclosure strength of the green bonds/sukuk is also a key consideration. RAM Sustainability's Environmental Benefit assessment can be categorised as follows:

RAM Environmental Benefit
Tier-1

- The project/financing is an important component of a low-carbon future and has clear, demonstrable environmental benefits.
- The project/financing directly contributes towards substantial and sustainable reductions of greenhouse gas emissions.

RAM Environmental Benefit
Tier-2

- The project/financing is aligned with the goals of a low-carbon future and has some demonstrable environmental benefits.
- The project/financing directly contributes towards improvement in greenhouse gas emissions.

RAM Environmental Benefit
Tier-3

- The project/financing has minimal contribution to a low-carbon future and has minimal demonstrable environmental benefits.
- The project/financing indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

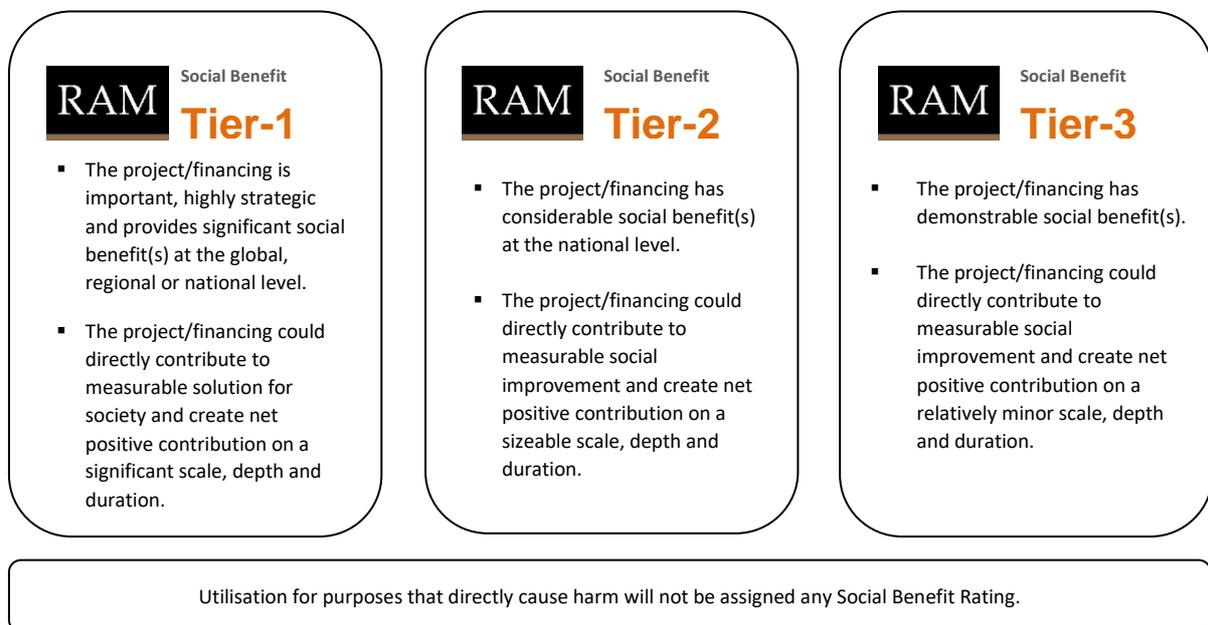
Projects/financing that do not conform with the long-term vision of 2DS reaffirmed under COP21 will not be assigned any Environmental Benefit rating.

RAM SUSTAINABILITY'S SOCIAL BENEFIT ASSESSMENT AND DEFINITION

Besides seeking solutions to concerns about climate change and the environment, an important facet of sustainability includes addressing social well-being in an increasingly more complex and diverse environment. Social well-being can typically be linked to inclusive economies that reduce poverty levels, coupled with the availability of health, education, clean water, sanitation and energy services, affordable housing, and other social improvements, including equality. A social bond/sukuk is an instrument that can finance such an agenda.

RAM Sustainability's social bonds/sukuk evaluation is a quantitative and qualitative assessment of a project or financing's potential contribution to social solutions. RAM Sustainability considers the strategic importance of the project or financing and its direct and measurable social benefits. The project or financing's scale, depth and duration are also key considerations.

RAM Sustainability's Social Benefit assessment can be categorised as follows:



1. SCOPE AND OBJECTIVES

RAM Sustainability assesses the Framework against the sustainability responsibilities and disclosure requirements of the following guidelines and standards:

- The SC's **SRI Sukuk Framework**¹
- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**²
- The ACMF's **ASEAN SBS**³
- The ACMF's **ASEAN SUS**⁴
- The International Capital Market Association's (ICMA) **GBP**⁵
- The ICMA's **SBP**⁶
- The ICMA's **SBG**⁷

Our assessment relies on public information and data provided by the Issuer. We have not undertaken any audit or other related activity to ascertain the validity or accuracy of the information provided.

2. CORPORATE PROFILE

Cagamas, the national mortgage corporation of Malaysia, was established by BNM on 2 December 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas issues corporate bonds and sukuk to finance the purchase of eligible housing loans/financing from financial institutions and non-financial institutions.

The Issuer is a 100%-held subsidiary of Cagamas Holdings Berhad (the Group), a public limited company owned by BNM (20%) and 23 financial institutions (80%) in Malaysia. Please refer to **Appendix 1** for a complete list of all the shareholders of Cagamas Holdings. **Diagram 1** highlights the Group's structure:

¹ Chapter 7 of Part 3 of Section B of the *Guidelines on Unlisted Capital Market Product* issued by the SC (SRI Sukuk Framework). The SRI Sukuk Guidelines were launched by the SC in August 2014, to facilitate the financing of assets and projects with sustainable benefits. The SRI Sukuk Framework was updated on 26 November 2019.

² The ASEAN GBS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS had been developed based on the ICMA's GBP, and were issued in November 2017. The document was subsequently updated in October 2018. The ASEAN GBS are meant for issuers that intend to issue green bonds within the ASEAN region.

³ The ASEAN SBS, developed by the ACMF, are aimed at enhancing the transparency, consistency and uniformity of ASEAN Social Bonds. The ASEAN SBS had been developed based on the ICMA's SBP, and were issued in October 2018. The ASEAN SBS are for issuers that intend to issue social bonds within ASEAN.

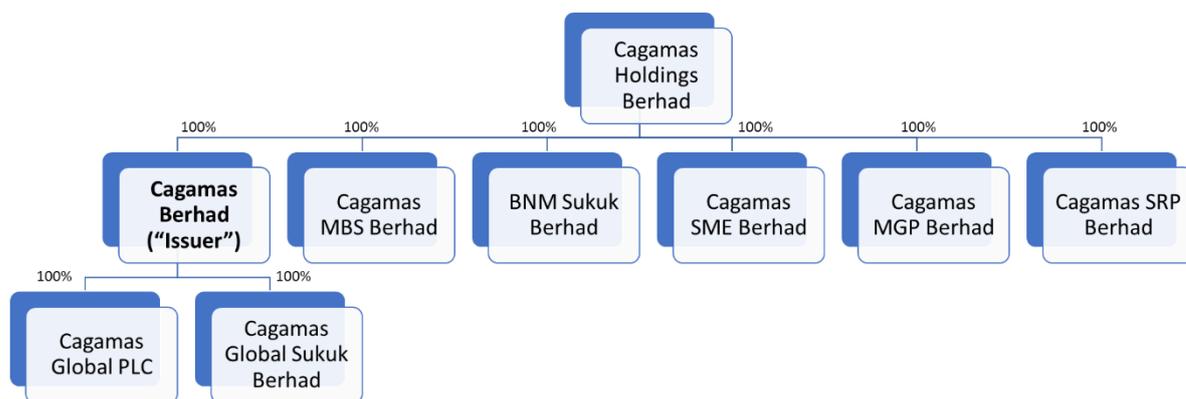
⁴ The ASEAN SUS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Sustainability Bonds. The ASEAN SUS had been developed based on the ICMA's SBG, and were issued in October 2018. The core components of the ASEAN GBS and ASEAN SBS also apply to ASEAN Sustainability Bonds.

⁵ The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014, before being updated in June 2018. The GBP are meant for broad use by a variety of participants in the green bond market, to facilitate the flow of financing to climate-friendly solutions.

⁶ The SBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The SBP are meant for broad use by a variety of participants in the social market, to facilitate funding for projects that address global social challenges.

⁷ The SBG, developed by the ICMA, are guidelines for the confirmation of the relevance of the GBP and the SBP, as well as to improve the application of their guidance on transparency and disclosure measures for the Sustainability Bond Market. The core components of the GBP and the SBP also apply to Sustainability Bonds.

Diagram 1: Corporate Structure of Cagamas



3. REVIEW OF ASEAN SUSTAINABILITY BONDS/SRI SUKUK FRAMEWORK

The focus areas reviewed are grouped under the four principles embedded in the following applicable standards and guidelines - **the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP and the SBG**:

Table 1: Focus Areas Under the Four Principles

Item	Focus Area
3.1	Utilisation of proceeds
3.2	Project evaluation & selection
3.3	Management of proceeds
3.4	Reporting commitments

For detailed comparisons, please refer to **Appendix 2** for the SRI Sukuk Framework Checklist, **Appendix 3** for the ASEAN SUS Checklist, and **Appendix 4** for the SBG External Review Form.

3.1. Utilisation of Proceeds

Several categories of eligibility for green and social projects are recognised under the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP and the SBG. Broadly defined, green projects refer to innovative, climate-friendly projects that help to deliver clear environmental benefits. On the other hand, social projects refer to solutions that are geared towards positive societal outcomes for a target population group. Table 2 below maps out the alignment of loan/financing/asset categories under the Framework with the applicable green, social and sustainability standards and guidelines.

Table 2: Conformity Assessment of Cagamas' Loan/Financing/Asset Categories

Cagamas' Loan/Financing/Asset Categories	National Guideline	Regional Guideline			International Guidelines		
	SRI Sukuk Framework ⁸	ASEAN GBS	ASEAN SBS	ASEAN SUS	GBP	SBP	SBG
Renewable Energy	√	√		√	√		√
Energy Efficiency	√	√		√	√		√
Green Buildings	√	√		√	√		√
Low Carbon and Low Emission Transportation	√	√		√	√		√
Sustainable Water and Wastewater Management	√	√		√	√		√
Affordable Housing	√		√	√		√	√
Employment Generation via SMEs	√		√	√		√	√

⁸ As per the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

The utilisation of Cagamas' proceeds is deemed consistent with international best practices on sustainable finance, particularly in the following aspects:

Renewable Energy - Hydropower

Given the sensitivity of hydropower as a renewable energy source, detailed considerations such as the size and type of eligible hydropower financing have been provided by Cagamas. Cagamas classifies hydropower renewable energy as that produced by small hydropower plants under 30 MW.

Green Buildings

Accepted green building standards/certifications are defined in the Framework. Listing out widely accepted green building standards promotes transparency and clarity in the selection process for green buildings. Green buildings such as LEED and BREEAM are widely recognised internationally. In addition, due consideration has been given to national-level green building standards such as the Green Building Index (GBI) and GreenRE.

Exclusionary Criteria

Exclusionary criteria determine specific activities that will not be considered in the portfolio. Consistent with the ASEAN GBS and the ASEAN SBS, Cagamas has excluded loans/financing/assets related to fossil fuel, weapons, alcohol, tobacco and gambling. Other typical exclusions from green and social bond frameworks have also been added, such as nuclear energy, child labour and adult entertainment.

Alignment of Eligible Loan/Financing/Asset Categories with relevant United Nations Sustainable Development Goals (SDGs)

In tandem with the rise of sustainable finance, the SDGs have been widely adopted by many financial market participants since their launch in 2015. For many institutional investors, the SDGs provide a harmonised structure to align investments with key sustainability issues that affect the world today. Cagamas' eligible loan/financing/asset categories are aligned with the relevant SDGs.

3.2. Project Evaluation & Selection

The Eligible Loan/Financing/Asset Categories will be provided to financial institutions and non-financial institutions (the Approved Seller). Using them, the Approved Seller will undertake the necessary evaluation and provide Cagamas a list of Eligible Loans/Financing/Assets that comply with the predetermined categories. The Approved Seller must ensure that the loans/financing/assets sold to Cagamas meet the prescribed Eligible Loan/Financing/Asset Categories. This requirement is stipulated under Warranties and Covenants in the Master Sale & Purchase Agreement. The Approved Seller must also provide the necessary supporting documentation to Cagamas, to ensure the loans/financing/assets are aligned with these categories.

In line with best practices for evaluation and selection, Cagamas will consider ESG standards or other recognised best practices applied by the Approved Seller within its business operations and strategy to manage any material environmental or social risk relating to the Eligible Loans/Financing/Assets.

After conducting the processes above, approval will be obtained from the Asset Liability Committee (ALCO) to issue ASEAN Sustainability Bonds/SRI Sukuk to purchase the identified Eligible Loans/Financing/Assets. The ALCO comprises senior management personnel from the organisation and is chaired by the CEO of Cagamas.

3.3. Management of Proceeds

The proceeds from the ASEAN Sustainability Bonds/SRI Sukuk will be **immediately** used to purchase the eligible loans/financing/assets. Upon the utilisation of such proceeds, the portfolio of purchased loans/financing will be maintained and monitored by Cagamas' internal loan-management system. In the event the designated loans/financing/assets cease to fulfil the criteria of the Eligible Categories, Cagamas will use its best efforts to ensure replacements with applicable loans/financing/assets that match the predefined Eligible Loan/Financing/Asset Categories.

3.4. Reporting Commitments

Transparency in reporting is an important aspect of a Sustainability Bond/Sukuk issuance. Issuers of Green, Social and Sustainability Bonds are required to establish a formal process to communicate the allocation of proceeds and the positive impact created. Cagamas is committed to publishing an Annual Sustainability Progress Report that provides such information, subject to confidentiality and availability of information. This report will be made publicly available via Cagamas' website (www.cagamas.com.my).

Table 3: Cagamas' Reporting Commitments

Allocation Reporting		<ul style="list-style-type: none"> ▪ The aggregate amount allocated to the various Eligible Loans/Financing/Assets Categories ▪ Remaining balance of funds which have not yet been allocated (if any) ▪ Examples of Eligible Loans/Financing/Assets (subject to confidentiality disclosures)
Impact Reporting	Renewable Energy	<ul style="list-style-type: none"> ▪ KWh of power generated from renewable energy ▪ Tonnes of carbon emissions avoided ▪ Installed capacity (MW) ▪ Number and location of renewable energy facilities
	Energy Efficiency	<ul style="list-style-type: none"> ▪ KWh of energy saved per year ▪ Percentage of energy savings achieved
	Green Buildings	<ul style="list-style-type: none"> ▪ Energy consumption disclosed by absolute consumption and intensity (KWh and KWh/m²) ▪ Calculated carbon footprint disclosed by absolute emissions and intensity (tonnes and tonnes/m²) ▪ List of eligible buildings that received third party verified green building certification
	Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"> ▪ Tonnes of CO₂ (or other GHG) avoided ▪ Km of tracks built ▪ Number of passengers ▪ Number of electric/hybrid/low emission vehicles provided
	Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> ▪ Amount of water saved (m³) ▪ Amount of wastewater treated (m³) ▪ Water withdrawals or treatment capacity (m³ per day)
	Affordable Housing	<ul style="list-style-type: none"> ▪ Number of houses/households/residents
	Employment Generation via SMEs	<ul style="list-style-type: none"> ▪ Number of SMEs financed ▪ Type of SME ▪ Number of jobs created

Impact-Reporting Indicators

Impact reporting serves to illustrate the environmental and social benefits of the various financed projects. The Issuer's reporting commitments are consistent with the observed disclosures in the green, social and sustainability bond market.

Disclosure of Methodology to Calculate GHG Emissions Avoided

For green projects, data on greenhouse gas (GHG) emissions is a commonly used indicator to evaluate their environmental impact. For additional transparency in the impact report, industry practice encourages the disclosure of the methodology and emission conversion factors used to calculate avoided GHG emissions. Various GHG emission calculation methodologies currently exist in the marketplace.

Post-Issuance Verification

Post-issuance verification promotes greater confidence in the integrity of the disclosures, and reassures stakeholders that these disclosures are reliable. Cagamas is committed to obtain external assurance to validate the accuracy of its Annual Sustainability Progress Report, and to confirm the alignment of its practices with the Framework. The related assurance report vis-à-vis the Annual Sustainability Progress Report will be made available on its corporate website (www.cagamas.com.my).

4. SUSTAINABILITY ASSESSMENT

4.1. National-Level Drivers

The ASEAN Sustainability Bonds/SRI Sukuk issued under Cagamas' Framework enable the financing of a wide range of industries and sectors. RAM Sustainability opines that Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will support the following national-level objectives and plans that are related to the areas defined under the Eligible Loan/Financing/Asset Categories:

Table 4: National-Level Objectives and Plans

Loan/Financing/Asset Category	National-Level Objectives and Plans
Renewable Energy	The Government of Malaysia (GoM) aims to increase the proportion of renewable energy (RE) to 20% by 2025. Enacted in 2011, the Renewable Energy Act is aimed at increasing the contribution of clean and renewable energy sources such as solar photovoltaic, biomass, biogas and hydro in Malaysia's electricity generation mix. An important driver of the RE industry is the feed-in tariff mechanism implemented and managed by the Sustainable Energy Development Authority of Malaysia. This mechanism supports the growth of the RE industry by providing guaranteed long-term contracts for power generated by RE sources.
Energy Efficiency	Through the National Energy Efficiency Action Plan 2016-2025, the GoM aims to reduce electricity consumption in Malaysia by 8% by 2025 across the industrial, commercial and residential sectors. Various initiatives have been undertaken by the GoM to support energy-efficiency objectives, including the implementation of Minimum Energy Performance Standards (MEPS) for selected electrical appliances and motors, increasing energy audits and management in commercial, industrial and government facilities, and promoting energy-efficient building designs.
Green Buildings	Malaysia has developed two national-level green rating tools for buildings, i.e. GBI and GreenRE. Both rating tools assess a building's performance with respect to specific environmental considerations (i.e. energy efficiency, carbon emissions, water efficiency).
Low-Carbon and Low-Emission Transportation	To reduce the environmental impact from transportation systems, the Malaysian national transportation and automotive policies have incorporated plans for green and environmentally sustainable transportation solutions. The National Transport Policy 2019-2030 is focused on developing an efficient, integrated and sustainable transport system. Meanwhile, the next update on the National Automotive Policy is expected to further incentivise the production of energy-efficient vehicles in the country. The implementation of mega public rail transportation projects such as the Mass Rapid Transit and Light Rail Transit systems are also anticipated to reduce on-road vehicles and improve connectivity.
Sustainable Water and Wastewater Management	As per the National Green Technology Master Plan, Malaysia aspires to achieve the following water-management targets: <ul style="list-style-type: none">(i) Improve the fresh-water abstraction⁹ rate to 15% by 2030.(ii) Make available rainwater harvesting systems for 60% of the towns in Malaysia by 2020.(iii) Recycle 100% of sludge and 33% of treated effluents by 2030.(iv) Implement the Water Efficient Product Labelling Scheme to enhance consumer awareness.

⁹ Also known as water withdrawals, defined as fresh water drawn from the ground or other surface water bodies.

Loan/Financing/Asset Category	National-Level Objectives and Plans
Affordable Housing	<p>Affordable housing has long been a key agenda for both the federal and state governments in Malaysia. Various affordable housing and financial schemes have been established to assist Malaysians to purchase their first homes. BNM is focused on addressing issues pertaining to home ownership and affordability. The strategies identified by BNM include: (i) the centralisation of affordable housing agencies and the establishment of an integrated housing database; (ii) reduction of cost barriers to affordable housing; (iii) enhancement of financial literacy of households; and (iv) improvement of the legal framework between home owners and renters.</p>
Employment Generation via SMEs	<p>Malaysia's SME Master Plan outlines three key goals for the sector by 2020, i.e. to increase SMEs' contributions to GDP to 41% (from 32% in 2010), to raise employment opportunities among SMEs to 62% (from 59% in 2010)¹⁰ and expand SMEs' share of exports to 25% (from 19% in 2010).</p> <p>The following initiatives outlined in the Eleventh Malaysia Plan are devised to accelerate the growth of SMEs:</p> <ul style="list-style-type: none"> (i) Strengthening the human capital of SMEs by enhancing the curriculum for vocational education. (ii) Implementing an accreditation system to ensure new workforce entrants meet industry requirements. (iii) Improving the ease of doing business by simplifying the process of establishing and formalising businesses. <p>Given the significance of the SME sector to the country, the GoM has established various financing schemes and facilities under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and the National Economic Recovery Plan (PENJANA) to support the sector following the impact of COVID-19 in the country.</p>

4.2. Group-Level Assessment

Supporting Sustainable Economic Activities and Financing

Since Cagamas' establishment, it has played a national developmental role in providing liquidity in the secondary mortgage market to support home ownership and developing Malaysia's capital market. To promote a wider sustainable development agenda, it aims to diversify its business into green and social impact loans/financing/assets. Through its ASEAN Sustainability Bonds/SRI Sukuk, Cagamas aims to continue its national role by providing liquidity to the green and social financing market to support the domestic transition towards more inclusive and green economic activities.

Review of Policies and Guidelines

The Issuer has established a Code of Conduct and Ethics, which articulates the expected standards of behaviour for all employees. In addition, Cagamas is guided by other board-approved policies such as its Procurement Policy, Gift and Entertainment Policy, Whistleblowing Policy, and Confidentiality Guidelines. Diversity, inclusion, health and safety are important sustainability themes in today's business environment. To manage these aspects, Cagamas has established policies and guidelines such as Workplace Sexual Harassment, Grievance & Complaint, Misconduct & Staff Discipline; and Health & Safety.

Environmental and Social Initiatives

Cagamas has been publishing its Corporate Social Responsibility (CSR) Statement in its annual reports since 2016. The Issuer's CSR initiatives are governed by its Communication Policy and Donation Policy. These include donations to the less fortunate, sponsoring a scholarship programme, educational workshops and other philanthropic efforts. In addition, Cagamas has established various measures to create a more

¹⁰ In 2019, the denominator i.e. total employment figure has been revised to include the government, informal sector including the agriculture sector, unregistered businesses in the agriculture sector and outsourcing activities in computing (Source: *Share of SMEs in the Malaysian Economy Expanded Further in 2019* published by Ministry of Entrepreneur Development and Cooperatives on 3 August 2020)

environmentally friendly workplace, including converting light bulbs to energy-efficient LED lighting. Cagamas also aims to reduce dependency on paper and styrofoam utensils in its pantries, providing dedicated recycling bins in the office space. Furthermore, awareness programmes have been set up to educate employees on the importance of waste reduction and recycling as well as energy conservation.

RAM Sustainability opines that it is important for corporations to develop holistic and integrated sustainability strategies that encompasses long-term sustainability visions, objectives and commitments; regular and systematic consultation with identified stakeholders on important sustainability issues; a robust governance and accountability mechanism to operationalise sustainability; identification of key systems and processes to manage sustainability; and regular reporting of performance indicators relative to established targets.

To date, Cagamas has established a Sustainability Committee to provide strategic guidance on operationalising sustainability. We opine that this is an important step towards developing a more comprehensive sustainability strategy and management programmes for the organisation.

Controversy Scan

RAM Sustainability undertook a scan of Cagamas on 1 July 2020. We did not observe any controversy pertaining to the environmental, social and governance practices of the Issuer.

4.3. Sustainability Management

This section assesses the overall management approach to integrating sustainability considerations within the Issuer's risk-assessment and decision-making processes.

Established Risk Management

Controls have been incorporated to address financial risks, ensure regulatory compliance and screening of clients. The Issuer has stipulated credit limits for all counterparties based on internal credit assessment – a combination of credit ratings, counterparty requirements and overall business strategies. In addition, the Issuer conducts annual reviews on risk appetite and concentration risk, periodic stress testing and capital planning. Cagamas has established an Enterprise Risk Management framework focused on four key objectives: (i) achieving strategic high-level goals; (ii) effective and efficient operations; (iii) financial profitability and sustainability of performance; and (iv) reliability of reporting and compliance processes. Subject to confidentiality and availability of information, Approved Seller must provide supporting documents or confirmations to Cagamas as evidence for the loans/financing/asset's eligibility under the ASEAN Sustainability Bonds/SRI Sukuk Framework.

4.4. Creation of Positive Impact by Bonds/Sukuk

Financial institutions play a key role in mobilising and directing capital in the financial markets. Capital flows towards low-carbon solutions and projects that generate positive social impact can help accelerate the transition towards a green and inclusive economy. The bonds/sukuk under Cagamas' Framework help to support financing to an extensive range of industries and sectors. The following are positive effects that can be expected based on the areas defined under the Eligible Loan/Financing/Asset Categories:

Table 5: Positive Impact Created by Eligible Loan/Financing/Asset Categories and Alignment with SDGs and Targets

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Renewable Energy	<p>Climate change is an urgent planetary threat and may have costly repercussions on communities and global economies. Approximately two-thirds of the world's GHG emissions today can be attributed to energy production and systems. Therefore, the energy sector plays a critical role in global efforts to mitigate the effects of climate change. The transition towards low-carbon energy systems is already happening. RE provides a means to generate electricity from clean and sustainable sources such as sunlight, wind, water, biomass and other renewable resources. The deployment of RE solutions has the potential to significantly reduce the GHG emission intensity of the global energy system. As such, investments in RE ought to be scaled up so the world can achieve the emission reduction goals set out in the Paris Climate Accord. RAM Sustainability opines that innovative RE systems will be a key component in the building of a low-carbon future. According to the International Renewable Energy Agency, renewable sources could constitute 65% of global energy use by 2050.</p>	<div data-bbox="1187 555 1358 725" style="text-align: center;">  </div> <p>7.2 - By 2030, substantially increase the share of RE in the global energy mix.</p> <p>7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>
Energy Efficiency	<p>To limit the rise in average global temperatures below 2°C, significant investments must be deployed to climate-friendly technologies that meet medium- and long-term goals. In today's carbon-intensive infrastructure, solutions must also aim to improve the energy efficiency of multiple end-use sectors such as industrial, transport and building.</p> <p>As such, innovations to improve energy efficiency can be considered as low-carbon solutions. These technologies help to reduce demand for energy consumption, therefore displacing carbon-emitting fossil fuels in our energy systems. Furthermore, improved energy efficiency can help increase productivity because greater economic gains can be derived from every unit of electricity produced.</p>	<div data-bbox="1187 1335 1358 1505" style="text-align: center;">  </div> <p>7.3 - By 2030, double the global rate of improvement in energy efficiency.</p> <p>7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Green Buildings	<p>The built environment consumes a significant amount of energy and produces carbon dioxide (CO₂) emissions during its long life cycle. The Global Alliance for Buildings and Construction estimates that nearly a quarter of global greenhouse gases can be attributed to buildings. Many green building certifications/standards have been developed to objectively measure the environmental performance of a building. These standards also provide important prescriptions for sustainable design and construction. Green buildings have a smaller environmental footprint and incorporate design features that address energy efficiency, air pollution, waste management, water consumption, construction materials and other sustainability considerations. Therefore, green buildings can be effective tools in reducing the impact of buildings on climate change and may provide significant opportunities for energy, water and resource savings. According to the US Green Building Council, the average LEED-certified building uses 32% less electricity compared to a conventional building, and saves 350 metric tons of CO₂ each year.</p>	 <p>11c - Support least developed countries, including through financial and technical assistance in building sustainable and resilient buildings utilising local materials.</p>
Low-Carbon and Low-Emission Transportation	<p>Malaysia's transportation sector accounts for nearly 35% of total energy consumed by the country and emits approximately 50 million metric tonnes of CO₂ per year (as of 2015) - the second largest contributor after electricity production.¹¹ There is a need to support new, innovative technologies in all transport modes to ensure the decoupling of carbon emissions from the transport sector. In addition, sustainable low-carbon transport strategies provide a multitude of economic, social and environmental benefits to the population. These include fuel cost and travel time savings, improved air quality, better public health, higher productivity levels and other spillover benefits.</p> <p>Cagamas ASEAN Sustainability Bonds/SRI Sukuk also support the development and operation of public transportation systems. Malaysia has a high rate of personal vehicle ownership; cars currently account for approximately 59% of the overall emissions by the transport sector. Therefore, infrastructure improvements in public transport will help reduce long-term dependence on private vehicles, leading to further reductions in carbon emissions and energy consumption by the transport sector.</p>	 <p>11.2 - By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, thus improve road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, i.e. women, children, persons with disabilities and older persons.</p>

¹¹ Source: *Malaysia Stocktaking Report on Sustainable Transport and Climate Change – Data, Policy and Monitoring* (November 2016) published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Sustainable Water and Wastewater Management	A circular economy refers to the preservation of resources for the benefit of the environment and the economy. Water is a finite resource that should be managed in a reliable and efficient manner. Cagamas ASEAN Sustainability Bonds/SRI Sukuk facilitate the financing of solutions that increase the efficiency of water utilities and improve the reliability of sewerage systems. This helps to improve the resilience of water infrastructure systems, thereby contributing to enhanced access to safe drinking water, higher sanitation standards, reduction in energy usage, better public health and other benefits.	 <p>6.1 - By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.2 - By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.</p> <p>6.3 - By 2030, improve water quality by reducing pollution, eliminate dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of fresh water to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
Affordable Housing	Cagamas supports affordable housing schemes that help low- and median-income populations to become successful homeowners. Affordable housing supports sustainable development in a variety of ways. By improving access to home ownership, communities have a higher level of security and residential stability. This potentially translates into a broad spectrum of other socio-economic benefits. Affordable housing promotes wealth creation among communities. This provides the necessary financial resources for communities to invest in education attainment, healthcare, nutritious food and other essential needs. As a result, investments in affordable housing can lead to improvements in social outcomes such as employability, better life satisfaction, general health and wellbeing while promoting stronger national economic growth.	 <p>11.1 - By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.</p>

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Employment Generation via SMEs	<p>SMEs are often considered the backbone of a nation’s economy. In Malaysia, SMEs account for more than 98% of total business establishments¹² and generate 48.4% of jobs.¹³ SMEs’ contribution to Malaysia’s GDP increased to 38.9% in 2019 (2018: 38.3%).¹⁴ As such, supporting SMEs can have a remarkable impact on the growth and development of the country. The benefits may include more employment opportunities, promoting local entrepreneurship, higher output of goods and services, industry expansion, a platform to reduce the income gap between different groups, and other positive socioeconomic outcomes. This is viewed to be even more crucial now given the impact of COVID-19.</p>	<div data-bbox="1193 230 1358 394" data-label="Image"> </div> <p>8.3 - Promote development-oriented policies that support productive activities, job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>

¹² Source: SME Corporation Malaysia (www.smecorp.gov.my)

¹³ Source: SMEs Performance 2019 by Department of Statistics Malaysia (DOSM)

¹⁴ Source: SMEs Performance 2019 by DOSM

APPENDIX 1

APPENDIX 1: SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD

No.	Shareholder	Number of Shares	Percentage of Shareholding (%)
1	Bank Negara Malaysia	30,000,000	20.0
2	CIMB Bank Berhad	24,684,000	16.5
3	Malayan Banking Berhad	21,279,000	14.2
4	RHB Bank Berhad	11,732,400	7.8
5	RHB Investment Bank Berhad	1,200,000	0.8
6	AmBank (M) Berhad	12,066,000	8.0
7	Public Bank Berhad	9,885,600	6.6
8	Public Investment Bank Berhad	600,000	0.4
9	Hong Leong Bank Berhad	8,958,000	6.0
10	HSBC Bank Malaysia Berhad	6,201,000	4.1
11	Alliance Bank Malaysia Berhad	3,183,000	2.1
12	Alliance Investment Bank Berhad	2,400,000	1.6
13	Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
14	Affin Bank Berhad	3,660,000	2.4
15	Affin Hwang Investment Bank Berhad	750,000	0.5
16	United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
17	OCBC Bank (Malaysia) Berhad	2,997,000	2.0
18	MUFG Bank Malaysia Berhad	738,000	0.5
19	SIBB Berhad	450,000	0.3
20	Bangkok Bank Berhad	369,000	0.3
21	The Bank of Nova Scotia Berhad	327,000	0.2
22	Deutsche Bank (Malaysia) Berhad	300,000	0.2
23	Bank of China (Malaysia) Berhad	300,000	0.2
	TOTAL	150,000,000	100.0

Source: Cagamas Holdings Berhad's Annual Report 2019

APPENDIX 2

APPENDIX 2: SRI SUKUK FRAMEWORK CHECKLIST

Reference:

Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

Part 3: Corporate Bonds and Sukuk

Chapter 7: Sustainable and Responsible Investment (SRI) Sukuk

No.	Item	Requirement	Alignment	Comment
7.07 & 7.08	Eligible SRI Projects	<p>An Eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <ul style="list-style-type: none"> (a) Preserving and protecting the environment and natural resources; (b) Conserving the use of energy; (c) Promoting the use of renewable energy; (d) Reducing greenhouse gas emissions; (e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes, especially but not exclusively for a target population; or (f) Improving the quality of life for society. <p>Eligible SRI projects may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) Green projects that relate to: <ul style="list-style-type: none"> (i) Renewable energy; (ii) Energy efficiency; (iii) Pollution prevention and control; (iv) Environmentally sustainable management of living natural resources and land use; (v) Terrestrial and aquatic biodiversity conservation; (vi) Clean transportation; (vii) Sustainable water and wastewater management; (viii) Climate change adaptation; (ix) Eco-efficient and/or circular economy adapted products, production technologies and processes; or (x) Green buildings which meet regional, national or internationally recognised standards or certifications; (b) Social projects that relate to: <ul style="list-style-type: none"> (i) Affordable basic infrastructure; (ii) Access to essential services; (iii) Affordable housing; (iv) Employment generation, including the potential effect of SME financing and microfinancing; (v) Food security; or (vi) Socioeconomic advancement and empowerment; (c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and (d) <i>Waqf</i> projects that relate to the development of <i>waqf</i> properties or assets. 	Yes	<p>Cagamas' ASEAN Sustainability Bonds/SRI Sukuk Framework will be used to finance the purchase of eligible loans/financing/assets from Approved Sellers that relate to the following green and social projects:</p> <ul style="list-style-type: none"> (i) Renewable energy (ii) Energy efficiency (iii) Green buildings (iv) Low-carbon and low-emission transportation (v) Sustainable water and wastewater management (vi) Affordable housing (vii) Employment generation via SMEs <p>The above is aligned with Eligible SRI Project objectives and categories.</p>

No.	Item	Requirement	Alignment	Comment
7.10 & 7.11	Utilisation of Proceeds	An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the Eligible SRI projects as described in paragraph 7.08 above.	Yes	Please refer to above.
		In relation to the activities or transactions that involve acquisition of a company which carries on the Eligible SRI projects, an issuer must ensure that the company that is to be acquired does not carry on any other business or projects except for the Eligible SRI projects.	Not Applicable	The Issuer represented that it will not be utilising the proceeds for acquisition of companies carrying out eligible SRI projects.
7.12	Process for Project Evaluation and Selection	An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.	Yes	The Issuer has outlined the measures established to identify eligible loans/financing/assets for purchase. A dedicated committee comprising senior management personnel will review and approve the loans/financing/assets purchased. Please refer to Section 3.2 Project Evaluation & Selection.
7.13	Management of Proceeds	An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.	Yes	The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories. Please refer to Section 3.3 Management of Proceeds.
7.14	Reporting	An issuer must provide the following information to the sukukholders annually through a designated website: <ul style="list-style-type: none"> (a) The original amount allocated for the Eligible SRI projects; (b) The amount utilised for the Eligible SRI projects; (c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and (d) The list of Eligible SRI projects in which the SRI sukuk proceeds have been allocated to and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact 	Yes	Cagamas has made a commitment to disclose the necessary information annually to the bondholders/sukukholders via its corporate website. For detailed information, please refer to Section 3.4 Reporting Commitments. The Issuer will report to the bondholders/sukukholders on the impact objective of the project financed by the ASEAN Sustainability Bonds/SRI Sukuk, subject to confidentiality disclosures and availability of information on the loans/financing/assets purchased.
7.05 & 7.16	Disclosure Requirements	The information relating to the issuer and the details of the issuer's SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.		Cagamas has made a commitment to disclose its ASEAN Sustainability Bonds/SRI Sukuk Framework, and the necessary information to the bondholders/sukukholders every year (via its Annual Sustainability Progress Report) on its corporate website.

No.	Item	Requirement	Alignment	Comment
		<p>For the purpose of disclosure of the details of the issuer and the SRI Sukuk Framework under paragraph 7.05 above, the following information must be included:</p> <ul style="list-style-type: none"> (a) The overall SRI objectives that the issuer intends to achieve; (b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced; (c) The Eligible SRI projects in which the proceeds will be allocated; (d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects; (e) The processes used by the issuer to evaluate and select the Eligible SRI projects; (f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects; (g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and (h) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects. 		<p>Cagamas has included (a), (b), (c), (e), (f), (g) and (h) within its ASEAN Sustainability Bonds/SRI Sukuk Framework.</p> <p>Item (d) will be disclosed annually on its website.</p>
7.17	External review	<p>If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.</p>	Yes	<p>RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's alignment with the requirements of the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP, and the SBG as well as the sustainability responsibilities of the Issuer. The second opinion report will be made available on Cagamas' corporate website and RAM's website (www.ram.com.my).</p>

APPENDIX 3

APPENDIX 3: ASEAN SUSTAINABILITY BOND STANDARDS (ASEAN SUS) CHECKLIST

Reference:

ASEAN Capital Markets Forum – ASEAN Green Bond Standards (GBS)

ASEAN Capital Markets Forum – ASEAN Social Bond Standards (SBS)

Item	No.	Requirement	Alignment	Comment
Eligibility of Issuers	GBS 3.1 SBS 3.1	i. Must be an ASEAN Issuer; or ii. In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.	Yes	The Issuer is an entity incorporated in Malaysia, whose primary business operations are in Malaysia.
	GBS 3.2 SBS 3.2	ASEAN Sustainability Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The bonds/sukuk issued under the Framework originate from Malaysia.
Ineligible Projects	GBS 4.1.6	For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to fossil fuels are not eligible for purchase.
	SBS 4.1.7	For clarification, projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to alcohol, gambling, tobacco and weapons are not eligible for purchase. The Issuer also stipulates that loans/financing/assets related to nuclear, child labour and adult entertainment are not eligible for purchase.
Continuous Accessibility to Information	GBS 4.2.1 SBS 4.2.1	The Issuer of ASEAN Sustainability Bonds must clearly communicate to investors – i) The environmental sustainability and social objectives; ii) The process by which the Issuer determines how the projects fit within the eligible Green and Social Project categories identified above; and iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green and Social Projects.	Yes	Home ownership and access to affordable housing had been the primary focus of Cagamas' early sustainability efforts. To promote a broader sustainable development agenda, the Issuer aims to diversify its business into green and social impact loans/financing/assets. This enables Cagamas to create positive impact across the economic, social and environmental spheres. The eligibility criteria for the use of proceeds and the process of evaluation and selection of eligible loans/financing/assets are detailed in the Framework.
	GBS 4.2.5 SBS 4.2.5	The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Sustainability Bonds: i) The process for project evaluation; ii) The use of proceeds; and iii) External review report on the process (if any).	Yes	The Issuer is committed to publishing the Framework on its corporate website (www.cagamas.com.my). The Framework includes information that describes the process for project evaluation, the intended use of proceeds and the requirement to obtain a second opinion to confirm the validity of the Framework.
	GBS 4.3.1 SBS 4.3.1	Prior to the issuance of the ASEAN Sustainability Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the process for managing the net proceeds from the ASEAN Sustainability Bonds.	Yes	Proceeds from all issuances under the Framework will be fully utilised at the point of issuance to purchase the eligible loans/financing/assets.

	GBS 4.3.4 SBS 4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Yes	During the tenure of the ASEAN Sustainability Bonds/SRI Sukuk, the Issuer will endeavour to maintain and monitor the portfolio of loans/financing/assets purchased at issuance. Should there be loans/financing/assets that cease to fulfil the Eligibility Criteria, the Issuer will, on a best-effort basis, replace them with eligible loans/financing/assets as per the Framework.
	GBS 4.4.5 SBS 4.4.5	The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Sustainability Bonds.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. Cagamas will appoint an independent party to provide an external assurance on the Annual Sustainability Progress Report.
Encourage More Frequent Reporting	GBS 4.4.1 SBS 4.4.1	Issuers must report to investors at least on an annual basis and encouraged to make more frequent reporting on the use of proceeds until full allocation, and as necessary thereafter in the event of material developments. This should include a list of the projects to which the ASEAN Sustainability Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued.
External Review	GBS 5.1 SBS 5.1	Issuers are recommended to appoint external review providers for their ASEAN Sustainability Bonds issuances.	Yes	RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's Framework against the disclosure requirements of the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the SRI Sukuk Framework, the GBP, the SBP and the SBG as well as the sustainability responsibilities of the Issuer.
	GBS 4.2.4 SBS 4.2.4	It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.	Yes	Second Opinion reviews cover project evaluation and selection.
	GBS 4.3.5 SBS 4.3.5	It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Sustainability Bonds proceeds.	Yes	Cagamas has committed to appointing an independent party to verify the internal tracking methods and allocation of funds of the ASEAN Sustainability Bonds/SRI Sukuk issued.
	GBS 4.3.6 SBS 4.3.6	Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of issuance of the ASEAN Green Bonds.	Yes	Cagamas has committed to publish the Annual Sustainability Progress Report and the accompanying annual assurance report on its corporate website.
	GBS 4.4.4 SBS 4.4.4	It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.	Yes	Cagamas will appoint an appropriate external assurance provider to independently confirm the accuracy of the Annual Sustainability Progress Report and provide an opinion on the compliance of the Framework.

APPENDIX 4

APPENDIX 4: SBG EXTERNAL REVIEW FORM



Sustainability Bond / Sustainability Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Cagamas Berhad (Cagamas)

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework under its Medium Term Notes and Islamic Medium Term Notes Programme of RM60 billion (2007/2067)

Review provider's name: RAM Sustainability Sdn Bhd

Completion date of this form: 21 September 2020

Publication date of review publication: 21 September 2020

Section 2. Review Overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and the SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Second Opinion Report on Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework.

Section 3. Detailed Review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The proceeds from any bonds/sukuk issued under the Framework will be solely used to purchase eligible loans/financing/assets of the following green and social project categories:

- Renewable Energy
- Energy Efficiency
- Green Buildings
- Low Carbon and Low Emission Transportation
- Sustainable Water and Wastewater Management
- Affordable Housing
- Employment Generation for SMEs

Eligibility criteria for each category is described in the Framework.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Issuer has outlined the measures established to identify eligible loans/financing/assets considered for purchase. A dedicated committee made up of senior management personnel is responsible for reviewing and approving the loans/financing/assets purchased.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input checked="" type="checkbox"/> Other (<i>please specify</i>): <u>Documented process to identify and manage potential environmental and social risks associated with the eligible loans/financing/assets</u> |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify): Proceeds will be immediately used to purchase eligible loans/financing/assets.

Additional disclosure:

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

The process for reporting is in line with the expected norms for sustainability bonds/sukuk. The Issuer is committed to publishing an Annual Sustainability Progress Report, which provides information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. The Issuer will disclose this information on its corporate website.

The Issuer will appoint an external assurance provider to independently validate the accuracy of the information presented in this progress report. The related assurance report will also be made available to the public via the Issuer's corporate website.

Use of proceeds reporting:

- Project-by-project
- Linkage to individual bond(s)
- On a project portfolio basis
- Other (please specify):

Information reported:

- Allocated amounts
- Other (please specify):
- Sustainability Bond financed share of total investment

Frequency:

- Annual
- Other (please specify):
- Semi-annual

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators <i>(please specify)</i> : <u>Please refer to Section 3.4 of the Second Opinion Report.</u> |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other <i>(please specify)</i> : <u>An Annual Sustainability Progress Report will be published by the Issuer.</u> |
| <input checked="" type="checkbox"/> Reporting reviewed <i>(if yes, please specify which parts of the reporting are subject to external review)</i> : <u>The Annual Sustainability Progress Report will be independently confirmed by an external assurance provider, who will also opine on the conformity to its ASEAN Sustainability Bonds/SRI Sukuk Framework.</u> | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

Corporate website of the Issuer (www.cagamas.com.my)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer’s Sustainability Bond framework. “Second opinions” may fall into this category.
- (ii) **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against external green and social assessment standards. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer’s ESG rating as they typically apply to individual securities or Sustainability Bond frameworks/programmes.



RAM Sustainability Sdn Bhd

Level 8, Mercu 2, KL Eco City,
No.3, Jalan Bangsar,
59200, Kuala Lumpur, Malaysia
T +603 3385 2488 | **F** +603 3385 2582

Website: www.ram.com.my/sustainability

THE ISSUER

Cagamas Berhad

(Registration No. 198601008739 (157931-A))
Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

JOINT LEAD ARRANGERS FOR THE ICP PROGRAMME

CIMB Investment Bank Berhad

(Registration No. 197401001266 (18417-M))
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

HSBC Amanah Malaysia Berhad

(Registration No. 200801006421 (807705-X))
Level 32, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur

Maybank Investment Bank Berhad

(Registration No. 197301002412 (15938-H))
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

JOINT LEAD ARRANGERS FOR THE CCP PROGRAMME

CIMB Investment Bank Berhad

(Registration No. 197401001266 (18417-M))
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

HSBC Bank Malaysia Berhad

(Registration No. 198401015221 (127776-V))
Level 32, Menara IQ
Lingkaran TRX
55188 Tun Razak Exchange
Kuala Lumpur

Maybank Investment Bank Berhad

(Registration No. 197301002412 (15938-H))
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

THE FACILITY AGENT

Cagamas Berhad
(Registration No. 198601008739 (157931-A))
Level 32, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur

THE TRUSTEE

Malaysian Trustees Berhad
(Registration No. 197501000080 (21666-V))
Level 11, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

LEGAL COUNSEL TO THE JOINT LEAD ARRANGERS

Messrs Adnan Sundra & Low
Level 25 Menara Etiqa
No. 3 Jalan Bangsar Utama 1
59000 Kuala Lumpur

LEGAL COUNSEL TO THE ISSUER

Messrs Zaid Ibrahim & Co
Level 19 Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

THE JOINT SHARIAH ADVISERS

CIMB Islamic Bank Berhad
(Registration No. 200401032872 (671380-H))
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

HSBC Amanah Malaysia Berhad
(Registration No. 200801006421 (807705-X))
Level 32, Menara IQ
Lingkar TRX
55188 Tun Razak Exchange
Kuala Lumpur

Maybank Islamic Berhad
(Registration No. 200701029411 (787435-M))
Level 15, Tower A, Dataran Maybank,
No. 1, Jalan Maarof,
59000 Kuala Lumpur