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ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 11 MARCH 2019 ("INFORMATION MEMORANDUM"), IN RELATION TO THE PROPOSED ISSUANCE OF CONVENTIONAL MEDIUM TERM NOTES ("CMTNs") AND ISLAMIC MEDIUM TERM NOTES ("SUKUK CAGAMAS") PURSUANT TO A MEDIUM TERM NOTES PROGRAMME ("MTN PROGRAMME") WITH AN AGGREGATE LIMIT OF RM60.0 BILLION IN NOMINAL VALUE BY CAGAMAS BERHAD (COMPANY NO. 157931-A) ("ISSUER"). THE CMTNs AND SUKUK CAGAMAS SHALL COLLECTIVELY BE REFERRED TO AS THE "NOTES".

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CAGAMAS BERHAD

(Company No. 157931-A)

INFORMATION MEMORANDUM

IN RELATION TO THE PROPOSED ISSUANCE OF CONVENTIONAL MEDIUM TERM NOTES AND ISLAMIC MEDIUM TERM NOTES PURSUANT TO A MEDIUM TERM NOTES PROGRAMME, WITH AN AGGREGATE LIMIT OF RM60.0 BILLION IN NOMINAL VALUE

JOINT LEAD ARRANGERS FOR THE MEDIUM TERM NOTES PROGRAMME

CIMB Investment Bank Berhad
(Company No. 18417-M)

HSBC Bank Malaysia Berhad
(Company No. 127776-V)

Maybank Investment Bank Berhad
(Company No. 15938-H)

HSBC Amanah Malaysia Berhad
(Company No. 807705-X)

THIS INFORMATION MEMORANDUM IS DATED 11 MARCH 2019

IMPORTANT NOTICE

Responsibility Statements

This information memorandum (the "**Information Memorandum**") has been approved by the directors of Cagamas Berhad (Company No. 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, has reasonable grounds to believe that: (a) the statements and information in this Information Memorandum are true and not misleading; (b) any omissions in this Information Memorandum are not material; (c) there are no material omissions; and (d) no conduct was engaged in that was misleading or deceptive. The conventional medium term notes ("**CMTNs**") and Islamic medium term notes ("**Sukuk Cagamas**") (which shall include the Sustainability CMTNs (as defined herein) and the Sustainability Sukuk Cagamas (as defined herein)) pursuant to a medium term notes programme ("**MTN Programme**"), with an aggregate limit of RM60.0 billion in nominal value 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 the Notes to be issued pursuant to the MTN Programme. This Information Memorandum is not and is not intended to be a prospectus.

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

The MTN Programme has been accorded a final rating of AAA by RAM Rating Services Berhad ("**RAM**") and Malaysian Rating Corporation Berhad ("**MARC**"), respectively (collectively, RAM and MARC are referred to as the "**Rating Agencies**"). 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 MTN Programme (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 MTN Programme 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, HSBC Amanah Malaysia Berhad, Maybank Islamic Berhad and Amanie Advisors Sdn Bhd (only in respect of the issue of Sukuk Cagamas under the Wakalah Bil Istithmar principle) (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 MTN Programme with Shariah principles, no representation, warranty or undertaking, express or implied, is given by the Issuer or the Joint Principal Advisers/Joint Lead Arrangers/Joint Shariah Advisers as to 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 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 such information and data, (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, and (h) it is a person to whom an offer or invitation to subscribe for or purchase the Notes would constitute an excluded offer or excluded issue as specified in Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") and Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA at the point of issuance and Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA after issuance. 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 item (h) 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 MTN Programme 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 MTN Programme undertake to review the financial condition or affairs of the Issuer or to advise any investor of the Notes of any information coming to their attention.

This Information Memorandum may include forward-looking statements and reflect 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 thereon derived from such sources or from other third party sources.

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 or invitation to subscribe for and issue of, the Notes to prospective investors and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission Malaysia

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 MTN Programme 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 11 October 2018 (as may be amended from time to time) ("**LOLA Guidelines**").

The SC has approved the issue of the Notes pursuant to the MTN Programme on 11 May 2007. The Issuer has on 8 March 2019 lodged the documents and information relating to

the MTN Programme with the SC in accordance with the LOLA Guidelines in relation to amongst others the upsizing of the MTN Programme.

However, please note that the approval of the SC or 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 of any statements made or opinions or reports expressed in this Information Memorandum.

EACH ISSUE OF NOTES UNDER THE MTN PROGRAMME WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUE OF NOTES BASED ON ITS 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 ACQUIRING 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);

(ii) any pricing supplements prepared and issued in relation to an issuance of the Notes under the MTN Programme (if any); and

(iii) 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.

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DEFINITIONS

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

ASEAN	:	Association of Southeast Asian Nations
AIBB	:	AmInvestment Bank Berhad (Company No. 23742-V)
BNM	:	Bank Negara Malaysia
BNM Sukuk	:	BNM Sukuk Berhad (Company No. 721338-H)
Board	:	The Board of Directors of Cagamas
Cagamas or Issuer	:	Cagamas Berhad (Company No. 157931-A)
Cagamas Group	:	Cagamas Holdings and its Subsidiaries
Cagamas Holdings	:	Cagamas Holdings Berhad (Company No. 762047-P)
Cagamas MBS	:	Cagamas MBS Berhad (Company No. 655289-H)
Cagamas MGP	:	Cagamas MGP Berhad (Company No. 813587-U)
Cagamas SME	:	Cagamas SME Berhad (Company No. 724114-X)
Cagamas SRP	:	Cagamas SRP Berhad (Company No. 928890-A)
Cagamas' Sustainability Bond/Sukuk Framework	:	Framework issued by Cagamas in relation to the issuance of Sustainability CMTNs and/or Sustainability Sukuk Cagamas under the MTN Programme as at 17 January 2019 as published in Cagamas' website and shall include any amendment or revision thereof from time to time
CIMB	:	CIMB Investment Bank Berhad (Company No. 18417-M)
CIMB Islamic	:	CIMB Islamic Bank Berhad (Company No. 671380-H)
CMSA	:	The Capital Markets and Services Act 2007, as amended from time to time
CMTNs	:	The conventional medium term notes (including the Sustainability CMTNs) to be issued from time to time pursuant to the MTN Programme
FYE	:	Financial year ended 31 December for the respective year
Government or GOM	:	Government of Malaysia
HLBB	:	Hong Leong Bank Berhad (Company No. 97141-X)
HSBC Amanah	:	HSBC Amanah Malaysia Berhad (Company No. 807705-X)
HSBC Bank	:	HSBC Bank Malaysia Berhad (Company No. 127776-V)
ICMA	:	International Capital Markets Association
Joint Lead Arrangers	:	Collectively, CIMB, HSBC Bank, HSBC Amanah and MIBB
Joint Lead Managers	:	Collectively: (a) AIBB; (b) CIMB; (c) HLBB; (d) HSBC Amanah (only in relation to Sukuk Cagamas); (e) HSBC Bank (only in relation to CMTNs); (f) MIBB; (g) SCB; (h) RHB; and (i) RHB Islamic (only in relation to Sukuk Cagamas);

		and any other financial institutions as Cagamas may appoint from time to time in relation to an issuance under the MTN Programme.
Joint Shariah Advisers	:	Collectively, CIMB Islamic, HSBC Amanah, Maybank Islamic and Amanie Advisors Sdn Bhd (only in respect of the issue of Sukuk Cagamas under the Wakalah Bil Istithmar principle)
LOLA Guidelines	:	Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework
LPD	:	1 February 2019 being the latest practicable date
MARC	:	Malaysian Rating Corporation Berhad (Company No. 364803-V)
Maybank Islamic	:	Maybank Islamic Berhad (Company No. 787435-M)
MIBB	:	Maybank Investment Bank Berhad (Company No. 15938-H)
MTN Programme	:	Medium Term Notes Programme for the issue of CMTNs and Sukuk Cagamas with an aggregate limit of RM60.0 billion in nominal value
Noteholders	:	The holders of the CMTNs and the Sukuk Cagamas, as the case may be
Notes	:	Collectively, the CMTNs and the Sukuk Cagamas
RAM	:	RAM Rating Services Berhad (Company No. 763588-T)
RHB	:	RHB Investment Bank Berhad (Company No. 19663-P)
RHB Islamic	:	RHB Islamic Bank Berhad (Company No. 680329-V)
Ringgit/RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
Second Opinion	:	A second party opinion issued by RAM Consultancy Services Sdn Bhd dated 17 January 2019 for Cagamas' Sustainability Guidelines/ Framework as enclosed as Appendix IV in this Information Memorandum.
SC	:	Securities Commission Malaysia
SCB	:	Standard Chartered Bank Malaysia Berhad (Company No. 115793-P)
Subsidiaries	:	Cagamas MBS, Cagamas SME, Cagamas, BNM Sukuk, Cagamas SRP and Cagamas MGP
Sukuk Cagamas	:	The Islamic medium term notes (including the Sustainability Sukuk Cagamas) to be issued from time to time pursuant to the MTN Programme
Sustainability Guidelines/Framework	:	Any one or more of the following guidelines or frameworks, as amended from time to time: (a) the Sustainable and Responsible Investment 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 CMTNs	:	The CMTNs to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework
Sustainability Sukuk Cagamas	:	The Sukuk Cagamas to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework
Trustee	:	PB Trustee Services Berhad (Company No. 7968-T)
Transaction Documents	:	The transaction documents for the MTN Programme

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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 and hire purchase and leasing debts from primary lenders approved by Cagamas and the issue of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase/leasing receivables, funded by issuance of Sukuk.

1.2 Brief description of the MTN Programme

The MTN Programme was established in the year 2007 for the issue of CMTNs and Sukuk Cagamas with an aggregate combined limit of RM40.0 billion in nominal value. The tenure of the MTN Programme was 40 years from the date of the first issuance under the MTN Programme, which took place within 2 years of the date of the approval of the SC.

Pursuant to the lodgment with the SC dated 8 March 2019, the Issuer will upsize the MTN Programme from RM40.0 billion in nominal value to RM60.0 billion in nominal value and will extend the tenure of the MTN Programme from 40 years to 60 years from the date of the first issuance under the MTN Programme. Cagamas may also issue Sustainability CMTNs and Sustainability Sukuk Cagamas which will be in compliance with the Sustainability Guidelines/Framework and/or Cagamas' Sustainability Bond/Sukuk Framework.

The Notes may be issued at par, at a premium or at a discount, with or without a coupon/profit rate and may be issued via direct 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 a Tawarruq arrangement);
(b) Musharakah;
(c) Mudharabah;
(d) Ijarah; and
(e) Wakalah Bil Istithmar.

The descriptions of each of these Shariah principles are set out in Section 2.0 of the Principal Terms and Conditions of the MTN Programme.

1.3 Utilisation of proceeds of MTN Programme

(a) CMTNs

The proceeds raised from the issuance of CMTNs under the MTN Programme shall be utilised for working capital and general corporate purposes.

(b) Sustainability CMTNs

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

(c) Sukuk Cagamas

The proceeds raised from the issuance of Sukuk Cagamas under the MTN Programme shall be utilized for the purchase of Shariah compliant financing/assets, investment in Shariah compliant instruments and/or to defray the costs and expenses in relation to the issuance of Sukuk Cagamas pursuant to the MTN Programme.

(d) Sustainability Sukuk Cagamas

The proceeds raised from the issuance of Sustainability Sukuk Cagamas under the MTN Programme shall be utilised by Cagamas to solely purchase eligible Shariah compliant financing/assets that meet the criteria 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 pricing supplement.

1.4 Rating of the MTN Programme

Pursuant to RAM's letters dated 9 April 2018 and 10 August 2018, the MTN Programme has been accorded a final rating of AAA. Pursuant to MARC's letters dated 19 April 2018 and 10 August 2018, the MTN Programme has been accorded a final rating of AAA.

1.5 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 CMTNs/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.

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 held 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, endorsed 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 is attached in Appendix III and a copy of the Second Opinion is attached in Appendix IV of this Information Memorandum.

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

1.6 Key Financial Highlights

Summary of the key financial highlights of Cagamas for the FYE 2012, FYE2013, FYE2014, FYE2015, FYE2016, FYE2017, 1H2018** are set out below:

	2012	2013	2014	2015	2016	2017	1H2018**
	RM million						
Income Statement							
Gross Operating Revenue	1,219.3	1,391.4	1,459.1	1,530.4	1,700.8	1,777.9	981.1
Profit Before Tax and Zakat	293.0	424.8	335.8	343.4	332.0	320.8	167.5
Profit After Tax and Zakat	219.0	318.6	247.8	255.5	255.0	241.7	127.8
Dividend After Tax	99.0	22.5	30.0	16.5	30.0	30.0	22.5
Balance Sheet							
Amount Due From Counterparties	3,696.1	3,825.7	6,540.2	10,971.0	14,296.2	19,870.4	19,869.9
Islamic Financing Debts	8,076.9	6,107.9	6,541.2	5,581.4	5,307.7	5,544.4	8,827.9
Conventional Mortgage Assets	6,093.8	7,846.6	7,296.7	6,781.8	6,238.3	5,848.1	5,599.0
Islamic Mortgage Assets	3,828.8	7,582.9	7,326.4	7,006.6	6,662.1	6,300.6	6,126.6
Total Assets	23,284.6	27,595.0	29,451.7	33,081.7	35,488.8	41,074.5	44,388.9
Unsecured bearer bonds and notes	9,217.4	11,521.7	13,291.6	17,994.7	20,946.6	25,764.9	26,148.1
Sukuk	11,707.6	13,403.0	13,261.7	11,944.0	11,214.9	11,597.9	14,386.7
Total Liabilities	21,060.2	25,067.9	26,697.9	30,066.5	32,272.8	37,652.9	40,894.0
Paid-up Capital	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Reserves	2,074.4	2,377.1	2,603.8	2,865.2	3,066.0	3,271.6	3,344.9
Shareholders' Funds	2,224.4	2,527.1	2,753.8	3,015.2	3,216.0	3,421.6	3,494.9
Per share*							
Earnings (sen)	146.0	212.4	165.2	170.4	170.0	161.1	85.2
Net Tangible Assets (RM)	14.8	16.8	18.3	20.1	21.3	22.7	23.2
Dividend (sen)	88.0	20.0	20.0	11.0	20.0	20.0	15.0
Financial Ratios							
Pre-tax Return on Average Shareholders' Funds (%)	13.5	17.9	12.7	11.9	10.7	9.7	9.6

	2012	2013	2014	2015	2016	2017	1H2018**
	RM million						
After-tax Return on Average Shareholders' Funds (%)	10.1	13.4	9.4	8.9	8.2	7.3	7.3
Pre-tax Return on Average Total Assets (%)	1.3	1.7	1.2	1.1	1.0	0.8	0.7
After-tax Return on Average Total Assets (%)	1.0	1.3	0.9	0.8	0.7	0.6	0.6
Dividend Cover (times)	2.2	14.2	8.3	15.5	8.5	8.1	11.4
Risk-Weighted Capital Ratio (%)	24.4	24.3	24.3	23.5	24.1	22.3	29.2

*** Based on 150 million ordinary shares of RM1.00 each.**
**** Unaudited Interim Financial Statements of Cagamas as at 30 June 2018**

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

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SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE MTN PROGRAMME

Words and expressions used and defined in this Section 2.0 shall, in the event of any inconsistency with the definition section of this Information Memorandum, only be applicable to this Section 2.0.

PRINCIPAL TERMS AND CONDITIONS OF THE CONVENTIONAL MEDIUM TERM NOTES

(1)	Name of facility	A Medium Term Notes programme ("**MTN Programme**") for the issue of Conventional Medium Term Notes ("**CMTNs**") and Islamic Medium Term Notes ("**Sukuk Cagamas**").
(2)	One-time issue or programme	Programme
(3)	Facility description	A MTN Programme for the issue of CMTNs and Sukuk Cagamas. (The CMTNs and Sukuk Cagamas are collectively referred to as the "**MTNs**". The MTNs issued pursuant to the MTN Programme are referred to as the "**Notes**" and the holders of the Notes are referred to as the "**Noteholders**"). Cagamas may also issue CMTNs 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 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 CMTNs issued under such Sustainability Guidelines/Framework shall be referred to as "**Sustainability CMTNs**" in this term sheet).

		The relevant Sustainability Guidelines/Framework under which such Sustainability CMTNs are issued and the naming of such Sustainability CMTNs shall be specified in the relevant pricing supplement and the documents in relation to the issuance of such Sustainability CMTNs. The principal terms and conditions of the Sukuk Cagamas are the subject of a separate term sheet.
(4)	Currency	Ringgit Malaysia
(5)	Expected facility/ programme size (for programme, to state the option to upsize)	The aggregate outstanding nominal value of the Notes issued under the MTN Programme (comprising the CMTNs and the Sukuk Cagamas) shall not at any point in time exceed RM60 billion. The Issuer shall have the option to upsize the MTN Programme at any time and from time to time upon all of the following conditions being fulfilled prior to the exercise of the option to upsize by the Issuer: (a) the Noteholders' consent (on a per series basis) shall have been obtained; (b) the Issuer's compliance with the relevant requirements under the LOLA Guidelines; (c) receipt by the Issuer of a confirmation from RAM Rating Services Berhad ("**RAM**") and Malaysian Rating Corporation Berhad ("**MARC**"). (RAM and MARC shall collectively be referred to as the "**Rating Agencies**") that the increase in size will not adversely affect the credit ratings of the MTN Programme; and (d) the necessary corporate authorisation of the Issuer being obtained, including but not limited to the approval of the Issuer's board of directors.
(6)	Tenure of facility/ programme	The tenure of the MTN Programme is sixty (60) years from the date of the first issue under the MTN Programme. CMTNs issued under the MTN Programme may have tenures of any period exceeding

		one year but not exceeding sixty (60) years. Any CMTNs issued must mature within the tenure of the MTN Programme. The first issuance of the Notes shall be made within two (2) years from the date of approval by the SC.
(7)	Availability period of debt or sukuk programme	The MTN Programme is available for issuance upon completion of documentation and fulfilment of all conditions precedent to the satisfaction of the JLAs.
(8)	Clearing and settlement platform	Payments Network Malaysia Sdn Bhd ("**PayNet**")
(9)	Mode of Issue	The Notes may be issued through any of the following modes as determined by the Issuer: (a) by direct private placement whether through the JLMs or the Issuer; (b) through a book running or a book building process; or (c) on a bought deal basis. Issuance of the Notes under the MTN Programme shall be in accordance with the PayNet Rules and Procedures (as defined in item 29(f)), subject to such exemptions (if any) granted from time to time.
(10)	Selling Restrictions	(i) <u>At the point of issuance</u> The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the Notes and to whom the Notes are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA. (ii) <u>After Issuance</u> The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Notes would fall within Schedule 6 or Section 229(1)(b) of the

		CMSA, read together with Schedule 9 or Section 257(3) of the CMSA. Further, as the MTN Programme has been rated AAA, the issuance of, offer for subscription or purchase of, or invitation to subscribe for the Notes falls within Schedule 8 or Section 257 (3) of the CMSA.
(11)	Tradability and transferability	The Notes are transferable but subject to the Selling Restrictions described above.
(12)	Details of security/ collateral pledged, if applicable	Unsecured
(13)	Details of guarantee, if applicable	Not applicable
(14)	Convertibility of issuance and details of the convertibility	Not applicable
(15)	Exchangeability of issuance and details of the exchangeability	Not applicable
(16)	Call option and details, if applicable	Not applicable
(17)	Put option and details, if applicable	Not applicable
(18)	Details of covenants	(A) Positive Covenants Standard undertakings (subject to exceptions and compliance periods to be agreed to between the parties during documentation) for a facility of this nature 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; (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; (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 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 on a basis consistently applied in accordance with approved accounting standards in Malaysia and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;

(vi) the Issuer shall promptly comply with all applicable laws including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC from time to time;

(vii) for so long as any Sustainability CMTNs are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines/Framework as stated in the relevant pricing supplement; and

(viii) any other covenants as may be advised by the legal counsel of the JLAs and to be mutually agreed between the Issuer and the JLAs.

(B) Negative Covenants

Standard undertakings (subject to exceptions and compliance periods to be agreed to between the parties during documentation) for a facility of this nature 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 use the proceeds of the MTN Programme except for the purposes set out herein;

(iii) the Issuer shall not enter into a transaction whether directly or indirectly with interested persons (including a director, substantial shareholder 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

(iv) any other covenants as may be advised by the legal counsel of the JLAs and to be mutually agreed between the Issuer and the JLAs.

(C) Information Covenants

Customary information covenants for a facility of this nature including but not limited to:

(i) the Issuer shall provide to the Trustee a certificate confirming that it has complied with all its obligations under the Transaction Documents and the terms and conditions of the Notes;

(ii) the Issuer shall deliver to the Trustee the following:

(a) within nine (9) months of the expiration of each financial year, the annual audited accounts of the Issuer for that financial year and any other accounts, report, notice, statement or circular issued to the shareholders;

(b) within thirty (30) days after each of its annual general meetings, a copy of its balance sheet and profit and loss account 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 accounts, report, notice, statement or circular issued to shareholders within thirty (30) days of the same being issued to the shareholders;

(c) promptly, such additional financial or other information relating to the Issuer's business and its operations as the Trustee may from time to time reasonably request; and

(d) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents may materially and adversely affect the interests of the Noteholders, and a copy of all documents despatched by the Issuer to its shareholders (or any class of them),

(iii) the Issuer shall promptly notify the Trustee of any change in its board of directors and/or substantial shareholders;

(iv) the Issuer shall promptly notify the Trustee and the Rating Agencies of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;

(v) the Issuer shall promptly give notice to the Trustee and the Rating Agencies of the occurrence of any Event of Default (as defined in item 23 below) or any potential Event of Default forthwith 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 or the potential Event of Default; and (vi) any other covenants as advised by the legal counsel of the JLAs and mutually agreed between the JLAs and the Issuer.
(19)	Details of designated accounts, if applicable	Not applicable.
(20)	Details of credit rating, if applicable	The rating for the MTN Programme is AAA by the Rating Agencies.
(21)	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 MTN Programme have been executed and endorsed as 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 execution of 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. (vi) A report of the relevant winding up search or the relevant statutory declaration of the Issuer. **C. General** (i) The lodgement with the SC and, where applicable, approvals from all other regulatory authorities. (ii) The MTN Programme shall have been rated AAA (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 legal counsel a legal opinion addressed to them and the Trustee. (v) Such other conditions precedent as advised by the legal counsel of the JLAs and agreed to by the Issuer.
(22)	Representations and warranties	Customary representations and warranties for a facility of this nature which include the following, subject to exceptions to be agreed to between the parties during documentation: (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; (ii) the Issuer is authorised to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms; (iii) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents (a) contravene or constitute a default under any provision contained in any agreement, law, judgment, 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 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;

(iv) 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, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;

(v) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia;

(vi) no litigation or claim which is likely to by itself or together with any other such proceedings or claims have 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;

(vii) 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;

(viii) the Issuer is in compliance and will comply with any applicable laws and regulations; and

(ix) any other representations and warranties as advised by the legal counsel of the JLAs and mutually agreed between the JLAs and the Issuer.

(23)	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, subject to exceptions and remedy period to be agreed to between the parties during documentation:

(i) the Issuer fails to pay any amount due from it under any of the Transaction Documents on the due date or, if so payable, on demand;

(ii) material misrepresentation by the Issuer;

(iii) the Issuer fails to observe or perform its obligations under any of the Transaction Documents or the Notes 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 such failure has a material adverse effect, 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;

(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 fourteen (14) days from the date of such declaration or call, or any security created to secure such indebtedness becomes enforceable;

(v) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business or assets of the Issuer;

(vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and in the reasonable opinion of the Trustee such event has a material adverse effect;

(vii) proceedings or steps taken for the winding-up of the Issuer and in the reasonable opinion of the Trustee, such event has a material adverse effect;

(viii) a scheme of arrangement under section 366 of the Companies Act 2016 has been instituted by or against the Issuer;

(ix) where there is a revocation, withholding or modification of any license, authorisation, approval or consent which in the opinion of the Trustee is likely to have a material adverse effect;

(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 suspends or threatens 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 in the opinion of the Trustee may have a material adverse effect;

(xii) the Issuer changes the nature or scope of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations;

(xiii) illegality;

(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 in the opinion of the Trustee is likely to have a material adverse effect; or

(xvi) such other event as may be advised by the legal counsel of JLAs and mutually agreed with the Issuer.

		Upon the declaration of an Event of Default, the Trustee may or shall (if directed to do so by a special resolution of the Noteholders) declare that the Notes together with all other sums payable under the Notes 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 Notes.
(24)	Governing laws	Laws of Malaysia.
(25)	Provisions on buy back, if applicable	The Issuer may at any time purchase the Notes at any price in the open market or by private treaty and these repurchased Notes shall be cancelled.
(26)	Provisions on early redemption, if applicable	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates, or on an amortising basis by their respective maturity dates in accordance with the amortising schedule or earlier if early redemption is permitted or provided for.
(27)	Voting	All matters/resolutions which require the Noteholders' consent under the MTN Programme shall be carried out on a "per series" basis "**per series**" shall mean, in relation to any CMTNs, such CMTN with the same issue date and for any Reopened Notes (as defined in item 29(f) below), it shall fall within the series of the relevant reopened tranche.
(28)	Permitted investments, if applicable	Not applicable.
(29)	Other terms and conditions	
(a)	Interest/ coupon (%) (please specify)	The CMTNs will be issued at par, at a premium or at a discount. The coupon rate (if applicable, and which may be fixed or floating) will be determined prior to each issuance of CMTNs as the case may be.
(b)	Interest/ coupon payment frequency	In respect of CMTNs which are issued with coupons, the coupons will be payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such CMTNs.

(c)	Interest/ coupon payment basis	Actual/Actual basis or Actual/365 basis.
(d)	Yield to maturity (%)	To be determined prior to issuance.
(e)	Details on utilisation of proceeds	The proceeds raised from the issuance of CMTNs under the MTN Programme shall be utilised for working capital and general corporate purposes. The proceeds raised from the issuance of Sustainability CMTNs under the MTN 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 pricing supplement.
(f)	Form and denomination	The Notes shall be issued in accordance with (1) the "Participation and Operation Rules for Payment and Securities Services" issued by PayNet ("**PayNet Rules**") and (2) the "Operational Procedures for Securities Services" issued by PayNet ("**PayNet Procedures**"), as amended or substituted from time to time (collectively the "**PayNet Rules and Procedures**"). Each tranche of the Notes 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 Notes shall be RM1,000 or in multiples of RM1,000 at the time of issuance. The issue price of the CMTNs will be determined prior to each issuance of CMTNs and shall be calculated in accordance with PayNet Rules and Procedures. The Issuer may, from time to time, without the consent of the Noteholders, increase the size of an existing tranche of Notes by offering for subscription, additional Notes ("**Reopened Notes**") under that tranche (hereinafter referred to as a "**Reopening**"). The Reopened Notes shall have the same terms and conditions as the existing tranche of Notes in all respects (except for the issue date, the first payment of coupons and the issue price, if applicable) and shall form a single tranche with the existing tranche of

		Notes. The issue price of each Reopened Note shall take into consideration, where applicable, accrued interest from and including the original issue date or the last coupon payment date whichever is later of a tranche, to and excluding the date of the Reopening, except when the date of the Reopening falls on a coupon payment date. All references to “Notes” in these principal terms and conditions shall, upon a Reopening, be deemed to include the Reopened Notes wherever the same appears. All references to “tranche” in these principal terms and conditions shall mean the Notes having the same terms and conditions (except for the issue date, the first payment of coupons and the issue price, if applicable).
(g)	Listing status	The Notes will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.
(h)	Minimum level of subscription (RM or %)	The minimum level of subscription for each issue that is issued on a bought deal basis shall be 100%. The minimum level of subscription for each issue that is not issued on a bought deal basis shall be 5% of the size of a particular issue.
(i)	Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)	None.
(j)	Default Interest	There will be no provision in the documentation relating to the Notes for default interest to be paid on overdue amounts.
(k)	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.

(l) Jurisdiction

The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdiction of the courts of Malaysia.

PRINCIPAL TERMS AND CONDITIONS OF THE SUKUK CAGAMAS

(1) Name of facility

A Medium Term Notes programme ("**MTN Programme**") for the issue of CMTNs ("**CMTNs**") and Islamic Medium Term Notes ("**Sukuk Cagamas**").

(2) One-time issue or programme

Programme

(3) Shariah principles

Each issue of Sukuk Cagamas will be 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 a Tawarruq arrangement);
(ii) Musharakah;
(iii) Mudharabah;
(iv) Ijarah; and
(v) Wakalah Bil Istithmar.

Where it is proposed to issue Sukuk Cagamas based on a Shariah principle which is agreed upon by the Joint Shariah Advisers and which is not listed above, the prior approval of the SC will be sought.

(4) Facility description

A MTN Programme for the issue of CMTNs and Sukuk Cagamas.

(The CMTNs and Sukuk Cagamas are collectively referred to as the "**MTNs**". The MTNs issued pursuant to the MTN Programme are referred to as the "**Notes**" and the holders of the Notes are referred to as the "**Noteholders**" or "**Sukukholders**").

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 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**" in this term sheet).

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 pricing supplement and the documents in relation to the issuance of such Sustainability Sukuk Cagamas.

The principal terms and conditions of the CMTNs are the subject of a separate term sheet.

Cagamas Berhad (the "**Issuer**") may issue Sukuk Cagamas based on but not limited to the following Shariah principles:

i) Murabahah (via a Tawarruq arrangement);
ii) Musharakah;
iii) Mudharabah;
iv) Ijarah; and
v) Wakalah Bil Istithmar.

Murabahah (via a Tawarruq arrangement)

1. From time to time, Cagamas (on behalf of the holders of the Sukuk Cagamas ("**Sukukholders**")) shall enter into an Agency Agreement,

pursuant to which Cagamas (in such capacity, the "**Agent**") is appointed as the wakeel of the Sukukholders for the purchase of Shariah-compliant Commodities* ("**Commodities**").

2. Pursuant to a Commodity Murabahah Master Agreement between Cagamas as purchaser for itself (in such capacity, the "**Purchaser**"), the Agent and the Sukuk Trustee, Cagamas as Purchaser issues a purchase order (the "**Purchase Order**") to the Agent to purchase Commodities on the terms specified therein. In the Purchase Order, Cagamas as Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sukuk Trustee at a deferred sale price ("**Deferred Sale Price**") which shall be the Murabahah Purchase Price (as defined below) plus the applicable Profit Margin (as defined below).

"**Profit Margin**" means:

<u>In the case of Sukuk Cagamas with Murabahah Periodic Payments issued at par</u>

The aggregate Murabahah Periodic Payments (as defined below).

<u>In the case of Sukuk Cagamas with Murabahah Periodic Payments issued at a discount</u>

The Murabahah One-off Payment (as defined below) plus the aggregate Murabahah Periodic Payments.

<u>In the case of Sukuk Cagamas without Murabahah Periodic Payments issued at a discount</u>

The Murabahah One-off Payment.

<u>In the case of Sukuk Cagamas with Murabahah Periodic Payments issued at a premium</u>

The aggregate Murabahah Periodic Payment less Premium Amount.

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

3. Pursuant to the Purchase Order, the Agent (as wakeel of the Sukukholders) will purchase on a spot basis the Commodities from Commodity Broker A at a purchase price which shall be an amount equivalent to the Sukuk Cagamas proceeds ("**Murabahah Purchase Price**").

4. Cagamas (acting as the Issuer) shall issue Sukuk Cagamas to the Sukukholders whereby the Sukuk Cagamas proceeds shall be used to pay the Murabahah Purchase Price of the Commodities. The Sukuk Cagamas shall evidence, amongst others, the Sukukholders' ownership of the Commodities and subsequently, once the Commodities are sold to Cagamas (as Purchaser), the entitlement to receive the Deferred Sale Price.

5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sukuk Trustee (acting on behalf of the Sukukholders) shall sell the Commodities to Cagamas (as Purchaser) via Cagamas (as Agent for the Sukukholders) at the Deferred Sale Price under a sale and purchase agreement.

6. Cagamas as Purchaser shall sell the Commodities on a spot basis to Commodity Broker B for an amount equal to the Murabahah Purchase Price. However, Commodities purchased by Cagamas from the Sukuk Trustee may be used by Cagamas for its Islamic Operations before the onward sale to the Commodity Broker B. Commodity Broker A and Commodity Broker B could either be the Bursa Suq Al-Sila' commodity market or an independent licensed commodity broker.

7. The Sukuk Cagamas may be issued with or without periodic payments. During the tenure of the Sukuk Cagamas, Cagamas (as Purchaser) shall, in the case of Sukuk Cagamas with periodic payments, as part of its obligation to pay the Deferred Sale Price, make periodic payments

("**Murabahah Periodic Payments**") (based on a profit rate to be agreed (in the case of Sukuk Cagamas issued based on fixed profit rate), or the Effective Profit Rate (as defined in item 33(a)) (in the case of Sukuk Cagamas issued based on floating profit rate) to the Sukukholders and/or a one-off payment ("**Murabahah One-off Payment**") which shall be equivalent to the Discounted Amount (as defined below) for Sukuk Cagamas issued at a discount on the respective maturity date(s) ("**Murabahah Maturity Date**").

"**Discounted Amount**" means the difference between the nominal value and the issue proceeds of the relevant Sukuk Cagamas in the case of Sukuk Cagamas issued at a discount.

Each such payment shall pro tanto reduce the obligation of the Issuer on the Sukuk Cagamas issued.

On the Murabahah Maturity Date or upon the declaration of an Event of Default ("**Murabahah Event of Default**"), Cagamas (as Purchaser) shall pay the Murabahah Redemption Amount (as defined below) pursuant to its obligations to pay the Deferred Sale Price (subject to the Ibra', where applicable) for the redemption of the Sukuk Cagamas upon which the relevant Sukuk Cagamas will be cancelled.

"**Murabahah Redemption Amount**" shall mean the amount equivalent to the Deferred Sale Price determined at the issue date less the aggregate of Murabahah Periodic Payments paid (if any) and nominal value paid (if any) and less Ibra' (if any).

Ibra'

An Ibra', where applicable, shall be granted by the Sukukholders. The Sukukholders in subscribing to the Sukuk Cagamas hereby consent to grant such Ibra' for the following:

(i) if the Sukuk Cagamas are redeemed before the Murabahah Maturity Date;

(ii) upon the declaration of a Murabahah Event of Default; or

(iii) in the case of Sukuk Cagamas issued based on floating profit rate, the Effective Profit Rate is lower than Ceiling Profit Rate (as defined in item 33(a) below).

The Ibra' shall be calculated as follows:

i) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on fixed profit rate and issued at par

   The aggregate of unearned Murabahah Periodic Payments.

ii) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on floating profit rate and issued at par

   The Murabahah Floating Rate Rebate (as defined below) and the aggregate of the unearned Murabahah Periodic Payments.

iii) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on fixed profit rate and issued at a discount

   The unearned Discounted Amount plus the aggregate of unearned Murabahah Periodic Payments.

iv) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on floating profit rate and issued at a discount

   The Murabahah Floating Rate Rebate and the aggregate of the unearned Discounted Amount plus the aggregate of unearned Murabahah Periodic Payments.

v) In the case of Sukuk Cagamas without Murabahah Periodic Payments and issued at a discount

   The unearned Discounted Amount.

vi) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on fixed profit rate and issued at premium

   The aggregate of unearned Murabahah Periodic Payments.

vii) In the case of Sukuk Cagamas with Murabahah Periodic Payments based on floating profit rate and issued at premium

The Murabahah Floating Rate Rebate and the aggregate of the unearned Murabahah Periodic Payments.

“**Murabahah Floating Rate Rebate**” means an amount equivalent to the difference, if any, between the Murabahah Periodic Payments calculated based on the Ceiling Profit Rate and Murabahah Periodic Payments calculated based on the Effective Profit Rate.

*Note: Commodities would exclude ribawi items in the category of medium of exchange such as currency, gold and silver.

The transaction structure is depicted in Appendix 1.

Musharakah

Under the Musharakah transaction, the Sukukholders shall from time to time, form a partnership amongst themselves for the purpose of undertaking a venture (the "**Musharakah Venture**") consisting of an investment in Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Musharakah Assets**") to be identified and held on trust by the Issuer on behalf of the Sukukholders, whereby the Sukukholders contribute capital in the form of cash through the subscription of Sukuk Cagamas.

The Sukukholders (through the Sukuk Trustee) shall appoint the Issuer as the manager (“**Manager**”) of each Musharakah Venture upon the terms and subject to the conditions of a Musharakah agreement.

The Issuer shall issue Sukuk Cagamas to the Sukukholders, in consideration of their capital contribution ("**Musharakah Capital**"). The Musharakah Capital shall be invested with the Issuer (in its capacity as Manager) for the purposes of undertaking the Musharakah Venture. The Sukuk Cagamas comprise certificates representing the Sukukholders' undivided beneficial interest in the Musharakah Venture and any funds held by the Manager on account of the Sukukholders in the Musharakah Profit Reserve Account (as defined below). Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders' ratio of capital contribution.

The Sukuk Cagamas shall entitle the Sukukholders the rights to share any income generated from the relevant Musharakah Venture in proportion to each Sukukholders' respective capital contribution of the Musharakah Capital payable either in periodic payments ("**Musharakah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Musharakah One-off Payment**") for Sukuk Cagamas without periodic payments and at a discount, or in both Musharakah Periodic Payments and Musharakah One-Off Payment for Sukuk Cagamas issued with periodic payments and at a discount. For the avoidance of doubt, Musharakah Periodic Payments will be distributed semi-annually or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas ("**Musharakah Periodic Payment Date**") and Musharakah One-off Payment will be distributed on the Musharakah Maturity Date (as defined below) or the date of declaration of an event which dissolves the corresponding Musharakah Venture ("**Musharakah Dissolution Event**"), whichever is earlier.

The return expected ("**Musharakah Expected Return**") by the Sukukholders from the corresponding Musharakah Venture shall be the yield of the respective Sukuk Cagamas up to the respective maturity dates of the Sukuk Cagamas ("**Musharakah Maturity Date**") or the date of a Musharakah Dissolution Event ("**Musharakah Dissolution Date**"), whichever is applicable.

The Sukukholders shall also agree upfront that they shall receive profits, if any, up to the Musharakah Expected Return. If the Sukukholders' share of profits generated from the Musharakah Venture are in excess of the Musharakah Expected Return (such excess above the Musharakah Expected Return shall be referred to as "**Excess Profit**"), profits up to the Musharakah Expected Return will be distributed to the Sukukholders and the Excess Profit shall be credited by the Manager to a reserve account ("**Musharakah Profit Reserve Account**") on behalf of the Sukukholders on a custody basis which may be used to fund future Musharakah Periodic Payments or Musharakah One-off Payment, where applicable.

The Manager may at any time prior to the Musharakah Dissolution Date utilise the amounts standing to the credit of the Musharakah Profit Reserve Account so long as any amounts deducted from the Musharakah Profit Reserve Account prior to the Musharakah Dissolution Date are re-credited to fund any shortfall in the amount of the Musharakah Periodic Payments or Musharakah One-off Payment, where applicable, and on the Musharakah Dissolution Date.

Any amounts standing to the credit of the Musharakah Profit Reserve Account on the Musharakah Dissolution Date will be waived by the Sukukholders and retained by the Manager as an incentive payment ("**Musharakah Advance Incentive Payment**") for managing the Musharakah Venture.

If the amounts standing to the credit of the Musharakah Profit Reserve Account are insufficient to meet the expected Musharakah Periodic Payments or Musharakah One-off Payment, where applicable, in full ("**Musharakah Shortfall**"), the Manager may provide a Shariah-compliant liquidity facility ("**Musharakah Liquidity Facility**") whereby it shall advance to the Sukuk Trustee (on behalf of the Sukukholders) on a qardh basis an amount sufficient to make up the Musharakah Shortfall (adjusted accordingly pursuant to any utilisation of the Musharakah Profit Reserve Account as referred to above, if applicable), in order to enable the Issuer to make payment in full. For the avoidance of doubt, any Musharakah Liquidity Facility made by the Manager shall be off-set against the Musharakah Exercise Price (as defined below) pursuant to the exercise of the Musharakah Purchase Undertaking (as defined below) payable on the Musharakah Maturity Date or the Musharakah Dissolution Date.

Cagamas (in its capacity as the Obligor) shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking (“**Musharakah Purchase Undertaking**”), whereby the Obligor shall undertake to purchase such portion of the Sukukholders’ undivided beneficial interest in the Musharakah Venture from the Sukuk Trustee at the relevant Musharakah Exercise Price (as defined below), upon the Musharakah Maturity Date or Musharakah Dissolution Date or such other payment dates to be determined between the Obligor and the Sukuk Trustee, whichever is earlier.

In the case of Sukuk Cagamas on an amortising basis, the Obligor shall purchase the Sukuk Trustee’s relevant interest in the Musharakah Assets on each payment date and the Sukuk Trustee’s interest in the Musharakah Assets will gradually decrease pursuant to such purchase.

The Sukuk Trustee shall provide a substitution undertaking ("**Musharakah Substitution Undertaking**") to the Manager under which the Manager shall have the right to substitute, via execution of an exchange agreement, certain Musharakah Assets from time to time throughout the tenure of the Sukuk Cagamas with other qualified Musharakah Assets with the same or higher value acceptable to the Joint Shariah Advisers, provided that no Musharakah Dissolution Event has occurred.

In relation to the Musharakah Purchase Undertaking, the “**Musharakah Exercise Price**” for purchase of the Sukukholders’ undivided proportionate interest in the Musharakah Venture under the relevant Sukuk Cagamas shall be determined based on the following formula:

In the case of Sukuk Cagamas with Musharakah Periodic Payments issued at par:

On the Musharakah Maturity Date:

Musharakah Exercise Price	=	Musharakah Capital plus accrued but unpaid expected Musharakah Periodic Payments plus the amount outstanding under the Musharakah Liquidity Facility.

On the Musharakah Dissolution Date:

Musharakah Exercise Price	=	Musharakah Capital plus accrued but unpaid expected Musharakah Periodic Payments plus the amount outstanding under the Musharakah Liquidity Facility.

In the case of Sukuk Cagamas with Musharakah Periodic Payments issued at a discount:

On the Musharakah Maturity Date:

Musharakah Exercise Price	=	Musharakah Capital plus the Musharakah One-off Payment plus accrued but unpaid expected Musharakah Periodic Payments plus the amount outstanding under the Musharakah Liquidity Facility.

On the Musharakah Dissolution Date:

Musharakah Exercise Price	=	Musharakah Capital plus the accreted Musharakah One-off Payment plus accrued but unpaid expected Musharakah Periodic Payments plus the amount outstanding

		under the Musharakah Liquidity Facility.

In the case of Sukuk Cagamas without Musharakah Periodic Payments issued at a discount:

On the Musharakah Maturity Date:

Musharakah Exercise Price	=	Musharakah Capital plus the Musharakah One-off Payment plus the amount outstanding under the Musharakah Liquidity Facility.

On the Musharakah Dissolution Date:

Musharakah Exercise Price	=	Musharakah Capital plus the accreted Musharakah One-off Payment plus the amount outstanding under the Musharakah Liquidity Facility.

In the case of Sukuk Cagamas with Musharakah Periodic Payments issued at premium:

On the Musharakah Maturity Date:

Musharakah Exercise Price	=	nominal value plus accrued but unpaid expected Musharakah Periodic Payments plus the amount outstanding under the Musharakah Liquidity Facility.

On the Musharakah Dissolution Date:

Musharakah Exercise Price	=	nominal value plus accrued but unpaid expected Musharakah Periodic Payments plus the amount

outstanding under the Musharakah Liquidity Facility.

The Musharakah Exercise Price shall be calculated in accordance with PayNet Rules and Procedures in respect of redemption.

The Musharakah Exercise Price due from the Obligor to the Sukuk Trustee (on behalf of the Sukukholders) shall be set-off against the aggregate amount of the Musharakah Liquidity Facility granted by the Manager.

Upon exercise of the Musharakah Purchase Undertaking and the full payment of the Musharakah Exercise Price, the relevant Musharakah Venture and the trust in respect of the Musharakah Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

The transaction structure is depicted in Appendix 2.

Mudharabah

Under the Mudharabah transaction, the Sukukholders as the Rabb al-mal shall from time to time contribute capital in the form of cash ("**Mudharabah Capital**") by subscribing the Sukuk Cagamas for the purpose of investment in a venture (the "**Mudharabah Venture**"). The Mudharabah Venture shall consist of an investment in Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Mudharabah Assets**") identified and held on trust by the Issuer on behalf of the Sukukholders, whereby the Sukukholders contribute capital in the form of cash through the subscription of Sukuk Cagamas.

Pursuant to the Mudharabah Agreement, the Sukuk Trustee (on behalf of the Sukukholders) shall appoint the Issuer as the entrepreneur ("**Mudharib**") of each Mudharabah Venture upon the terms and subject to the conditions of a Mudharabah agreement. The Mudharib shall have the absolute entrepreneurial authority to manage the Mudharabah Venture and administer the collection of income from the Mudharabah Venture.

The Sukuk Cagamas shall represent the Sukukholders' undivided beneficial interest in the Mudharabah Venture and any funds held by the Mudharib in the Mudharabah Profit Reserve Account (as defined below) on account of the Sukukholders. Profits generated from the Mudharabah Venture shall be shared between the Rabb al-mal and the Mudharib according to a pre-agreed profit sharing ratio while losses, if any, shall be borne solely by the Rabb al-mal.

The profit portion, if any, generated from the relevant Mudharabah Venture shall be payable either in periodic payments ("**Mudharabah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Mudharabah One-off Payment**") for Sukuk Cagamas issued without periodic payments and at a discount or in both Mudharabah Periodic Payments and Mudharabah One-Off Payment for Sukuk Cagamas issued with periodic payments and at a discount. For the avoidance of doubt, the Mudharabah Periodic Payments will be distributed semi-annually or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas with periodic payments ("**Mudharabah Periodic Payment Date**") and the Mudharabah One-off Payment will be distributed on the Mudharabah Maturity Date (as defined below) or the date of declaration of an event which dissolves the corresponding Mudharabah Venture ("**Mudharabah Dissolution Event**"), whichever is earlier.

The return expected ("**Mudharabah Expected Return**") by the Sukukholders from the corresponding Mudharabah Venture shall be the yield of the respective Sukuk Cagamas up to the respective maturity dates of the Sukuk Cagamas ("**Mudharabah Maturity Date**") or the date of a Mudharabah Dissolution Event ("**Mudharabah Dissolution Date**"), whichever is applicable.

The Sukukholders shall also agree upfront that they shall receive profits, if any, up to the Mudharabah Expected Return. If the Sukukholders' share of the profits generated from the Mudharabah

Venture are in excess of the Mudharabah Expected Return (such excess above the Mudharabah Expected Return shall be referred to as "**Excess Profit**"), profits up to the Mudharabah Expected Return will be distributed to the Sukukholders and the Excess Profit shall be credited by the Mudharib to a reserve account ("**Mudharabah Profit Reserve Account**") which may be used to fund future Mudharabah Periodic Payments or Mudharabah One-off Payment, where applicable.

The Mudharib may at any time prior to the Mudharabah Dissolution Date utilise the amounts standing to the credit of the Mudharabah Profit Reserve Account so long as any amounts deducted from the Mudharabah Profit Reserve Account prior to the Mudharabah Dissolution Date are re-credited to fund any shortfall in the amount of the Mudharabah Periodic Payment or Mudharabah One-off Payment, where applicable, and on the Mudharabah Dissolution Date.

Any amounts standing to the credit of the Mudharabah Profit Reserve Account on the Mudharabah Maturity Date or the Mudharabah Dissolution Date will be waived by the Sukukholders and retained by the Mudharib as an incentive payment ("**Mudharabah Advance Incentive Payment**") for managing the Mudharabah Venture.

If the amounts standing to the credit of the Mudharabah Profit Reserve Account are insufficient to meet the Mudharabah Periodic Payment or Mudharabah One-off Payment, where applicable, in full ("**Mudharabah Shortfall**"), the Mudharib may provide a Shariah-compliant liquidity facility ("**Mudharabah Liquidity Facility**") whereby it shall advance to the Sukuk Trustee (on behalf of the Sukukholders) on a qardh basis an amount sufficient to make up the Mudharabah Shortfall (adjusted accordingly pursuant to any utilisation of the Mudharabah Profit Reserve Account as referred to above, if applicable), in order to enable the Issuer to make payment in full. For the avoidance of doubt, any Mudharabah Liquidity Facility made by the Mudharib shall be off-set against the Mudharabah Exercise Price (as defined below) pursuant to the exercise of the Mudharabah Purchase Undertaking (as defined below) payable on Mudharabah Maturity Date or the Mudharabah Dissolution Date.

Cagamas (in its capacity as the Obligor) shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking ("**Mudharabah Purchase Undertaking**"), whereby the Obligor shall undertake to purchase such portion of the Sukukholders' undivided beneficial interest in the Mudharabah Venture from the Sukuk Trustee at the relevant Mudharabah Exercise Price, upon the Mudharabah Maturity Date or the Mudharabah Dissolution Date or such other payment dates to be determined between the Obligor and the Sukuk Trustee, whichever is earlier.

In the case of Sukuk Cagamas on an amortising basis, Cagamas (in its capacity as the Obligor) shall purchase the Sukuk Trustee's relevant interest in the Mudharabah Assets on each payment date and the Sukuk Trustee's interest in the Mudharabah Assets will gradually decrease pursuant to such purchase.

The Sukuk Trustee shall provide a substitution undertaking ("**Mudharabah Substitution Undertaking**") to the Mudharib under which the Mudharib shall have the right to substitute, via execution of an exchange agreement, certain Mudharabah Assets from time to time throughout the tenure of the Sukuk Cagamas with other qualified Mudharabah Assets with the same or higher value acceptable by the Joint Shariah Advisers, provided that no Mudharabah Dissolution Event has occurred.

In relation to the Mudharabah Purchase Undertaking, the "**Mudharabah Exercise Price**" for purchase of the Sukukholders' undivided proportionate interest in the Mudharabah Venture under the relevant Sukuk Cagamas shall be determined based on the following formula:

In the case of Sukuk Cagamas with Mudharabah Periodic Payments issued at par:

On the Mudharabah Maturity Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus accrued but

unpaid expected Mudharabah Periodic Payments plus the amount outstanding under the Mudharabah Liquidity Facility.

On the Mudharabah Dissolution Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus accrued but unpaid expected Mudharabah Periodic Payments plus the amount outstanding under the Mudharabah Liquidity Facility.

In the case of Sukuk Cagamas with Mudharabah Periodic Payments issued at a discount:

On the Mudharabah Maturity Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus accrued but unpaid expected Mudharabah Periodic Payments plus the Mudharabah One-off Payment plus the amount outstanding under the Mudharabah Liquidity Facility.

On the Mudharabah Dissolution Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus the accreted Mudharabah One-off Payment plus accrued but unpaid expected Mudharabah

Periodic Payments plus the amount outstanding under the Mudharabah Liquidity Facility.

In the case of Sukuk Cagamas issued without Mudharabah Periodic Payments issued at a discount:

On the Mudharabah Maturity Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus the Mudharabah One-off Payment plus the amount outstanding under the Mudharabah Liquidity Facility.

On the Mudharabah Dissolution Date:

Mudharabah Exercise Price	=	Mudharabah Capital plus the accreted Mudharabah One-off Payment plus the amount outstanding under the Mudharabah Liquidity Facility.

In the case of Sukuk Cagamas with Mudharabah Periodic Payments issued at premium:

On the Mudharabah Maturity Date:

Mudharabah Exercise Price	=	nominal value plus accrued but unpaid expected Mudharabah Periodic Payments plus the amount outstanding under the Mudharabah Liquidity Facility

On the Mudharabah Dissolution Date:

Mudharabah Exercise Price	=	nominal value plus accrued but unpaid expected Mudharabah Periodic Payments plus the amount outstanding under the Mudharabah Liquidity Facility

The Mudharabah Exercise Price shall be calculated in accordance with PayNet Rules and Procedures in respect of redemption.

The Mudharabah Exercise Price due from the Obligor to the Sukuk Trustee (on behalf of the Sukukholders) shall be set-off against the aggregate amount of the Mudharabah Liquidity Facility granted by the Mudharib.

Upon exercise of the Mudharabah Purchase Undertaking and the full payment of the Mudharabah Exercise Price, the relevant Mudharabah Venture and the trust in respect of the Mudharabah Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

The transaction structure is depicted in Appendix 3.

Ijarah

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 untenanted units and/or building parcels pursuant to buildings or properties acquired by Cagamas in the ordinary course of its business and/or properties, vehicles, machineries, equipment, provided there are no existing tenancy or lease agreements ("**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. The value of the Ijarah Assets shall be in compliance with the asset pricing requirements under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, as amended from time to time ("**LOLA Guidelines**").

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, shall then lease the Ijarah Assets to Cagamas in its capacity as the lessee ("**Lessee**"), for a pre-determined rental amount ("**Lease Rental**") 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 of the relevant Sukuk Cagamas ("**Lease Period**") ("**Ijarah Maturity Date**"), to be paid on a periodic basis ("**Ijarah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Ijarah One-off Rental**") for Sukuk Cagamas without periodic payments and at a discount, or in both Ijarah Periodic Payments and Ijarah One-Off Rental for Sukuk Cagamas issued with periodic payments and at a discount. 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 such Sukuk Cagamas with periodic payments ("**Ijarah Periodic Payment Date**") and the Ijarah One-off Rental will be distributed on the Ijarah Maturity Date or the Ijarah Dissolution Date (which dissolves the corresponding Trust Assets (as defined below) and the termination of the Ijarah Agreement ("**Ijarah Dissolution Event**")), whichever is earliest.

Cagamas shall declare a trust over the Ijarah Assets and the rights and interest under the relevant transaction documents and the Sukuk Cagamas proceeds of the foregoing ("**Trust Assets**"), for the benefit of the Sukukholders. Cagamas, in its capacity as the Issuer, shall issue the Sukuk Cagamas to represent the Sukukholders' undivided and proportionate beneficial ownership and interest over the Trust Assets.

Pursuant to the Ijarah Agreement, the Lessee shall pay Lease Rental in respect of the Ijarah Assets during the Lease

Period on the relevant Ijarah Periodic Payment Date in respect of Sukuk Cagamas with periodic payments or on a one-off basis on the Ijarah Maturity Date or the Ijarah Dissolution Date (as defined below) in respect of Sukuk Cagamas without periodic payments. The Lease Rental payable is equivalent to the periodic distribution rate, if any, on the nominal value of the respective Sukuk Cagamas, or the difference between the nominal value of the relevant Sukuk Cagamas and the Sukuk Cagamas proceeds, up to the respective Ijarah Maturity Date or the date of an Ijarah Dissolution Event ("**Ijarah Dissolution Date**"), whichever is applicable.

Under the terms of a servicing agency agreement, 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 Ijarah Assets ("**Ownership Expenses**"). The Ownership Expenses, which are to be reimbursed by the Sukuk Trustee to Cagamas as Servicing Agent, will be set-off against the Ijarah Exercise Price (as defined below) payable by the Obligor to the Sukuk Trustee pursuant to the exercise of the Ijarah Purchase Undertaking (defined below) on the Ijarah Maturity Date or Ijarah Dissolution Date, whichever is applicable.

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 or any event or occurrence that renders the whole (and not part only) of the Ijarah Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical ("**Total Loss Event**") in a particular Ijarah Agreement (unless the Servicing Agent is substituting the Ijarah

Assets with qualified leasable assets as 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.

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 the Ijarah Assets are partially damaged 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.

Cagamas, as the Obligor, shall grant a purchase undertaking ("**Ijarah Purchase Undertaking**") 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 entering into a purchase agreement ("**Purchase Agreement**") by way of transfer of the beneficial ownership and interest of the Ijarah Assets from the Sukuk Trustee to the Obligor/Issuer; and will take place on the earlier of (i) the Ijarah Maturity Date or (ii) the Ijarah Dissolution Date or (iii) such other payment dates to be determined between the Obligor and the Sukuk Trustee, at a pre-determined Ijarah Exercise Price.

In relation to the Ijarah Purchase Undertaking, the "**Ijarah Exercise Price**" for purchase of the Sukukholders' undivided proportionate interest in the Ijarah Assets under the relevant Sukuk Cagamas shall be determined based on the following formula and shall be calculated in accordance with PayNet Rules and Procedures in respect of redemption:

In the case of Sukuk Cagamas issued at par with Ijarah Periodic Payments:

On the Ijarah Maturity Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Maturity Date plus Ownership Expenses.

On the Ijarah Dissolution Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Dissolution Date plus Ownership Expenses.

In the case of Sukuk Cagamas issued at a discount with Ijarah Periodic Payments:

On the Ijarah Maturity Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Maturity Date plus Ownership Expenses.

On the Ijarah Dissolution Date:

Ijarah Exercise Price = accreted value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Dissolution Date plus Ownership Expenses.

In the case of Sukuk Cagamas issued at a discount without Ijarah Periodic Payments:

On the Ijarah Maturity Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus Ownership Expenses.

On the Ijarah Dissolution Date:

Ijarah Exercise Price = accreted value of the Sukuk Cagamas plus Ownership Expenses.

In the case of Sukuk Cagamas issued at premium with Ijarah Periodic Payments:

On the Ijarah Maturity Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Maturity Date plus Ownership Expenses.

On the Ijarah Dissolution Date:

Ijarah Exercise Price = nominal value of the Sukuk Cagamas plus the accrued but unpaid Lease Rental accrued to the Ijarah Dissolution Date plus Ownership Expenses.

The Ijarah Exercise Price due from the Obligor to the Sukuk Trustee (on behalf of the Sukukholders) shall be set-off against reimbursement of the Ownership Expenses to the Servicing Agent. Upon full settlement of the Ijarah Exercise Price pursuant to the exercise of the Ijarah Purchase Undertaking, the 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 Ijarah Assets.

The transaction structure is depicted in Appendix 4.

Wakalah Bil Istithmar

In respect of the Wakalah Bil Istithmar transaction, the Sukuk Trustee (on behalf of the Sukukholders) will appoint Cagamas as Wakeel under a Wakalah agreement entered into between Cagamas and the Sukuk Trustee (as agent on behalf of the Sukukholders) ("**Wakalah Agreement**") to collect proceeds of the Sukuk Cagamas and invest the proceeds in the Istithmar Portfolio (as defined below). The Wakeel shall declare a trust on the proceeds of the Sukuk Cagamas, for the benefit of the Sukukholders.

Cagamas (as Issuer) will issue Sukuk Cagamas to the Sukukholders to evidence the Sukukholders' undivided and proportionate interest in the Istithmar Portfolio (as defined below).

Cagamas in the capacity of Wakeel of the Sukukholders who are represented by the Sukuk Trustee will receive cash from the Sukukholders. The cash will be placed by Cagamas (as Wakeel) in a Sukuk investment trust ("**Sukuk Trust**") held in trust by the Sukuk Trustee on behalf of the Sukukholders. The Sukuk Trust will be utilised for purposes of (i) investment in Shariah-compliant tangible assets which include Equity Assets (as described below) and/or Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Istithmar Assets**") and (ii) commodity murabahah investment via a Tawarruq arrangement ("**Murabahah Investment**") (collectively known as the "**Istithmar Portfolio**"). The amount invested in Istithmar Assets shall at all times be at least 30% of the value of the Istithmar Portfolio.

In determining the value of the Istithmar Portfolio at any given time, the amount attributed to the Istithmar Assets shall be equal to the nominal value of such Istithmar Assets and the outstanding Murabahah Deferred Sale Price (as hereinafter defined) pursuant to the Murabahah Investment.

*Note: Shariah-compliant commodities would exclude ribawi items in the category of medium of exchange such as currency, gold and silver ("**Commodities**").

Istithmar Assets

Equity Assets

Cagamas (as Wakeel to the Sukukholders who are the Rabb al-Mal) will place an amount of the cash in the Sukuk Trust as placement with Cagamas (acting for itself as Mudharib to the Wakeel) at an agreed profit sharing ratio ("**PSR**") and tenure to create a Mudharabah Interbank Investment ("**MII**") as part of the Istithmar Assets under the Istithmar Portfolio. Cagamas (as Mudharib), in turn, will use the proceeds from the MII to invest in Islamic investment products, i.e. MII certificates issued by Islamic banks, Government Investment Issues certificates, etc. A MII certificate shall be issued to evidence the Mudharabah arrangement between Cagamas as Wakeel and Cagamas as Mudharib to the Wakeel. Any losses in investment in Islamic investment products shall be borne by the Rabb al-Mal.

Other Assets

Tangible Shariah-compliant assets which will comprise any or all of the following:

(a) asset based financing contracts based on Ijarah or Musharakah Mutanaqisah which have been acquired by Cagamas from Islamic financial institutions and/or its approved sellers ("**Approved Sellers**");

(b) sukuk that are based on either an Ijarah or Wakalah Bil Istithmar structure or such other structure approved by the Joint Shariah Advisers, in each case having at least 30% underlying tangible assets, and which are owned by Cagamas prior to the sale to the Sukuk Trustee; and

(c) any other Shariah-compliant tangible assets, as approved by the Joint Shariah Advisers prior to the issuance of each Sukuk Cagamas,

The Wakeel shall provide a substitution undertaking ("**Istithmar Substitution Undertaking**") to the Issuer under which the Issuer shall have the right to substitute, via execution of an exchange agreement, certain Istithmar Assets from time to time throughout the tenure of the Sukuk Cagamas, if any of the Istithmar Assets based on financing contracts are early settled or the Istithmar Assets are no longer Shariah compliant, as the case may be, with qualified 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 Istithmar Assets. The Wakeel may replace the Istithmar Assets provided no Istithmar Event of Default has occurred.

Purchasing and Selling Commodities ("**Murabahah Investment**")

Cagamas (as Wakeel) shall use the remaining amount of the cash in the Sukuk Trust (after deducting the investment amount for the Istithmar Assets) to purchase the Commodities from Commodity Broker A on spot basis at a purchase price equal to the amount of such cash ("**Istithmar Purchase Price**").

By the terms of the Sukuk Cagamas, the Sukuk Trustee is appointed as agent for the Sukukholders to sell the Commodities. By the terms of the Sukuk Cagamas, the Wakeel will also agree and acknowledge that the Sukukholders have authorised the Sukuk Trustee (acting for the Sukukholders) to sell the Commodities.

The Sukuk Trustee (as agent for the Sukukholders) shall sell the Commodities to Cagamas (as Purchaser) at a deferred sale price which shall be the Istithmar Purchase Price plus the Istithmar Profit Margin (as defined below) ("**Murabahah Deferred Sale Price**").

"**Istithmar Profit Margin**" means:

<u>In the case of Sukuk Cagamas with Istithmar Periodic Payments issued at par</u>

The aggregate Istithmar Periodic Payments (as defined below).

<u>In the case of Sukuk Cagamas with Istithmar Periodic Payments issued at a discount</u>

The Istithmar One-off Payment (as defined below) plus the aggregate Istithmar Periodic Payments.

<u>In the case of Sukuk Cagamas without Istithmar Periodic Payments issued at a discount</u>

The Istithmar One-off Payment.

<u>In the case of Sukuk Cagamas with Istithmar Periodic Payments issued at premium</u>

The aggregate Istithmar Periodic Payments.

Subsequently, Cagamas (acting as itself) shall sell the Commodities on a spot basis to Commodity Broker B for a cash consideration (Selling Price) which is equal to the Istithmar Purchase Price. However, Commodities received may be used by Cagamas to facilitate its Islamic Operations before onward sale to Commodity Broker B. Commodity Broker A and Commodity Broker B could either be the Bursa Suq Al-Sila' commodity market or an independent licensed commodity broker.

Cagamas, in its capacity as the Issuer, makes periodic principal and profit distributions (in the case of Sukuk Cagamas on amortising basis) or profit distributions on a semi-annual or other periodic basis ("**Istithmar Periodic Payments**") based on a profit rate to be agreed (in the case of Sukuk Cagamas based on fixed profit rate), or the Effective Profit Rate (as defined in item 33(a) in the case of Sukuk Cagamas issued based on floating profit rate) as determined prior to the issuance of such Sukuk Cagamas with periodic payments or for such Sukuk Cagamas without periodic payments and at a discount on one-off basis ("**Istithmar One-off Payment**"), or both Istithmar Periodic Payments and Istithmar One-Off Payment for such Sukuk Cagamas with periodic payments issued at a discount to the Sukuk Trustee on account of its obligation to pay the Murabahah Deferred Sale Price and income generated from the Istithmar Assets (if any). Each of such payment shall pro tanto reduce the obligation of the Issuer on the Sukuk Cagamas issued. On the date of maturity of the Sukuk Cagamas ("**Istithmar Maturity Date**") or upon the occurrence of an event of default ("**Istithmar Event of Default**"), whichever is earlier, all amounts then outstanding on the Murabahah Deferred Sale Price (subject to Ibra' as set out below, where applicable) shall be paid by Cagamas to the Sukuk Trustee. For the avoidance of doubt, Ibra' will be applicable only to the commodity trading portion of the Istithmar Portfolio i.e. the Murabahah Deferred Sale Price.

Cagamas, in its capacity as the Obligor, shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking ("**Istithmar Purchase Undertaking**"), whereby the Obligor shall undertake to purchase such portion of the Sukukholders' undivided beneficial interest in the Istithmar Assets which may include any outstanding Equity Assets and/or Other Assets from the Sukuk Trustee at the relevant Istithmar Exercise Price (as defined below), upon the Istithmar Maturity Date or the date of an Istithmar Event of Default ("**Istithmar Event of Default Date**"), or such other payments dates to be determined between the Obligor and the Sukuk Trustee whichever is earlier.

The Istithmar Exercise Price (as defined below) for the purchase of the Sukukholders' undivided proportionate interest in the Istithmar Assets under the relevant Sukuk Cagamas shall be calculated based on the relevant formula of the Istithmar Exercise Price.

Upon exercise of the Istithmar Purchase Undertaking and the full payment of the Istithmar Exercise Price and the outstanding Murabahah Deferred Sale Price, the relevant trust in respect of the Istithmar Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

For Sukuk Cagamas issued at par with Istithmar Periodic Payments, the Istithmar Exercise Price shall consist of:

On the Istithmar Maturity Date:

(1) the nominal value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Maturity Date, less

(3) the amount of the Murabahah Deferred Sale Price actually received

On the Istithmar Event of Default Date:

(1) the nominal value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Event of Default Date; less

(3) the amount of the Murabahah Deferred Sale Price actually received

For Sukuk Cagamas issued at a discount with Istithmar Periodic Payments, the Istithmar Exercise Price shall consist of:

On the Istithmar Maturity Date:

(1) the nominal value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Maturity Date, less

(3) the amount of the Murabahah Deferred Sale Price actually received

On the Istithmar Event of Default Date:

(1) the accreted value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Event of Default Date; less

(3) the amount of the Murabahah Deferred Sale Price actually received

For Sukuk Cagamas issued without Istithmar Periodic Payments at a discount, the Istithmar Exercise Price shall consist of:

On the Istithmar Maturity Date:

(1) the nominal value of the Sukuk Cagamas, less

(2) the amount of the Murabahah Deferred Sale Price actually received

On the Istithmar Event of Default Date:

(1) the accreted value of the Sukuk Cagamas, less

(2) the amount of the Murabahah Deferred Sale Price actually received

For Sukuk Cagamas issued at premium with Istithmar Periodic Payments, the Istithmar Exercise Price shall consist of:

On the Istithmar Maturity Date:

(1) the nominal value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Maturity Date, less

(3) the amount of the Murabahah Deferred Sale Price actually received

On the Istithmar Event of Default Date:

(1) the nominal value of the Sukuk Cagamas; and

(2) the accrued but unpaid Istithmar Periodic Payments (if any), accrued up to the Istithmar Event of Default Date; less

(3) the amount of the Murabahah Deferred Sale Price actually received

Incentive Payment

Provided that the income generated from the Istithmar Portfolio is sufficient to satisfy all payments under the Sukuk Cagamas, any excess income generated from the Istithmar Portfolio shall be credited by the Wakeel, on behalf of the Issuer, to a reserve account ("**Istithmar Reserve Account**"). Following redemption of the Sukuk Cagamas in full, any balance in the Istithmar Reserve Account shall be retained by the Wakeel as an incentive payment for the performance of its obligations under the Wakalah Agreement.

The Sukukholders in subscribing or purchasing the Sukuk Cagamas consent to grant Ibra' on the Murabahah Deferred Sale Price under the Murabahah Investment if the Murabahah Deferred Sale Price is due and payable on the Istithmar Event of Default Date.

Ibra'

An Ibra', where applicable, shall be granted by the Sukukholders. The Sukukholders in subscribing to the Sukuk Cagamas hereby consent to grant such Ibra' for the following:

(i) if the Sukuk Cagamas are redeemed before the Istithmar Maturity Date;
(ii) upon the declaration of an Istithmar Event of Default; or
(iii) in the case of Sukuk Cagamas with floating profit rate, if the Effective Profit Rate is lower than the Ceiling Profit Rate.

For avoidance of doubt, Ibra' will be applicable only to the Murabahah Investment portion of the Istithmar Portfolio, i.e. the Murabahah Deferred Sale Price only.

The Ibra' shall be calculated as follows:

(i) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on fixed profit rate and issued at par

The aggregate of unearned Istithmar Periodic Payments.

(ii) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on floating profit rate and issued at a par

The Istithmar Floating Rate Rebate (as defined below) and the aggregate of unearned Istithmar Periodic Payments.

(iii) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on fixed profit rate and issued at a discount

The unearned Discounted Amount plus the aggregate of unearned Istithmar Periodic Payments.

(iv) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on floating profit rate and issued at a discount

The Istithmar Floating Rate Rebate and the Discounted Amount plus the aggregate of unearned Istithmar Periodic Payments.

(v) In the case of Sukuk Cagamas without Istithmar Periodic Payments and issued at a discount

The unearned Discounted Amount.

(vi) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on fixed profit rate and issued at premium

The aggregate of unearned Istithmar Periodic Payments.

(vii) In the case of Sukuk Cagamas with Istithmar Periodic Payments based on floating profit rate and issued at premium

The Istithmar Floating Rate Rebate and the aggregate of unearned Istithmar Periodic Payments.

"**Istithmar Floating Rate Rebate**" means an amount equivalent to the difference, if any, between the Istithmar Periodic Payments calculated based on the Ceiling Profit Rate and Istithmar Periodic Payments calculated based on the Effective Profit Rate.

"**Discounted Amount**" means the difference between the nominal value and the issue proceeds of the relevant Sukuk Cagamas in the case of Sukuk Cagamas issued at a discount.

The transaction structure is depicted in Appendix 5.

Murabahah Assets, Musharakah Assets, Mudharabah Assets, Ijarah Assets and Istithmar Assets are collectively known as the "**Assets**".

Where it is proposed to issue Sukuk Cagamas based on a Shariah principle which is not listed above, the prior approval of the SC will be sought.

The foregoing description of the relevant Shariah principles shall not be taken as limiting the application of the principles only to the transactions as described. The Issuer may, in consultation with the Joint Shariah Advisers, enter into transactions consistent with the foregoing principles but involving third parties, such as special purpose corporate entities. Such special purpose corporate entities will not be the issuer of the Sukuk Cagamas unless approval of the SC is first obtained.

Reopened Sukuk Cagamas

In relation to the Reopened Sukuk Cagamas (as defined in item 33 (e) below), Cagamas and the Sukuk Trustee shall execute new and separate contract(s) for the relevant structures to reflect, amongst others, the i) increased obligation pursuant to the increase in the outstanding nominal value of the relevant Reopened Sukuk Cagamas, ii) additional asset(s) required for the Reopened Sukuk Cagamas and iii) additional proceeds raised pursuant to the issuance of the Reopened Sukuk Cagamas.

(5)	Currency	Ringgit Malaysia
(6)	Expected facility/ programme size (for Programme, to state the option to upsize)	The aggregate outstanding nominal value of the Notes issued under the MTN Programme (comprising the CMTNs and the Sukuk Cagamas) shall not at any point in time exceed RM60 billion. The Issuer shall have the option to upsize the MTN Programme at any time and from time to time upon all of the following conditions being fulfilled prior to the exercise of the option to upsize by the Issuer: (a) the Noteholders' consent (on a per series basis) shall have been obtained; (b) the Issuer's compliance with the relevant requirements under the LOLA Guidelines; (c) receipt by the Issuer of a confirmation from the RAM Rating Services Berhad and Malaysian Rating Corporation Berhad (collectively, the "**Rating Agencies**") that the increase in size will not adversely affect the credit ratings of the MTN Programme; and (d) the necessary corporate authorisation of the Issuer being obtained, including but not limited to the approval of the Issuer's board of directors.

(7)	Tenure of facility/ programme	The tenure of the MTN Programme is sixty (60) years from the date of the first issue under the MTN Programme. Sukuk Cagamas issued under the MTN Programme may have tenure of any period exceeding one year but not exceeding sixty years. Any Sukuk Cagamas issued must mature within the tenure of the MTN Programme. The first issuance of the Sukuk Cagamas shall be made within two (2) years from the date of approval by the SC.
(8)	Availability period of debt or sukuk programme	The MTN Programme is available for issuance upon completion of documentation and fulfilment of all conditions precedent to the satisfaction of the JLAs.
(9)	Clearing and settlement platform	Payments Network Malaysia Sdn Bhd ("**PayNet**")
(10)	Mode of Issue	The Notes may be issued through any of the following modes as determined by the Issuer: (a) by direct private placement whether through the JLMs or the Issuer; (b) through a book running or a book building process; or (c) on a bought deal basis. Issuance of the Notes under the MTN Programme shall be in accordance with the PayNet Rules and Procedures (as defined in item 33(e)), subject to such exemptions (if any) granted from time to time.
(11)	Selling Restrictions	(i) At the point of issuance The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the Notes and to whom the Notes are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of the CMSA,

		read together with Schedule 9 or Section 257(3) of the CMSA. (ii) After Issuance The Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the Notes would fall within Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA. Further, as the MTN Programme has been rated AAA, the issuance of, offer for subscription or purchase of, or invitation to subscribe for the Notes falls within Schedule 8 or Section 257 (3) of the CMSA.
(12)	Tradability and transferability	The Sukuk Cagamas are transferable but subject to the Selling Restrictions described above.
(13)	Details of security/ collateral pledged, if applicable	Unsecured.
(14)	Details of guarantee, if applicable	Not applicable
(15)	Convertibility of issuance and details of the convertibility	Not applicable
(16)	Exchangeability of issuance and details of the exchangeability	Not applicable
(17)	Call option and details, if applicable	Not applicable
(18)	Put option and details, if applicable	Not applicable
(19)	Details of covenants	(A) Positive Covenants Standard undertakings (subject to exceptions and compliance periods to be agreed to between the parties during documentation) for a facility of this nature 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;

(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;

(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 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 on a basis consistently applied in accordance with approved accounting standards in Malaysia and shall disclose or provide against all liabilities (actual or contingent) of the Issuer;

(vi) the Issuer shall promptly comply with all applicable laws including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by SC 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 pricing supplement; and

(viii) any other covenants as may be advised by the legal counsel of the JLAs and to be mutually agreed between the Issuer and the JLAs.

(B) Negative Covenants

Standard undertakings (subject to exceptions and compliance periods to be agreed to between the parties during documentation) for a facility of this nature 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 use the proceeds of the MTN Programme except for the purposes set out herein;

(iii) the Issuer shall not enter into a transaction whether directly or indirectly with interested persons (including a director, substantial shareholder 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

(iv) any other covenants as may be advised by the legal counsel of the JLAs and to be mutually agreed between the Issuer and the JLAs.

(C) Information Covenants

Standard covenants for a facility of this nature including but not limited to:

(i) the Issuer shall provide to the Sukuk Trustee a certificate confirming that it has complied with all its obligations under the Transaction Documents and the terms and conditions of the Sukuk Cagamas;

(ii) the Issuer shall deliver to the Sukuk Trustee the following:

(a) within nine (9) months of the expiration of each financial year, the annual audited accounts of the Issuer for that financial year and any other accounts, report, notice, statement or circular issued to the shareholders;

(b) within thirty (30) days after each of its annual general meetings, a copy of its balance sheet and profit and loss account 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 accounts, report, notice, statement or circular issued to shareholders within thirty (30) days of the same being issued to the shareholders;

(c) promptly, such additional financial or other information relating to the Issuer's business and its operations as the Sukuk Trustee may from time to time reasonably request; and

(d) promptly, all notices or other documents received by the Issuer from any of its shareholders or its creditors which contents may materially and adversely affect the interests of the Noteholders, and a copy of all documents despatched by the Issuer to its shareholders (or any class of them),

(iii) the Issuer shall promptly notify the Sukuk Trustee of any change in its board of directors and/or substantial shareholders;

(iv) the Issuer shall promptly notify the Sukuk Trustee and the Rating Agencies of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;

(v) the Issuer shall promptly give notice to the Sukuk Trustee and the Rating Agencies of the occurrence of any Event of Default or any potential Event of Default forthwith 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 Event of Default or the potential Event of Default;

(vi) any other covenants as advised by the legal counsel of the JLAs and mutually agreed between the JLAs and the Issuer.

(20)	Details of designated accounts, if applicable	Not applicable.
(21)	Details of credit rating, if applicable	The rating for the MTN Programme is AAA by the Rating Agencies.
(22)	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 establishment of the MTN Programme have been executed and endorsed as 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 execution of 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.

(vi) A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C. General

(i) The lodgement with the SC and, where applicable, approval from all other regulatory authorities.

(ii) The MTN Programme shall have been rated AAA (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 legal counsel a legal opinion addressed to them and the Sukuk Trustee.

(v) Such other conditions precedent as advised by the legal counsel of the JLAs and agreed to by the Issuer.

(23) Representations and warranties — To include 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;

(ii) the Issuer is authorised to execute and deliver and perform the transactions contemplated in the Transaction Documents in accordance with their terms;

(iii) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents (a) contravene or constitute a default under any provision contained in any agreement, law, judgment, 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 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;

(iv) 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, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;

(v) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia;

(vi) no litigation or claim which is likely to by itself or together with any other such proceedings or claims have 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;

(vii) 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;

(viii) the Issuer is in compliance and will comply with any applicable laws and regulations; and

(viii) any other representations and warranties as advised by the legal counsel of the JLAs and mutually agreed between the JLAs and the Issuer.

(24)	Events of default or enforcement events, where applicable, including recourse available to investors;	Standard events of default/ dissolution event ("**Event of Default**" or "**Dissolution Event**") for a facility of this nature including but not limited to, subject to exceptions and remedy period to be agreed to between the parties during documentation: (i) the Issuer fails to pay any amount due from it under any of the Transaction Documents on the due date or, if so payable, on demand; (ii) material misrepresentation by the Issuer; (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 such failure has a material adverse

effect, 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;

(iv) any indebtedness for 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 fourteen (14) days from the date of such declaration or call, or any security created to secure such indebtedness becomes enforceable;

(v) an encumbrancer takes possession of, or a trustee, receiver, receiver and manager or similar officer is appointed in respect of the whole or substantial part of the business or assets of the Issuer;

(vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and in the reasonable opinion of the Sukuk Trustee such event has a material adverse effect;

(vii) proceedings or steps taken for the winding-up of the Issuer and in the reasonable opinion of the Sukuk Trustee, such event has a material adverse effect;

(viii) a scheme of arrangement under section 366 of the Companies

Act 2016 has been instituted by or against the Issuer;

(ix) where there is a revocation, withholding or modification of any license, authorisation, approval or consent which in the opinion of the Sukuk Trustee is likely to have a material adverse effect;

(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 suspends or threatens 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 in the opinion of the Sukuk Trustee may have a material adverse effect;

(xii) the Issuer changes the nature or scope of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations;

(xiii) illegality;

(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 in the opinion of the Sukuk Trustee is likely to have a material adverse effect; or

		(xvi) such other event as may be advised by the legal counsel of JLAs and mutually agreed with the Issuer. Upon the declaration of an Event of Default, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Sukukholders) declare that the Sukuk Cagamas together with all other sums payable under the Sukuk Cagamas shall become immediately due and payable. Thereafter, the Sukuk Trustee may take proceedings against the Issuer as it may think fit to enforce immediate payment of the Sukuk Cagamas. For the avoidance of doubt, Murabahah Event of Default, Mudharabah Dissolution Event, Musharakah Dissolution Event, Ijarah Dissolution Event and Istithmar Event of Default, under each applicable Islamic structure, are collectively referred to as the "**Events of Default**", each an "**Event of Default**".
(25)	Governing laws	Laws of Malaysia.
(26)	Provisions on buy back, if applicable	The Issuer may at any time purchase the Notes at any price in the open market or by private treaty and these repurchased Notes shall be cancelled.
(27)	Provisions on early redemption, if applicable	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates, or on an amortising basis by their respective maturity dates in accordance with the amortising schedule or earlier if early redemption is permitted or provided for.
(28)	Voting	All matters/resolutions which require the Sukukholders' consent under the MTN Programme shall be carried out on a "per series" basis "**per series**" shall mean, in relation to any Sukuk Cagamas, such Sukuk Cagamas with the same issue date, and for any Reopened Sukuk Cagamas (as defined in

		item 33(e)), it shall fall within the series of the relevant reopened tranche.
(29)	Permitted investments, if applicable	Not applicable.
(30)	*Ta'widh*	In the event of delay in payments of any amount due under the Sukuk Cagamas, the Issuer shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta'widh (Compensation) on such overdue amounts, where applicable, at the rate and in accordance with the Shariah requirements set out in the LOLA Guidelines.
(31)	*Ibra'*	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 release of rights on debts/amounts due and payable under the said contract. The Sukukholders in subscribing to the Sukuk Cagamas issued under the Shariah principles of Murabahah and Wakalah Bil Istithmar hereby consent to grant such Ibra' if the Sukuk Cagamas issued under the Shariah principles of Murabahah and Wakalah Bil Istithmar are redeemed before the maturity date, upon the declaration of an Event of Default or Dissolution Event or in case of the Sukuk Cagamas with floating profit rate, if the Effective Profit Rate is lower than the Ceiling Profit Rate. For the avoidance of doubt, in the case of the Sukuk Cagamas issued under the Shariah principle of Wakalah Bil Istithmar, Ibra' will be applicable only to the commodity trading portion of the Istithmar Portfolio i.e. the Murabahah Deferred Sale Price.
(32)	*Kafalah*	Not applicable.
(33)	Other terms and conditions	
(a)	Profit or equivalent rate (%) (please specify)	The Sukuk Cagamas will be issued at par or at a discount or at a premium. The profit rate (if applicable, and which may be fixed or floating) will be determined prior to

issuance of Sukuk Cagamas, as the case may be.

In relation to the Sukuk Cagamas issued based on floating profit rate, the Issuer shall pay periodic payments at the relevant Effective Profit Rate.

The "**Effective Profit Rate**" shall be a credit spread (%) per annum above the reference benchmark to be agreed between the Issuer and the relevant qualified investors 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 principle of Murabahah and Wakalah Bil Istithmar, each 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 payments are based on income generated from the identified assets (Mudharabah & Musharakah), the floating rate is achieved by varying the expected return based on the agreed Effective Profit Rate.

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

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

(b) Profit payment frequency and basis

In respect of Sukuk Cagamas which are issued with a profit rate, the profit is payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas.

The profit payments are to be calculated at the profit rate on the nominal value or in the case of Sukuk Cagamas on amortising basis, the outstanding nominal value of the relevant tranche of the Sukuk Cagamas for the relevant profit period based on actual/actual basis or on actual/365 basis.

(c)	Yield to maturity (%)	To be determined prior to issuance.
(d)	Details on utilisation of proceeds	The proceeds raised from the issuance of Sukuk Cagamas under the MTN Programme respectively shall be utilized for the purchase of Shariah compliant financing/assets, investment in Shariah compliant instruments and/or defray the costs and expenses in relation to the issuance of Sukuk Cagamas pursuant to the MTN Programme. The proceeds raised from the issuance of Sustainability Sukuk Cagamas under the MTN 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 pricing supplement.
(e)	Form and denomination	The Sukuk Cagamas shall be issued in accordance with (1) the "Participation and Operation Rules for Payment and Securities Services" issued by PayNet ("**PayNet Rules**") and (2) the "Operational Procedures for Securities Services" issued by PayNet ("**PayNet Procedures**"), as amended or substituted from time to time (collectively the "**PayNet Rules and Procedures**"). 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.

		The issue price of Sukuk Cagamas will be determined prior to each issuance of Sukuk Cagamas and shall be calculated in accordance with the PayNet Procedures. The Issuer may, from time to time, without the consent of the Sukukholders, increase the size of an existing tranche of Sukuk Cagamas by offering for subscription, additional Sukuk Cagamas ("**Reopened Sukuk Cagamas**") under that tranche (hereinafter referred to as a "**Reopening**"). The Reopened Sukuk Cagamas shall have the same terms and conditions as the existing tranche of Sukuk Cagamas in all respects (except for the issue date, the first profit payments and the issue price, if applicable) and shall form a single tranche with the existing tranche of Sukuk Cagamas. The issue price of each Reopened Sukuk Cagamas shall take into consideration, where applicable, accrued profit from and including the original issue date or the last profit payment date whichever is later of a tranche, to and excluding the date of the Reopening except when the date of the Reopening falls on a periodic distribution date. All references to "Sukuk Cagamas" in these principal terms and conditions shall, upon a Reopening, be deemed to include the Reopened Sukuk Cagamas wherever the same appears. All references to "tranche" in these principal terms and conditions shall mean the Sukuk Cagamas having the same terms and conditions (except for the issue date, the first profit payments and the issue price, if applicable).
(f)	Listing status	The Sukuk Cagamas will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.
(g)	Minimum level of subscription (RM or %)	The minimum level of subscription for each issue that is issued on a bought deal basis shall be 100%. The minimum level of subscription for each issue that is not

		issued on a bought deal basis shall be 5% of the size of a particular issue.
(h)	Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)	None.
(i)	Identified assets	The Assets will be identified at the point of issuance or each Reopening and the SC will be notified accordingly of the same.
(j)	Purchase and selling price/rental	To be determined upon determination of the Assets and the SC will be notified accordingly. However, the purchase price of the Assets at which any purchase transaction is undertaken will fully comply with the assets pricing requirements stipulated under the LOLA Guidelines. Under the Ijarah structure, the lease rental payable on each rental payment date shall comprise profit payments or in the case of Sukuk Cagamas on amortising basis, the aggregate of the profit payments and the nominal value of the Sukuk Cagamas due. In relation to the Sukuk Cagamas issued based on floating profit rate, the Deferred Sale Price (in the case of Sukuk Cagamas issued under Murabahah principle) and the Murabahah Deferred Sale Price (in the case of Sukuk Cagamas issued under the Wakalah Bil Istithmar principle) shall be calculated based on the Ceiling Profit Rate.
(k)	***Islamic Operations***	An arrangement whereby Cagamas purchases debt based financings from the approved seller ("Approved Seller") and will pay the purchase value of the debt by way of an exchange of Commodities with the Approved Seller. Subsequently, the Approved Seller appoints Cagamas as its agent to onsell the Commodities to Commodity Broker B for an amount equal to the Murabahah Purchase Price or Istithmar Purchase Price, as the case may be. The proceeds received from the sale will be accounted for/paid to the Approved Seller.

(l)	***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.
(m)	Jurisdiction	The Issuer shall unconditionally and irrevocably submit to the non-exclusive jurisdiction of the courts of Malaysia.

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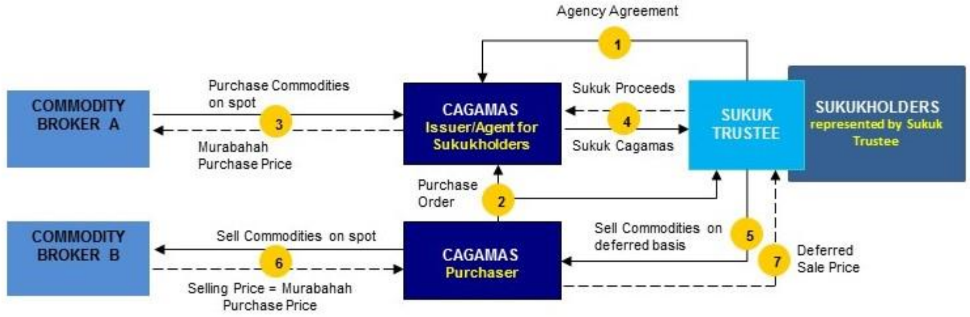
APPENDIX 1

Murabahah (via Tawarruq arrangement) – Transaction Steps and Diagram

Unless otherwise defined, all capitalised terms herein are as defined in item 4 Facility Description of the Principal Terms and Conditions of the Sukuk Cagamas.

Murabahah (via Tawarruq arrangement)



1. From time to time, Cagamas (on behalf of the holders of the Sukuk Cagamas ("**Sukukholders**")) shall enter into an Agency Agreement, pursuant to which Cagamas (in such capacity, the "**Agent**") is appointed as the wakeel of the Sukukholders for the purchase of Shariah-compliant Commodities ("**Commodities**").

2. Pursuant to a Commodity Murabahah Master Agreement between Cagamas as purchaser for itself (in such capacity, the “**Purchaser**”), the Agent and the Sukuk Trustee, Cagamas as purchaser issues a purchase order (the "**Purchase Order**") to the Agent to purchase Commodities on the terms specified therein. In the Purchase Order, Cagamas as Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sukuk Trustee at a deferred sale price ("**Deferred Sale Price**") which shall be the Murabahah Purchase Price plus the applicable Profit Margin.

3. Pursuant to the Purchase Order, the Agent (as wakeel of the Sukukholders) will purchase on a spot basis the Commodities from Commodity Broker A at a purchase price which shall be an amount equivalent to the Sukuk Cagamas proceeds ("**Murabahah Purchase Price**").

4. Cagamas (acting as the Issuer) shall issue Sukuk Cagamas to the Sukukholders whereby the Sukuk Cagamas proceeds shall be used to pay the Murabahah Purchase Price of the Commodities. The Sukuk Cagamas shall evidence, amongst others, the Sukukholders' ownership of the Commodities and subsequently, once the Commodities are sold to Cagamas (as Purchaser), the entitlement to receive the Deferred Sale Price.

5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sukuk Trustee (acting on behalf of the Sukukholders) shall sell the Commodities to Cagamas (as Purchaser) via Cagamas (as Agent for the Sukukholders) at the Deferred Sale Price under a sale and purchase agreement.

6. Cagamas as Purchaser shall sell the Commodities on a spot basis to Commodity Broker B for an amount equal to the Murabahah Purchase Price. However, Commodities purchased by Cagamas from the Sukuk Trustee may be used by Cagamas for its Islamic Operations before the onward sale to the Commodity Broker B. Commodity Broker A and Commodity Broker B could either be the Bursa Suq Al-Sila’ commodity market or an independent licensed commodity broker.

7. The Sukuk Cagamas may be issued with or without periodic payments. During the tenure of the Sukuk Cagamas, Cagamas (as Purchaser) shall, in the case of Sukuk Cagamas with periodic payments, as part of its obligation to pay the Deferred Sale Price, make periodic payments ("**Murabahah Periodic Payments**") based on a profit rate to be agreed (in the case of Sukuk Cagamas issued based on fixed profit rate), or the Effective Profit Rate (in the case of Sukuk Cagamas issued based on floating profit rate) to the Sukukholders and/or a one-off payment ("**Murabahah One-off Payment**") which shall be equivalent to the Discounted Amount for Sukuk Cagamas issued at a discount on the respective maturity date(s) ("**Murabahah Maturity Date**").

   Each such payment shall pro tanto reduce the obligation of the Issuer on the Sukuk Cagamas issued.

   On the Murabahah Maturity Date or upon the declaration of an Event of Default ("**Murabahah Event of Default**"), Cagamas (as Purchaser) shall pay the Murabahah Redemption Amount pursuant to its obligations to pay the Deferred Sale Price (subject to the Ibra', where applicable) for the redemption of the Sukuk Cagamas upon which the relevant Sukuk Cagamas will be cancelled.

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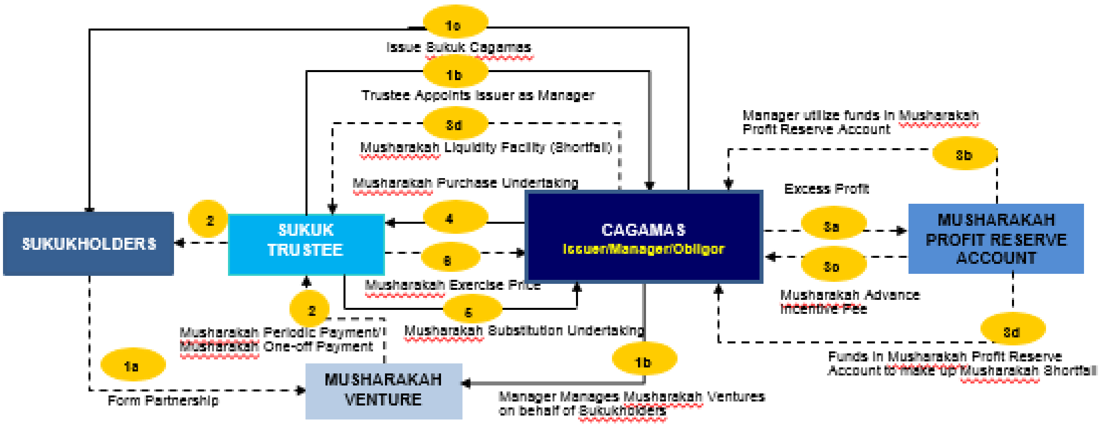
APPENDIX 2

Musharakah – Transaction Steps and Diagram

Unless otherwise defined, all capitalised terms herein are as defined in item 4 Facility Description of the Principal Terms and Conditions of the Sukuk Cagamas.



Step 1

a) Under the Musharakah transaction, the Sukukholders shall from time to time, form a partnership amongst themselves for the purpose of undertaking a venture (the "**Musharakah Venture**") consisting of an investment in Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Musharakah Assets**") to be identified and held on trust by the Issuer on behalf of the Sukukholders, whereby the Sukukholders contribute capital in the form of cash through the subscription of Sukuk Cagamas.

b) The Sukukholders (through the Sukuk Trustee) shall appoint the Issuer as the manager ("**Manager**") of each Musharakah Venture upon the terms and subject to the conditions of a Musharakah agreement.

c) The Issuer shall issue Sukuk Cagamas to the Sukukholders, in consideration of their capital contribution ("**Musharakah Capital**"). The Musharakah Capital shall be invested with the Issuer (in its capacity as Manager) for the purposes of undertaking the Musharakah Venture. The Sukuk Cagamas comprise certificates representing the Sukukholders' undivided beneficial interest in the Musharakah Venture and any funds held by the Manager on account of the Sukukholders in the Musharakah Profit Reserve Account. Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders' ratio of capital contribution.

Step 2:

The Sukuk Cagamas shall entitle the Sukukholders the rights to share any income generated from the relevant Musharakah Venture in proportion to each Sukukholders' respective capital contribution of the Musharakah Capital payable either in periodic payments ("**Musharakah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Musharakah One-off Payment**") for Sukuk Cagamas without periodic payments and at a discount or in both Musharakah Periodic Payments and Musharakah One-Off Payment for Sukuk Cagamas issued with periodic payments and at a discount. For the avoidance of doubt, Musharakah Periodic Payments will be distributed semi-annually or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas ("**Musharakah Periodic Payment Date**") and Musharakah One-off Payment will be distributed on the Musharakah Maturity Date or the date of declaration of an event which dissolves the corresponding Musharakah Venture ("**Musharakah Dissolution Event**"), whichever is earlier.

The return expected ("**Musharakah Expected Return**") by the Sukukholders from the corresponding Musharakah Venture shall be the yield of the respective Sukuk Cagamas up to the respective maturity dates of the Sukuk Cagamas ("**Musharakah Maturity Date**") or the date of a Musharakah Dissolution Event ("**Musharakah Dissolution Date**"), whichever is applicable.

<u>Step 3</u>

a) The Sukukholders shall also agree upfront that they shall receive profits, if any, up to the Musharakah Expected Return. If the Sukukholders' share of profits generated from the Musharakah Venture are in excess of the Musharakah Expected Return (such excess above the Musharakah Expected Return shall be referred to as "**Excess Profit"**), profit up to the Musharakah Expected Return will be distributed to the Sukukholders and the Excess Profit shall be credited by the Manager to a reserve account ("**Musharakah Profit Reserve Account**") on behalf of the Sukukholders on a custody basis which may be used to fund future Musharakah Periodic Payments or Musharakah One-off Payment, where applicable.

b) The Manager may at any time prior to the Musharakah Dissolution Date utilise the amounts standing to the credit of the Musharakah Profit Reserve Account so long as any amounts deducted from the Musharakah Profit Reserve Account prior to the Musharakah Dissolution Date are re-credited to fund any shortfall in the amount of the Musharakah Periodic Payments or Musharakah One-off Payment, where applicable, and on the Musharakah Dissolution Date.

c) Any amounts standing to the credit of the Musharakah Profit Reserve Account on the Musharakah Dissolution Date will be waived by the Sukukholders and retained by the Manager as an incentive payment ("**Musharakah Advance Incentive Payment**") for managing the Musharakah Venture.

d) If the amounts standing to the credit of the Musharakah Profit Reserve Account are insufficient to meet the expected Musharakah Periodic Payments or Musharakah One-off Payment, where applicable, in full ("**Musharakah Shortfall**"), the Manager may provide a Shariah-compliant liquidity facility ("**Musharakah Liquidity Facility**") whereby it shall advance to the Sukuk Trustee (on behalf of the Sukukholders) on a qardh basis an amount sufficient to make up the Musharakah Shortfall (adjusted accordingly pursuant to any utilisation of the Musharakah Profit Reserve Account as referred to above, if applicable), in order to enable the Issuer to make payment in full. For the avoidance of doubt, any Musharakah Liquidity Facility made by the Manager shall be off-set against the Musharakah Exercise Price pursuant to the exercise of the Musharakah Purchase Undertaking payable on the Musharakah Maturity Date or the Musharakah Dissolution Date.

<u>Step 4</u>

Cagamas (in its capacity as the Obligor) shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking ("**Musharakah Purchase Undertaking**"), whereby the Obligor shall undertake to purchase such portion of the Sukukholders' undivided beneficial interest in the Musharakah Venture from the Sukuk Trustee at the relevant Musharakah Exercise Price, upon the Musharakah Maturity Date or such other payment dates to be determined between the Obligor and the Sukuk Trustee or Musharakah Dissolution Date, whichever is earlier.

In the case of Sukuk Cagamas on an amortising basis, the Obligor shall purchase the Sukuk Trustee's relevant interest in the Musharakah Assets on each payment date and the Sukuk Trustee's interest in the Musharakah Assets will gradually decrease pursuant to such purchase.

Step 5

The Sukuk Trustee shall provide a substitution undertaking ("**Musharakah Substitution Undertaking**") to the Manager under which the Manager shall have the right to substitute, via execution of an exchange agreement, certain Musharakah Assets from time to time throughout the tenure of the Sukuk Cagamas with other qualified Musharakah Assets with the same or higher value acceptable to the Joint Shariah Advisers, provided that no Musharakah Dissolution Event has occurred.

Step 6

Upon exercise of the Musharakah Purchase Undertaking and the full payment of the Musharakah Exercise Price, the relevant Musharakah Venture and the trust in respect of the Musharakah Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

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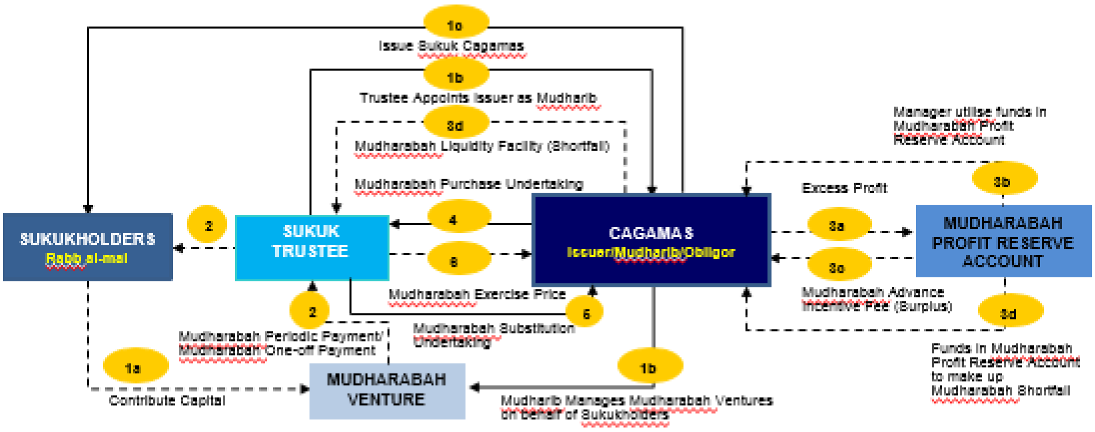
APPENDIX 3

Mudharabah – Transaction Steps and Diagram

Unless otherwise defined, all capitalised terms herein are as defined in item 4 Facility Description of the Principal Terms and Conditions of the Sukuk Cagamas.



Step 1

a) Under the Mudharabah transaction, the Sukukholders as the Rabb al-mal shall from time to time contribute capital in the form of cash ("**Mudharabah Capital**") by subscribing the Sukuk Cagamas for the purpose of investment in a venture (the "**Mudharabah Venture**"). The Mudharabah Venture shall consist of an investment in Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Mudharabah Assets**") to be identified and held on trust by the Issuer on behalf of the Sukukholders, whereby the Sukukholders contribute capital in the form of cash through the subscription of Sukuk Cagamas.

b) Pursuant to the Mudharabah Agreement, the Sukuk Trustee (on behalf of the Sukukholders) shall appoint the Issuer as the entrepreneur (“**Mudharib**”) of each Mudharabah Venture upon the terms and subject to the conditions of a Mudharabah agreement. The Mudharib shall have the absolute entrepreneurial authority to manage the Mudharabah Venture and administer the collection of income from the Mudharabah Venture.

c) The Sukuk Cagamas shall represent the Sukukholders’ undivided beneficial interest in the Mudharabah Venture and any funds held by the Mudharib in the Mudharabah Profit Reserve Account on account of the Sukukholders. Profits generated from the Mudharabah Venture shall be shared between the Rabb al-mal and the Mudharib according to a pre-agreed profit sharing ratio while losses, if any, shall be borne solely by the Rabb al-mal.

Step 2

The profit portion, if any, generated from the relevant Mudharabah Venture shall be payable either in periodic payments ("**Mudharabah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Mudharabah One-off Payment**") for Sukuk Cagamas without periodic payments and at a discount or in both Mudharabah Periodic Payments and Mudharabah One-Off Payment for Sukuk Cagamas issued with periodic payments and at a discount. For the avoidance of doubt, the Mudharabah Periodic Payments will be distributed semi-annually or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas with periodic payments ("**Mudharabah Periodic Payment Date**") and the Mudharabah One-off

Payment will be distributed on the Mudharabah Maturity Date or the date of declaration of an event which dissolves the corresponding Mudharabah Venture ("**Mudharabah Dissolution Event**"), whichever is earlier.

The return expected ("**Mudharabah Expected Return**") by the Sukukholders from the corresponding Mudharabah Venture shall be the yield of the respective Sukuk Cagamas up to the respective maturity dates of the Sukuk Cagamas ("**Mudharabah Maturity Date**") or the date of a Mudharabah Dissolution Event ("**Mudharabah Dissolution Date**"), whichever is applicable.

<u>Step 3</u>

a) The Sukukholders shall also agree upfront that they shall receive profits, if any, up to the Mudharabah Expected Return. If the Sukukholders' share of the profits generated from the Mudharabah Venture are in excess of the Mudharabah Expected Return (such excess above the Mudharabah Expected Return shall be referred to as "**Excess Profit**"), profits up to the Mudharabah Expected Return will be distributed to the Sukukholders and the Excess Profit shall be credited by the Mudharib to a reserve account ("**Mudharabah Profit Reserve Account**") which may be used to fund future Mudharabah Periodic Payments or Mudharabah One-off Payment, where applicable.

b) The Mudharib may at any time prior to the Mudharabah Dissolution Date utilise the amounts standing to the credit of the Mudharabah Profit Reserve Account so long as any amounts deducted from the Mudharabah Profit Reserve Account prior to the Mudharabah Dissolution Date are re-credited to fund any shortfall in the amount of the Mudharabah Periodic Payment or Mudharabah One-off Payment, where applicable, and on the Mudharabah Dissolution Date.

c) Any amounts standing to the credit of the Mudharabah Profit Reserve Account on the Mudharabah Maturity Date or the Mudharabah Dissolution Date will be waived by the Sukukholders and retained by the Mudharib as an incentive payment ("**Mudharabah Advance Incentive Payment**") for managing the Mudharabah Venture.

d) If the amounts standing to the credit of the Mudharabah Profit Reserve Account are insufficient to meet the expected Mudharabah Periodic Payment or Mudharabah One-off Payment, where applicable, in full ("**Mudharabah Shortfall**"), the Mudharib may provide a Shariah-compliant liquidity facility ("**Mudharabah Liquidity Facility**") whereby it shall advance to the Sukuk Trustee (on behalf of the Sukukholders) on a qardh basis an amount sufficient to make up the Mudharabah Shortfall (adjusted accordingly pursuant to any utilisation of the Mudharabah Profit Reserve Account as referred to above, if applicable), in order to enable the Issuer to make payment in full. For the avoidance of doubt, any Mudharabah Liquidity Facility made by the Mudharib shall be off-set against the Mudharabah Exercise Price pursuant to the exercise of the Mudharabah Purchase Undertaking payable on Mudharabah Maturity Date or the Mudharabah Dissolution Date.

<u>Step 4</u>

Cagamas (in its capacity as the Obligor) shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking ("**Mudharabah Purchase Undertaking**"), whereby the Obligor shall undertake to purchase such portion of the Sukukholders' undivided beneficial interest in the Mudharabah Venture from the Sukuk Trustee at the relevant Mudharabah Exercise Price, upon the Mudharabah Maturity Date or the Mudharabah Dissolution Date or such other payment dates to be determined between the Obligor and the Sukuk Trustee, whichever is earlier.

In the case of Sukuk Cagamas on an amortising basis, Cagamas (in its capacity as the Obligor) shall purchase the Sukuk Trustee's relevant interest in the Mudharabah Assets on each payment date and the Sukuk Trustee's interest in the Mudharabah Assets will gradually decrease pursuant to such purchase.

Step 5

The Sukuk Trustee shall provide a substitution undertaking ("**Mudharabah Substitution Undertaking**") to the Mudharib under which the Mudharib shall have the right to substitute, via execution of an exchange agreement, certain Mudharabah Assets from time to time throughout the tenure of the Sukuk Cagamas with other qualified Mudharabah Assets with the same or higher value acceptable to the Joint Shariah Advisers, provided that no Mudharabah Dissolution Event has occurred.

Step 6

Upon exercise of the Mudharabah Purchase Undertaking and the full payment of the Mudharabah Exercise Price, the relevant Mudharabah Venture and the trust in respect of the Mudharabah Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

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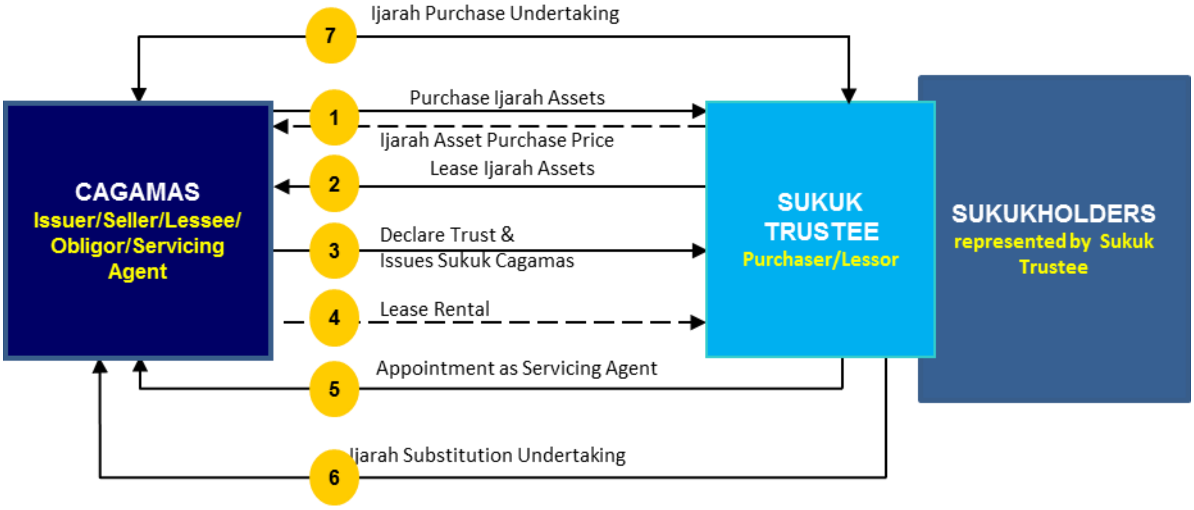
APPENDIX 4

Ijarah – Transaction Steps and Diagram

Unless otherwise defined, all capitalised terms herein are as defined in item 4 Facility Description of the Principal Terms and Conditions of the Sukuk Cagamas.



Step 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 untenanted units and/or building parcels pursuant to buildings or properties acquired by Cagamas in the ordinary course of its business and/or properties, vehicles, machineries, equipment, provided there are no existing tenancy or lease agreements ("**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. The value of the Ijarah Assets shall be in compliance with the asset pricing requirements under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, as amended from time to time ("**LOLA Guidelines**").

Step 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, shall then lease the Ijarah Assets to Cagamas in its capacity as the lessee ("**Lessee**"), for a pre-determined rental amount ("**Lease Rental**") 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 of the relevant Sukuk Cagamas ("**Lease Period**") ("**Ijarah Maturity Date**"), to be paid on a periodic basis ("**Ijarah Periodic Payments**") in respect of Sukuk Cagamas with periodic payments or on a one-off basis ("**Ijarah One-off Rental**") for Sukuk Cagamas without periodic payments and at a discount, or in both Ijarah Periodic Payments and Ijarah One-Off Rental for Sukuk Cagamas issued with periodic payments and at a discount. 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 such Sukuk Cagamas with periodic payments ("**Ijarah Periodic Payment Date**") and the Ijarah One-off Rental will be distributed on the Ijarah Maturity Date or the Ijarah Dissolution Date (which dissolves the corresponding Trust Assets and the termination of the Ijarah Agreement ("**Ijarah Dissolution Event**"), whichever is earliest.

Step 3

Cagamas shall declare a trust over the Ijarah Assets and the rights and interest under the relevant transaction documents and the Sukuk Cagamas proceeds of the foregoing ("**Trust Assets**"), for the benefit of the Sukukholders. Cagamas, in its capacity as the Issuer, shall issue the Sukuk Cagamas to represent the Sukukholders' undivided and proportionate beneficial ownership and interest over the Trust Assets.

Step 4

Pursuant to the Ijarah Agreement, the Lessee shall pay Lease Rental in respect of the Ijarah Assets during the Lease Period on the relevant Ijarah Periodic Payment Date in respect of Sukuk Cagamas with periodic payments or on a one-off basis on the Ijarah Maturity Date or the Ijarah Dissolution Date in respect of Sukuk Cagamas without periodic payments. The Lease Rental payable is equivalent to the periodic distribution rate, if any, on the nominal value of the respective Sukuk Cagamas, or the difference between the nominal value of the relevant Sukuk Cagamas and the Sukuk Cagamas proceeds, up to the respective Ijarah Maturity Date or the date of an Ijarah Dissolution Event (“**Ijarah Dissolution Date**”), whichever is applicable.

Step 5

Under the terms of a servicing agency agreement, 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 Ijarah Assets ("**Ownership Expenses**"). The Ownership Expenses, which are to be reimbursed by the Sukuk Trustee to Cagamas as Servicing Agent, will be set-off against the Ijarah Exercise Price payable by the Obligor to the Sukuk Trustee pursuant to the exercise of the Ijarah Purchase Undertaking on the Ijarah Maturity Date or Ijarah Dissolution Date, whichever is applicable.

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 or any event or occurrence that renders the whole (and not part only) of the Ijarah Assets permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical (“**Total Loss Event**”) in a particular Ijarah Agreement (unless the Servicing Agent is substituting the Ijarah Assets with qualified leasable assets as approved by the Joint Shariah Advisers within a stipulated timeframe pursuant to the Ijarah Substitution Undertaking), 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.

Step 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 the Ijarah Assets are partially damaged 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.

Step 7

Cagamas, as the Obligor, shall grant a purchase undertaking ("**Ijarah Purchase Undertaking**") 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 entering into a purchase agreement ("**Purchase Agreement**") by way of transfer of the beneficial ownership and interest of the Ijarah Assets from the Sukuk Trustee to the Obligor/Issuer; and will take place on the earlier of (i) the Ijarah Maturity Date or (ii) the Ijarah Dissolution Date or (iii) such other payment dates to be determined between the Obligor and the Sukuk Trustee, at a pre-determined Ijarah Exercise Price.

The Ijarah Exercise Price due from the Obligor to the Sukuk Trustee (on behalf of the Sukukholders) shall be set-off against reimbursement of the Ownership Expenses to the Servicing Agent. Upon full settlement of the Ijarah Exercise Price pursuant to the exercise of the Ijarah Purchase Undertaking, the 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 Ijarah Assets.

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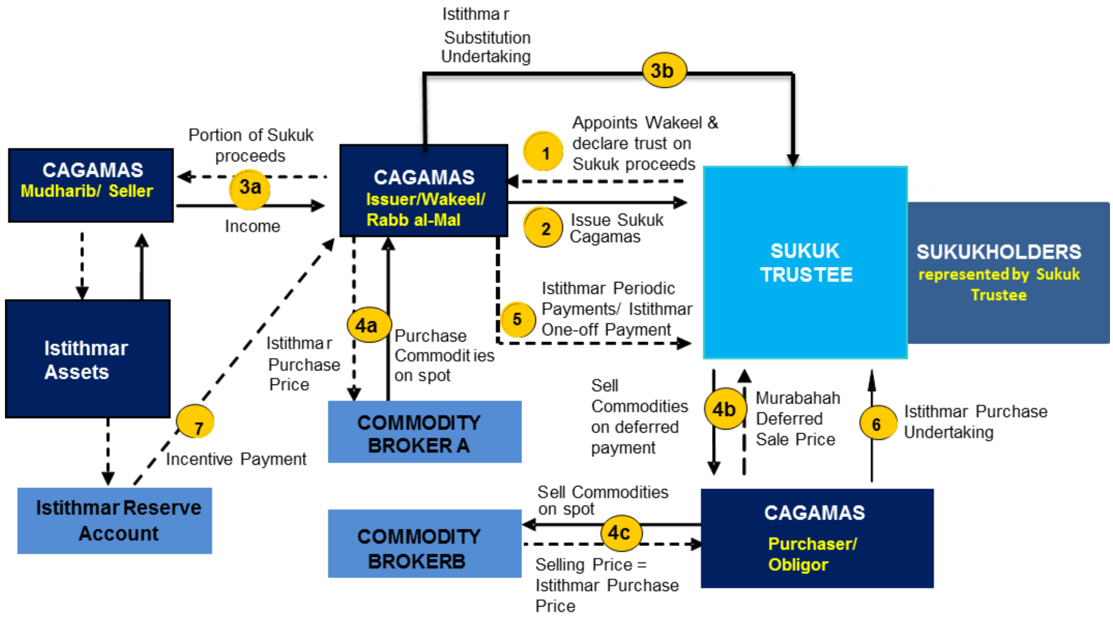
APPENDIX 5

Wakalah Bil Istithmar – Transaction Steps and Diagram

Unless otherwise defined, all capitalised terms herein are as defined in item 4 Facility Description of the Principal Terms and Conditions of the Sukuk Cagamas.



Step 1

In respect of the Wakalah Bil Istithmar transaction, the Sukuk Trustee (on behalf of the Sukukholders) will appoint Cagamas as Wakeel under a Wakalah agreement entered into between Cagamas and the Sukuk Trustee (as agent on behalf of the Sukukholders) ("**Wakalah Agreement**") to collect proceeds of the Sukuk Cagamas and invest the proceeds in the Istithmar Portfolio. The Wakeel shall declare a trust on the proceeds of the Sukuk Cagamas, for the benefit of the Sukukholders.

Step 2

Cagamas (as Issuer) will issue Sukuk Cagamas to the Sukukholders to evidence the Sukukholders' undivided and proportionate interest in the Istithmar Portfolio.

Cagamas, in the capacity of Wakeel of the Sukukholders who are represented by the Sukuk Trustee, will receive cash from the Sukukholders. The cash will be placed by Cagamas (as Wakeel) in a Sukuk investment trust ("**Sukuk Trust**") held in trust by the Sukuk Trustee on behalf of the Sukukholders. The Sukuk Trust will be utilised for purposes of (i) investment in Shariah-compliant tangible assets which include Equity Assets (as described below) and/or Shariah-compliant assets, i.e. asset based financings arising from Shariah principles of Ijarah and/or Musharakah Mutanaqisah and/or any other Shariah-compliant assets acceptable to the Joint Shariah Advisers ("**Istithmar Assets**") and (ii) commodity murabahah investment via a Tawarruq arrangement ("**Murabahah Investment**") (collectively known as the "**Istithmar Portfolio**"). The amount invested in Istithmar Assets shall at all times be at least 30% of the value of the Istithmar Portfolio.

In determining the value of the Istithmar Portfolio at any given time, the amount attributed to the Istithmar Assets shall be equal to the nominal value of such Istithmar Assets and the outstanding Murabahah Deferred Sale Price pursuant to the Murabahah Investment.

Step 3

Istithmar Assets

Equity Assets

a) Cagamas (as Wakeel to the Sukukholders who are the Rabb al-Mal) will place an amount of the cash in the Sukuk Trust as placement with Cagamas (acting for itself as Mudharib to the Wakeel) at an agreed profit sharing ratio ("**PSR**") and tenure to create a Mudharabah Interbank Investment ("**MII**") as part of the Istithmar Assets under the Istithmar Portfolio. Cagamas (as Mudharib), in turn, will use the proceeds from the MII to invest in Islamic investment products, i.e. MII certificates issued by Islamic banks, Government Investment Issues certificates, etc. A MII certificate shall be issued to evidence the Mudharabah arrangement between Cagamas as Wakeel and Cagamas as Mudharib to the Wakeel. Any losses in investment in Islamic investment products shall be borne by the Rabb al-Mal.

   Other Assets

   Tangible Shariah-compliant assets which will comprise any or all of the following:

   (i) asset based financing contracts based on Ijarah or Musharakah Mutanaqisah which have been acquired by Cagamas from Islamic financial institutions and/or its approved sellers (“**Approved Sellers**”);

   (ii) sukuk that are based on either an Ijarah or Wakalah Bil Istithmar structure or such other structure approved by the Joint Shariah Advisers, in each case having at least 30% underlying tangible assets, and which are owned by Cagamas prior to the sale to the Sukuk Trustee; and

   (iii) any other Shariah-compliant tangible assets, as approved by the Joint Shariah Advisers prior to the issuance of each Sukuk Cagamas.

b) The Wakeel shall provide a substitution undertaking ("**Istithmar Substitution Undertaking**") to the Issuer under which the Issuer shall have the right to substitute, via execution of an exchange agreement, certain Istithmar Assets from time to time throughout the tenure of the Sukuk Cagamas, if any of the Istithmar Assets based on financing contracts are early settled or the Istithmar Assets are no longer Shariah compliant, as the case may be, with qualified 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 Istithmar Assets. The Wakeel may replace the Istithmar Assets provided no Istithmar Event of Default has occurred.

Step 4

Purchasing and Selling Commodities **(“Murabahah Investment”)**

a) Cagamas (as Wakeel) shall use the remaining amount of the cash in the Sukuk Trust (after deducting the investment amount for the Istithmar Assets) to purchase the Commodities from Commodity Broker A on spot basis at a purchase price equal to the amount of such cash ("**Istithmar Purchase Price**"). By the terms of the Sukuk Cagamas, the Sukuk Trustee is appointed as agent for the Sukukholders to sell the Commodities. By the terms of the Sukuk Cagamas, the Wakeel will also agree and acknowledge that the Sukukholders have authorised the Sukuk Trustee (acting for the Sukukholders) to sell the Commodities.

b) The Sukuk Trustee (as agent for the Sukukholders) shall sell the Commodities to Cagamas (as Purchaser) at a deferred sale price which shall be the Istithmar Purchase Price plus the Istithmar Profit Margin ("**Murabahah Deferred Sale Price**").

c) Subsequently, Cagamas (acting as itself) shall sell the Commodities on a spot basis to Commodity Broker B for a cash consideration (Selling Price) which is equal to the Istithmar

Purchase Price. However, Commodities received may be used by Cagamas to facilitate its Islamic Operations before onward sale to Commodity Broker B. Commodity Broker A and Commodity Broker B could either be the Bursa Suq Al-Sila' commodity market or an independent licensed commodity broker.

Step 5

Cagamas, in its capacity as the Issuer, makes periodic principal and profit distributions (in the case of Sukuk Cagamas on amortising basis) or profit distributions on a semi-annual or other periodic basis ("**Istithmar Periodic Payments**") (based on a profit rate to be agreed (in the case of Sukuk Cagamas issued based on fixed profit rate), or the Effective Profit Rate in the case of Sukuk Cagamas issued based on floating profit rate))as determined prior to the issuance of such Sukuk Cagamas with periodic payments or for such Sukuk Cagamas without periodic payments and at a discount on one-off basis ("**Istithmar One-off Payment**"), or both Istithmar Periodic Payments and Istithmar One-Off Payment for such Sukuk Cagamas with periodic payments issued at a discount, to the Sukuk Trustee on account of its obligation to pay the Murabahah Deferred Sale Price and income generated from the Istithmar Assets (if any). Each of such payment shall pro tanto reduce the obligation of the Issuer on the Sukuk Cagamas issued. On the date of maturity of the Sukuk Cagamas ("**Istithmar Maturity Date**") or upon the occurrence of an event of default ("**Istithmar Event of Default**"), whichever is earlier, all amounts then outstanding on the Murabahah Deferred Sale Price (subject to Ibra', where applicable) shall be paid by Cagamas to the Sukuk Trustee. For the avoidance of doubt, Ibra' will be applicable only to the commodity trading portion of the Istithmar Portfolio i.e. the Murabahah Deferred Sale Price.

Step 6

Cagamas, in its capacity as the Obligor, shall also grant to the Sukuk Trustee (acting on behalf of the Sukukholders) a purchase undertaking ("**Istithmar Purchase Undertaking**"), whereby the Obligor shall undertake to purchase such portion of the Sukukholders' undivided beneficial interest in the Istithmar Assets which may include any outstanding Equity Assets and/or Other Assets from the Sukuk Trustee at the relevant Istithmar Exercise Price (as defined herein), upon the Istithmar Maturity Date or the date of an Istithmar Event of Default ("**Istithmar Event of Default Date**") or such other payment dates to be determined between the Obligor and the Sukuk Trustee, whichever is earlier.

The Istithmar Exercise Price for the purchase of the Sukukholders' undivided proportionate interest in the Istithmar Assets under the relevant Sukuk Cagamas shall be calculated based on the relevant formula of the Istithmar Exercise Price.

Upon exercise of the Istithmar Purchase Undertaking and the full payment of the Istithmar Exercise Price and the outstanding Murabahah Deferred Sale Price, the relevant trust in respect of the Istithmar Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.

Step 7

Incentive Payment

Provided that the income generated from the Istithmar Portfolio is sufficient to satisfy all payments under the Sukuk Cagamas, any excess income generated from the Istithmar Portfolio shall be credited by the Wakeel, on behalf of the Issuer, to a reserve account ("**Istithmar Reserve Account**"). Following redemption of the Sukuk Cagamas in full, any balance in the Istithmar Reserve Account shall be retained by the Wakeel as an incentive payment for the performance of its obligations under the Wakalah Agreement.

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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* for additional information).

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

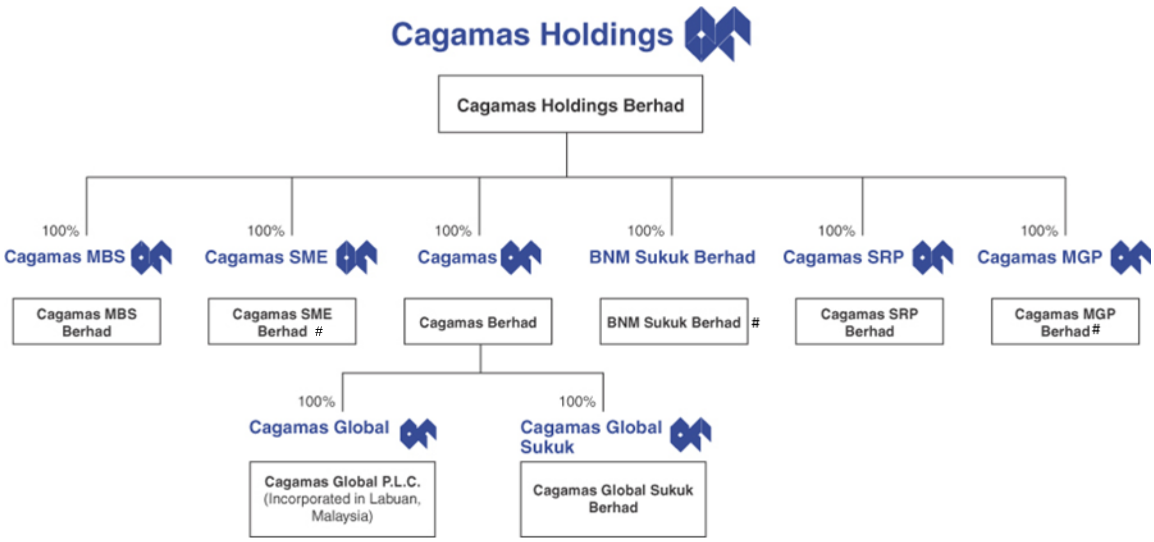
(a) Cagamas MBS purchases staff housing loans and house financings (both conventional and Islamic) from the GOM, funded through the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities.

(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 of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM318.6 billion worth of corporate bonds and sukuk[1].

[1] Cagamas press release on 1 March 2019.

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



#Notes: 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	76.7	18	0.2 - 16.5
Investment Banks	3.3	4	0.4 - 1.6
Total	100.0	23	-

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
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	3,183,000	2.1
Alliance Investment Bank Berhad	2,400,000	1.6
Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
Affin Bank 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 (Formerly known as Bank of Tokyo-Mitsubishi UFJ (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

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 P.L.C.	Malaysia	100
Cagamas Global Sukuk Berhad	Malaysia	100
Related Companies		
BNM Sukuk	Malaysia	-
Cagamas MBS	Malaysia	-
Cagamas MGP	Malaysia	-
Cagamas SME	Malaysia	-
Cagamas SRP	Malaysia	-

Cagamas Global P.L.C.

Cagamas Global P.L.C. 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 on 29 August 2014.

Cagamas Global Sukuk Berhad ("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.

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 eight Non-Executive Directors and one Executive Director.

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

Name	Nationality	Designation
Datuk Shaik Abdul Rasheed bin Abdul Ghaffour	Malaysian	Non-Independent Non-Executive Chairman
Dato’ Halipah binti Esa	Malaysian	Independent Non-Executive Director
Dato’ Md Agil bin Mohd Natt	Malaysian	Independent Non-Executive Director
Encik Philip Tan Puay Koon	Malaysian	Independent Non-Executive Director
Datuk Azizan bin Haji Abd Rahman	Malaysian	Independent Non-Executive Director
Dato’ Wee Yiaw Hin @ Ong Yiaw Hin	Malaysian	Independent Non-Executive Director
Encik Nazrul Hisyam bin Mohd Noh	Malaysian	Non-Independent Non-Executive Director
Puan Ho Chai Huey	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:

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour – Non-Independent Non-Executive Chairman

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour **(Non-Independent Non-Executive Chairman)** **Aged 55, Malaysian**		
Date Appointed to the Board **Membership of Board Committees** **Board Meeting Attended**	**:** **:** :	1 January 2017 (Elected as Chairman on 1 July 2017) Board Staff Compensation and Organisation Committee 6/6*
QUALIFICATION		
• Bachelor’s degree in Economics (Honours), University of Malaya		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Deputy Governor, Bank Negara Malaysia - Member, Monetary Policy Committee - Member, Management Committee - Member, Reserve Management Committee - Member, Risk Management Committee		

Past:	
• Director, Cagamas Holdings Berhad • Chairman, Cagamas SRP Berhad	• Alternate Executive Director for Malaysia Executive Board, International Monetary Fund, Washington DC • Assistant Governor, Bank Negara Malaysia

Dato' Halipah binti Esa — Independent Non-Executive Director

Dato' Halipah binti Esa **(Independent Non-Executive Director)** **Aged 70, Malaysian**		
Date Appointed to the Board	**:**	27 March 2013
Membership of Board Committees	**:**	Chairman, Board Staff Compensation and Organisation Committee
Board Meeting Attended	:	6/6*
QUALIFICATION		
• Bachelor of Arts (Honours) degree in Economics, University of Malaya • Master of Economics degree, University of Malaya • Certificates in Economic Management, IMF Institute, Washington • Kiel Institute for World Economics, Germany • Certificate in Advanced Management Programme, Adam Smith Institute, London.		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Director, KLCC Property Holdings Berhad • Director, Malaysia Marine and Heavy Engineering Holdings Berhad • Director, SP Setia Berhad • Director, Malaysia Maritime Academy Sdn Bhd • Director, The Securities Industry Dispute Resolution Centre		
Past:		
• Chairman, Pengurusan Aset Air Berhad • Chairman, Cagamas SME Berhad • Director, Petroliam Nasional Berhad • Director, Employees Provident Fund • Director, Inland Revenue Board • Director, FELDA • Director, UDA Holdings Berhad • Director, NCB Holdings Berhad • Director, MISC Berhad • Director, Malaysia Deposit Insurance Corporation		• Director General, Economic Planning Unit (EPU) • Deputy Secretary General, Ministry of Finance • Consultant to the World Bank and United Nations Development Programme

Dato' Md Agil bin Mohd Natt — Independent Non-Executive Director

Dato' Md Agil bin Mohd Natt **(Independent Non-Executive Director)** **Aged 68, Malaysian**		
Date Appointed to the Board **Membership of Board Committees** **Board Meeting Attended**	: : :	12 August 2011 Board Executive Committee Board Staff Compensation and Organisation Committee 6/6*
QUALIFICATION		
• Bachelor of Science in Economics (Hons) degree, Brunel University, United Kingdom • Master of Science (Finance) degree, Cass Business School, City, University of London • Advance Management Program, Harvard Business School, United States		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Chairman, Manulife Insurance Berhad • Chairman, Manulife Asset Management Services Berhad • Chairman, Credit Guarantee Corporation Malaysia Berhad • Director, Sogo (KL) Sdn. Bhd. • Director, Sogo (KL) Department Store Sdn. Bhd. • Trustee, Yayasan Tun Abdul Razak • Member, Investment Panel, Kumpulan Wang Simpanan Pekerja		
Past:		
• Sumitomo Mitsui Banking Corporation Malaysia Berhad • Export-Import Bank of Malaysia Berhad		• President/Chief Executive Officer, The International Centre for Education in Islamic Finance (INCEIF) • Deputy President/Executive Director, Maybank Group • Chief Executive Officer, Aseambankers Berhad (now known as Maybank Investment Bank Berhad) • Chief Representative, Kleinwort Benson Limited • Senior General Manager, Island & Peninsular Berhad • Corporate Finance Manager, Bumiputra Merchant Bankers Berhad

Encik Philip Tan Puay Koon — Independent Non-Executive Director

Encik Philip Tan Puay Koon **(Independent Non-Executive Director)** **Aged 62, Malaysian**		
Date Appointed to the Board **Membership of Board Committees** **Board Meeting Attended**	: : :	12 August 2011 Board Executive Committee Chairman, Board Risk Committee 6/6*
QUALIFICATION		
• Honours degree in Business Studies majoring in Accounting and Finance, North-East London Polytechnic, United Kingdom		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		

- Director, Payments Network Malaysia Sdn. Bhd. (PayNet)
- Director, S P Setia Berhad
- Director, Citibank Berhad
- Director, Qinzhou Development (Malaysia) Consortium Sdn. Bhd.
- Director, China-Malaysia Qinzhou Industrial Park (Guangxi) Development Co. Ltd.
- Director, Malaysian Electronic Payment Sdn. Bhd. (MEPS)
- Director, MEPS Currency Management Sdn. Bhd. (MCM)
- Member, Corporate Debt Restructuring Committee, Bank Negara Malaysia

Past:

- Director, Danajamin Nasional Berhad
- Director, MIDF Amanah Investment Bank Berhad
- Country Treasurer and Financial Markets Head, Citibank Berhad
- Managing Director/Chief Financial Officer, Emerging Market Sales and Trading, Asia-Pacific, Citigroup (Singapore)
- Senior management positions, MUI Group of Companies

Datuk Azizan bin Haji Abd Rahman – Independent Non-Executive Director

Datuk Azizan bin Haji Abd Rahman
(Independent Non-Executive Director)
Aged 63, Malaysian

Date Appointed to the Board	:	1 January 2019
Membership of Board Committees	:	Board Risk Committee
Board Meeting Attended	:	-*

QUALIFICATION

- Bachelor in Accounting (Honours) degree, University of Malaya
- Master's degree in Business Administration, University of Queensland, Australia
- Fellow Member of CPA (Australia)
- Chartered Accountant of Malaysian Institute of Accountants

WORKING EXPERIENCE / OTHER DIRECTORSHIPS

Present:

- Director, Cagamas SRP Berhad
- Chairman, Malaysian Rating Corporation Berhad
- Chairman, MIDF Amanah Investment Bank Berhad
- Chairman Kensington Trust Malaysia Berhad
- Director, Malaysian Industrial Development Finance Berhad
- Director, OCBC Bank Malaysia Berhad
- Director, OCBC Al-Amin Bank Berhad
- Director, Danum Capital Berhad
- Member, Panel Review Committee, Suruhanjaya Pencegahan Rasuah Malaysia
- Chairman, Kensington Trust Labuan Ltd
- Director, CTOS Holdings Sdn Bhd
- Director, CTOS Data Systems Sdn Bhd
- Director, City Credit Investment Bank Ltd, Labuan
- Director, MARC Risk Management Solutions Sdn Bhd
- Director, MARC Training Sdn Bhd

Past:

- Director, Cagamas Holdings Berhad
- Director, Kumpulan Wang Persaraan (Diperbadankan)

- Member, Investment Committee

- Director, ERF Sdn Bhd
  - Member, Investment Committee
- Advisor to the Malaysian Accounting Standards Board
- Director General, Labuan Financial Services Authority (Labuan FSA)
- Director, Banking Supervision, Bank Negara Malaysia
- Director, Barakah Offshore Petroleum Berhad

Dato' Wee Yiaw Hin – Independent Non-Executive Director

Dato' Wee Yiaw Hin
(Independent Non-Executive Director)
Aged 60, Malaysian

Date Appointed to the Board	**:**	**1 July 2016**
Membership of Board Committees	**:**	Board Staff Compensation and Organisation Committee
Board Meeting Attended	:	6/6*

QUALIFICATION

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

WORKING EXPERIENCE /OTHER DIRECTORSHIPS

Present:

- Director, ENRA Group Berhad

Past:

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

Encik Nazrul Hisyam bin Mohd Noh – Non-Independent Non-Executive Director

Encik Nazrul Hisyam bin Mohd Noh
(Non-Independent Non-Executive Director)
Aged 45, Malaysian

Date Appointed to the Board	**:**	1 January 2017
Membership of Board Committees	**:**	Board Risk Committee
Board Meeting Attended	:	4/6

QUALIFICATION

- Bachelor of Arts, Economics, University of Cambridge
- Masters of Arts, Economics, University of Cambridge

WORKING EXPERIENCE /OTHER DIRECTORSHIPS

Present:

- Assistant Governor, Bank Negara Malaysia

Past:

• Chief of Staff, Bank Negara Malaysia - Director, International Department - Deputy Director, Monetary Policy Implementation - Deputy Director, Investment Operations - Deputy Director, Financial Market Department • Member, Taskforce on ASEAN Banking Integration Framework (ABIF) • Director, CIMB Agro Ventures - Member, Investment Committee

Puan Ho Chai Huey –Independent Non-Executive Director

Puan Ho Chai Huey **(Independent Non-Executive Director)** **Aged 59, Malaysian**		
Date Appointed to the Board **Membership of Board Committees** **Board Meeting Attended**	**:** **:** :	1 February 2019 Member, Board Risk Committee -*
QUALIFICATION		
• Bachelor of Economics, Honours Class 1 Statistics, University of Malaya		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Director, HSBC Amanah Malaysia Berhad • Senior Consultant, Information Technology and Project Management Office, STF Resources Sdn Bhd		
Past:		
• Director, Information Technology (IT), Bank Negara Malaysia - Deputy Director, IT - Manager, End-user Computing and System Development including Project Management for financial accounting, treasury and financial market systems - IT System Analyst		

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

Datuk Chung Chee Leong **(Non-Independent Executive Director)** **Aged 59, Malaysian**		
Date Appointed to the Board **Membership of Board Committees** **Board Meeting Attended**	**:** **:** :	27 March 2013 Board Executive Committee 6/6*
QUALIFICATION		
• Bachelor of Economics (Honours) degree, majoring in Business Administration, University of Malaya • Summer School Programme, University of Cambridge		
WORKING EXPERIENCE / OTHER DIRECTORSHIPS		
Present:		

• President/CEO, Cagamas Berhad • Chairman, Cagamas Global PLC • Chairman, Cagamas Global Sukuk Berhad • Director, Cagamas MBS Berhad • Director, Cagamas SRP Berhad • Director, BNM Sukuk Berhad • Director, Cagamas SME Berhad • Director, Cagamas MGP Berhad • Chairman, International Secondary Mortgage Market Association • Member, Bond Market Sub-Committee & Financial Market Committee, Bank Negara Malaysia
Past:
• Chairman, Asian Secondary Mortgage Market Association • Director, Risk Management, Bank Negara Malaysia • Director, Credit Guarantee Corporation Berhad - Member, Board Audit Committee • Member, Small Debt Resolution Committee

** Meetings attended in 2018*

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 and Executive Director
Puan Norazilla Md Tahir	Malaysian	Senior Vice President, Finance & Business Process
Encik Ricky Dang	Malaysian	Senior Vice President, Risk Management
Encik Azizi Ali	Malaysian	Senior Vice President, Business & Product Development
Encik Delvin Chong	Malaysian	Senior Vice President, Treasury and Capital Markets
Encik S. Shanmuganathan	Malaysian	Senior Vice President, Operations and Services
Puan Mazlina Saidi	Malaysian	Senior Vice President, Human Capital and Administration
Puan Malathi Menon	Malaysian	Senior Vice President, Legal & General Counsel

Name	Nationality	Designation
Datuk Chung Chee Leong	Malaysian	President/Chief Executive Officer and Executive Director
Puan Norazilla Md Tahir	Malaysian	Senior Vice President, Finance & Business Process
Encik Ricky Dang	Malaysian	Senior Vice President, Risk Management
Encik Leong See Meng	Malaysian	Senior Vice President, Corporate Strategy & Communications
Puan Sarah Abdul Aziz	Malaysian	Company Secretary, Vice President/Head, Corporate Secretariat
Encik Mohd Ridhwan Abdul Mujib	Malaysian	Vice President/Head, Internal Audit

The biographies of the management are set forth below:

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

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

(b) Puan Norazilla Md Tahir
Senior Vice President, Finance & Business Process

Puan Norazilla Md Tahir is the Senior Vice President, Finance & Business Process, overseeing the Finance and Business Process Management Departments.

Prior to joining Cagamas, Puan Norazilla was the Head of Finance at RHB Islamic Bank Berhad and was the Finance Director of several multinational corporations. Puan Norazilla has had extensive experience throughout her 30 years career in audit and finance.

Puan Norazilla is a qualified chartered accountant and holds an Accounting degree from the University of Stirling, Scotland. She is a fellow Member of the Institute of Chartered Accountants in England and Wales.

(c) Encik Ricky Dang
Senior Vice President, Risk Management

Encik Ricky Dang is the Senior Vice President, Risk Management, overseeing the Risk Management, Credit and Business Continuity Management Departments.

Encik Ricky Dang has more than 21 years of experience in risk management, credit risk and audit. He was attached to various organisations including banking, regulatory body and audit firm. Prior to joining Cagamas, he was the Senior Vice President, Head of Credit Risk Management at Alliance Bank Malaysia Berhad.

Encik Ricky Dang holds a Master of Business Administration from University of South Australia. He is a member of the Association of Chartered and Certified Accountant, Chartered Financial Analyst and Financial Risk Manager.

(d) Encik Azizi Ali
Senior Vice President, Business & Product Development

Encik Azizi Ali, Senior Vice President, Business & Product Development oversees the Core & Structured Business and Islamic Business Departments. He also sits on the board of Cagamas SME, Cagamas Global P.L.C. and Cagamas Global Sukuk.

Encik Azizi has over 32 years of experience in finance, treasury, structured finance and debt capital markets, and was part of the team that established Cagamas' Islamic business in 1994 with the issuance of Malaysia's first Sukuk Mudharabah. He was the Head of Accounts and the Head of Treasury before being appointed as the Senior Vice President, Islamic Business in 2005.

Encik Azizi holds a Master of Science (Accounting) degree from Roosevelt University, USA and a Bachelor of Business Administration degree in Accounting Information Systems from Idaho State University, USA. He is also a member of the Malaysian Institute of Accountants and Persatuan Pasaran Kewangan Malaysia (PPKM).

(e) Encik Delvin Chong
Senior *Vice President, Treasury and Capital Markets*

Encik Delvin Chong is the Senior Vice President, Treasury and Capital Markets overseeing the funding, liquidity management and investment operations for Cagamas.

Encik Delvin Chong has over 24 years of experience in treasury, structured finance, debt capital markets and pricing analytics. He was the Head of Data & Pricing Analytics before being appointed as the Senior Vice President, Corporate Strategy and Analytics in 2016.

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 PPKM.

(f) Encik S. Shanmuganathan
Senior Vice President, Operations and Services

Encik S. Shanmuganathan is the Senior Vice President, Operations and Services, overseeing Operations and Information Technology.

Encik Shanmuganathan has 30 years of working experience and was formerly Head of IT and Head of Business Operations and has held treasury, corporate secretarial and finance positions before being appointed to his present position in

2006. He was one of the lead members involved in the securitisation of GOM staff housing loans which required an in-depth understanding of housing loan data, modelling and due diligence, and one of the people involved in the conception and delivery of the SRP by the GOM in 2011.

Encik Shanmuganathan holds an MBA in Finance from the University of Western Sydney, Australia and a Bachelor of Science (Honours) in Computer Science from Universiti Sains Malaysia. He was previously attached to the Malaysian Institute of Economic Research prior to joining Cagamas in 1989.

(g) Puan Mazlina Saidi
Senior Vice President, Human Capital and Administration

Puan Mazlina Saidi, the Senior Vice President, Human Capital and Administration, oversees the Human Capital and Administration Department.

Puan Mazlina holds an Advance Diploma in Personnel Management, Universiti Kebangsaan Malaysia. She is a Fellow of the Life Management Institute (FLMI) and an Associate in Customer Service (ACS) from the Institute of Life Office Management (LOMA).

Prior to joining Cagamas, Puan Mazlina was the Head of HR Relationship Management, Business Group, Group Human Resource, Hong Leong Bank Berhad. Puan Mazlina has over 33 years of experience in human resources. She has held senior management human resources portfolios in various industries including banking, telecommunications, insurance, manufacturing and hospitality.

(h) Puan Malathi Menon
Senior Vice President, Legal & General Counsel

Puan Malathi Menon, Senior Vice President, Legal & General Counsel, oversees the Legal, Corporate Secretariat and Compliance Departments.

Puan Malathi Menon has over 30 years of experience in legal and compliance matters 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 Zain & Co, in the areas of general litigation and arbitration, involving banking, building and construction and contractual disputes. She was the Head of Legal before being appointed as the Senior Vice President, Legal & General Counsel in 2018.

(i) Encik Leong See Meng
Senior Vice President, Corporate Strategy and Communications

Encik Leong See Meng is the Senior Vice President, Corporate Strategy and Communications, overseeing the Corporate Planning and Strategic Communications 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.

(j) Puan Sarah Abdul Aziz
Company Secretary/Vice President/Head, Corporate Secretariat

Puan Sarah Abdul Aziz is the Vice President/Head, Corporate Secretariat, overseeing the Corporate Secretariat Department.

She is also the Company Secretary of Cagamas Holdings, Cagamas MBS, Cagamas SME, Cagamas MGP, Cagamas SRP, BNM Sukuk, Cagamas Global P.L.C. and Cagamas Global Sukuk. She has been with Cagamas for over 32 years and has held various portfolios covering areas such as corporate secretarial, communications, human resources and administration.

Puan Sarah holds a degree in Library and Information Science from Universiti Teknologi MARA (UiTM) and is a licensed Company Secretary.

(k) Encik Mohd Ridhwan Abdul Mujib
Vice President/Head, Internal Audit

Encik Mohd Ridhwan Abdul Mujib is the Vice President/Head of the Internal Audit Department and also the Secretary to the Group Board Audit Committee of Cagamas Holdings.

Encik Mohd Ridhwan Abdul Mujib has more than 26 years of experience in the financial services industry particularly in audit. Prior to joining Cagamas in October 2006, he was attached to Credit Guarantee Corporation, Bank Muamalat Malaysia Berhad, Bank Bumiputra Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad and Development & Commercial Bank Berhad.

Encik Mohd Ridhwan Abdul Mujib holds a Bachelor of Business Administration (Honours) in Finance and Diploma in Accountancy from UiTM.

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SECTION 4.0 INVESTMENT CONSIDERATIONS

The following is a summary of risk factors relating to 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 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 MTN Programme.

(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 interest/profit 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 financial institutions and non-financial institutions for the continuation of Cagamas' business

Cagamas' business is dependent on Malaysian financial institutions and non-financial institutions selling assets to it in the secondary market. Where there is strong competition in the origination of such assets in the primary market, interest margins may tighten, resulting in there being less of an incentive for financial institutions and non-financial institutions to sell their assets to Cagamas. There can be no assurance that financial 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 MTN Programme. 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 interest/profit 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. 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 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 and interest/profit 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, as measured by the annual percentage change in the Consumer Price Index (CPI), averaged 1% in 2018 (2017: 3.7%). The decrease in inflation was primarily driven by lower domestic fuel prices. Furthermore, the combined outcome of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Services Tax (SST) continued to exert an overall downward impact to headline inflation.

In 2019, headline inflation is expected to average moderately higher. The implementation of SST will exert a temporary impact on headline inflation in 2019, and will start to weaken towards the end of the year. With the floating of domestic fuel prices in January 2019, the lower global oil prices would help to contain the increase in headline inflation. Nevertheless, underlying inflation, which excludes the impact of the changes in consumption tax policy, is expected to be broadly stable in 2019 in the absence of strong demand pressure. Higher global commodity prices and disruptions in domestic food supplies also contributed to the higher inflation.

4.2 Risks relating to the Notes

(a) Ratings of the MTN Programme

The MTN Programme has been accorded final rating of AAA 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 MTN Programme 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 MTN Programme. 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 MTN Programme.

(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 interest/profit 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 interest/profit 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 in. 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 interest/profit rate risks

Noteholders may suffer unforeseen losses due to fluctuations in interest/profit 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 interest/profit rates. Generally, a rise in interest/profit rates may cause a fall in bond/sukuk prices. The Notes may be similarly affected resulting in a capital loss for Noteholders. Conversely, when interest/profit 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 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 MTN Programme

The Notes 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 of Cagamas' Subsidiaries or affiliates or any other person involved or interested in the MTN Programme. 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 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 interest/profit is payable in one or more currencies, or where the currency for principal or interest/profit 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, interest/profit rates and other factors that may affect its investment and its ability to bear the applicable risks.

Some 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 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 legal 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) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of 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 CMTNs and/or the Sustainability Sukuk Cagamas, Cagamas has adopted the Cagamas’ Sustainability Bonds/Sukuk Framework and RAM Consultancy Services Sdn Bhd has provided 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 may be published by Cagamas on its website. Further, no assurance is given that the loans/assets purchased using the proceeds of the Sustainability CMTNs 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 MTN Programme 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.

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.

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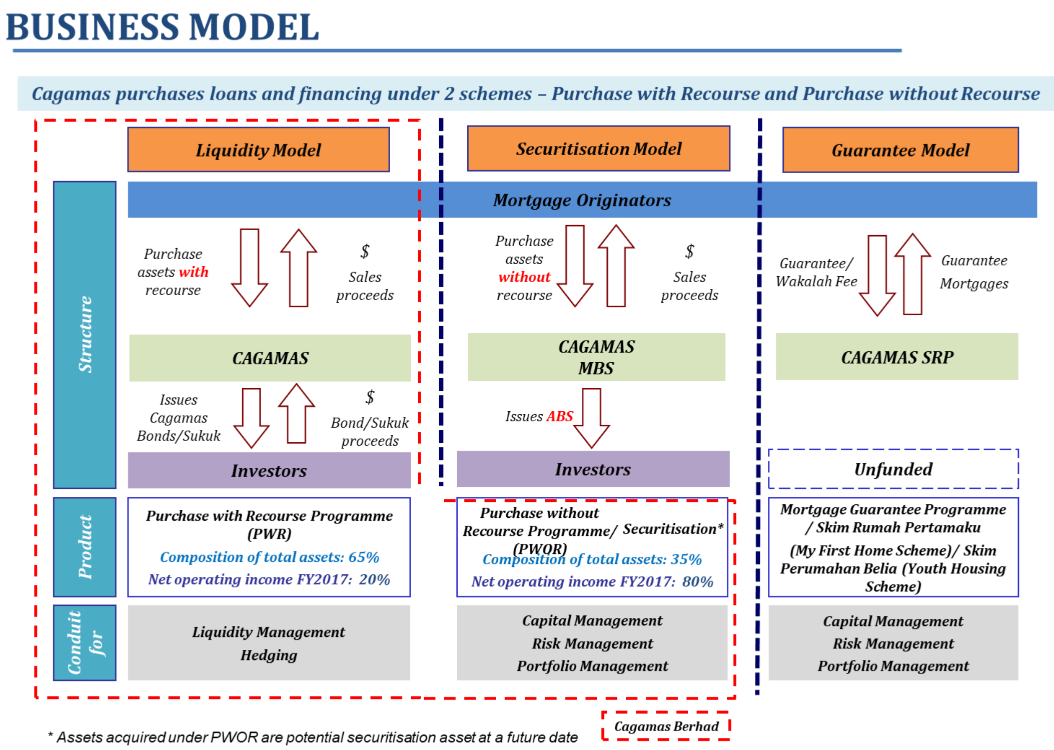
SECTION 5.0 BUSINESS

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. In addition to the two 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 financing funded through the issue of residential mortgage-backed securities by Cagamas MBS.

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



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. To manage liquidity risk, Cagamas issues debt securities that match as closely as possible the corresponding cashflows and maturity profiles of the loans and financings. All debt issued by Cagamas is unsecured and ranks pari passu amongst itself.

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Cagamas recorded RM14.0 billion of purchases of loans and financing in 2017 under the PWR scheme (2016: RM5.7 billion) and RM100.0 million purchase of loans under the PWOR scheme (2016: Nil). Cagamas' net outstanding loans and financing rose by 16% to RM37.6 billion in 2017 (2016: RM32.5 billion). As at the end of 2017, residential mortgages dominated Cagamas' portfolio at 98.8%, followed by hire purchase loans and financing at 0.8% and personal loans and financing at 0.4%. Cagamas' Islamic assets portfolio against conventional assets contracted to a ratio of 32:68, while PWR and PWOR loans and financing portfolios were at 65% and 35% respectively. The gross impaired loans and financing under the PWOR scheme remained low at 0.72%, while net impaired loans and financing was at 0.23%.

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) and Rahn (collateral) receivables. 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.

In utilising the PWR scheme, a Selling Institution is able to hedge its 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 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 interest rates environment. Similarly, in a falling 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 at 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). 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 an institution wishing to sell loans and financings to Cagamas under the PWR scheme is unable to satisfy Cagamas’ eligibility criteria, it 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 repayment/payment of principal and interest/profit 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 interest/profit only throughout the contracted review period with bullet repayment/payment of the principal on the review date.

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 criteria:

(a) the PWR Housing Loan must be secured by a first charge or assignment of rights over the secured property;
(b) the purpose of the PWR Housing Loan must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
(c) the PWR Housing Loan must be fully disbursed;
(d) the borrower of the PWR Housing Loan must not be more than one month in arrears at the time of the proposed sale of the PWR Housing Loan to Cagamas;
(e) the PWR Housing Loan must not expire before the end of the agreed contracted review period; and
(f) all other eligibility criteria contained in Cagamas' product guide, as updated from time to time (the "**Cagamas Guide**") (Mortgage/Housing) must be satisfied.

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 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 PWR HPL Debt must not expire before the end of the agreed contracted review period;
(e) each PWR HPL Debt must, disregarding any unearned finance charges, have a book balance of less than RM2 million; and
(f) all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts) must be satisfied.

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 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 borrower of the 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; and
(f) all other eligibility criteria contained in the Cagamas Guide (Commercial and Industrial Property Loans) must be satisfied.

PWR Personal Loans

Under the PWR scheme, Cagamas purchases conventional personal loans ("**PWR Personal Loans**") granted for the purpose of personal consumption. The following 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 borrower of the 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.

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 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, 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 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 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 obligor of the 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);
(g) the IHF must be secured by a first charge or assignment of rights over the secured property; and
(h) the IHF must comply with any other criteria contained in the Cagamas Guide (Islamic House Financing).

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 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 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 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 greater than Cagamas' required rate of return (not applicable for floating rate); and
(g) the IHP /Islamic Leasing must comply with any other criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing).

Islamic PWR Personal Financing

Under the PWR scheme, Cagamas purchases Islamic Personal Financing ("**IPFs**") from IFIs under Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) or Bai' al-Dayn (debts trading). The following 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 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 greater than Cagamas' required rate of return (not applicable for floating rate); and
(f) the IPF must comply with any other criteria contained in the Cagamas Guide (Islamic Personal Financing).

B. 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 of 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 at 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 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. 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 PWOR Housing Loan must be repayable/payable in Ringgit;
(d) 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;
(e) 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;
(f) the monthly instalment payable under the PWOR Housing Loan must be greater than 110% of the interest portion of the monthly instalment;
(g) 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));
(h) 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
(i) 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 car must have been manufactured no 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;
    a. the original margin of finance must not be more that 80%. of the purchase price or market value;
(d) 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;
(e) the monthly instalment payable under the PWOR HPL Debt must be greater than 110%. of the interest portion of the monthly instalment;
(f) 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.

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 are typically issued under Cagamas' RM20 billion Islamic and Conventional Commercial Papers Programme and under the MTN Programme. The instruments issued under the programmes are as follows:

CMTNs with Fixed Rate

CMTNs with fixed rate under 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 MTN Programme have an adjustable interest rate pegged to the Kuala Lumpur Interbank Offered Rate (KLIBOR). 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.

*Commercial Paper ("**CPs**")*

CPs under RM20 billion Islamic and Conventional Commercial Papers Programme are short-term instruments with maturities of between one to twelve months, issued at either a discount from the face value where the relevant CPs are redeemable at their nominal value upon maturity or issued with interest where interest is 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 P.L.C. 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 P.L.C., 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 P.L.C., 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 P.L.C., surrendered to any paying agent for cancellation.

The following table sets out the outstanding conventional debt securities issued and guaranteed by Cagamas as at the 30 June 2018*.

Outstanding Conventional Debt Securities issued and guaranteed by Cagamas	**As at the 30 June 2018**
	(RM '000)
Instrument issued by Cagamas	**21,387,312**
Instrument guaranteed by Cagamas	**4,760,739**
Total..	**26,148,051**

**** Unaudited Interim Financial Statement as at 30 June 2018***

Sukuk Cagamas

Cagamas issues Sukuk Cagamas via RM20 billion Islamic and Conventional Commercial Papers Programme and under the MTN Programme. The instruments issued under the programmes are as follows:

Sukuk Cagamas with Fixed Profit Rate

Sukuk Cagamas with fixed profit rate under 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 Cagamas is at nominal value together with profit due on maturity.

Sukuk Cagamas with Variable Profit Rate

Sukuk Cagamas with variable profit rate under the MTN Programme have tenures of more than one year and variable profit rates pegged to the KLIBOR 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 Cagamas is redeemed with any outstanding profit amounts due on maturity.

Sukuk Cagamas under RM20 billion Islamic and Conventional Commercial Papers Programme

Sukuk Cagamas under RM20 billion Islamic and Conventional Commercial Papers Programme are 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 Cagamas are redeemable at their nominal value upon maturity or issued with profit paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

Cagamas may issue Sukuk Cagamas under RM20 billion Islamic and Conventional Commercial Papers Programme and MTN Programme based on but not limited to the following Shariah principles:

- *Murabahah (via a Tawarruq arrangement)*
- *Musharakah*
- *Mudharabah*

- *Ijarah*
- *Wakalah Bil Istithmar*

Where permitted by the respective trust deeds, Cagamas may at any time purchase its Sukuk from the open market and the repurchased 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 RM), 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 the 30 June 2018.

Outstanding Sukuk issued by Cagamas	**As at the 30 June 2018**
	(RM ’000)
Instrument	**14,386,668**
Total	**14,386,668**

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 debt securities 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.

Cagamas aims to be acknowledged as a leader in the provision of financial support in Malaysia’s efforts to meet the housing needs of Malaysians, to be the pace-setter for the development of the corporate bonds and sukuk market within Malaysia and to attain recognition on a national and international level for its work as a pioneer with a successful business model for others wishing to establish a successful secondary mortgage liquidity facility and mortgage-backed securitisation offerings.

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;

(c) nurturing and maintaining a competent workforce of the highest integrity and professionalism;

(d) using technology to enhance productivity and efficiency;

(e) valuing its staff for their commitment and loyalty; and

(f) 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 and competitive home financing;

(b) participating in GOM projects such as Program Perumahan 1Malaysia or 1Malaysia Housing Programme (PR1MA) (GOM's project to plan, develop, construct and maintain high-quality housing with lifestyle concepts for middle-income households in key urban centres);

(c) playing a role in assisting financial institutions in coming up with risk and capital management solutions, especially in light of the implementation of Basel III from 2018;

(d) product enhancement to include contribution in Waqf (endowment) development, infrastructure project facilitation and participation in Development Financial Institutions assistance to further spur the growth of small and medium enterprises;

(e) continuing to undertake its primary role in the financial system to accelerate liquidity to the secondary mortgage market by providing competitively priced funding, which is achieved through its diversification of funding sources and widening of its investor base;

(f) exploring opportunities to replicate Cagamas business model within other countries located in South East Asia as a complement to those Malaysian financial institutions expanding within South East Asia;

(g) exploring the feasibility of purchasing loans/ financing related to environmental and/or social impact projects via the issuance of Sustainability Bonds and/or Sustainability Sukuk Cagamas; and

(h) facilitating the GOM in providing affordable homes via provision of project financing to selected affordable housing developers related to the GOM.

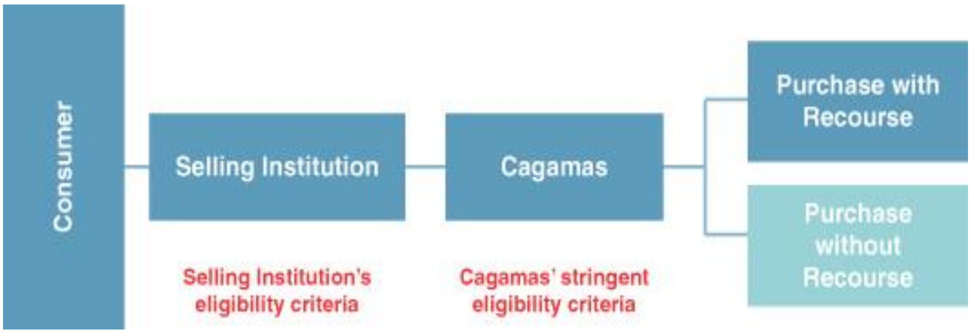
5.3 *Key strengths*

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 absence of 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 1986. The largest shareholder of Cagamas Holdings is BNM with whom the Cagamas Group maintains close ties. Since its incorporation, BNM has traditionally had influential representation on Cagamas Holdings' board of directors. 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 the 31 December 2018, Cagamas has issued conventional debt securities and Sukuk of RM319.6 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 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 positive growth 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 2017, the Cagamas' cost to income ratio stood at 14.9%, which is below the level of 40% - 50% maintained by most commercial banks in Malaysia. Cagamas incurred minimal credit costs between 2011 and 2017 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 20.7% as of the end of 2017. 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 22.2% as of year-end 2017, well above its internal minimum requirement of 15%.

(c) In line with the Government's initiative to promote affordable housing to the nation, Cagamas is currently exploring a new business model with BNM in developing a Rent to Own Scheme (RTO) to assist middle income households (M40) to own their own homes. In addition, BNM is expected to roll out a Special Financing Scheme for first-time house buyers of affordable housing for the low to middle income group. The RTO Scheme will be a collaboration between several banks and the Ministry of Housing and Local Government. The guarantee under this scheme will be provided by Cagamas SRP and is expected to be launched soon.

(d) Cagamas is also looking into the feasibility of purchasing loans and financing related to environmental and/or social impact projects via the issuance of Sustainability CMTNs and Sustainability Sukuk Cagamas, in line with the country's aspirations of transitioning to a more environmentally friendly economy. The issuance of Sustainability CMTNs and Sustainability Sukuk Cagamas will provide an alternative investment option to investors to meet their sustainable and responsible investment objectives and consequently widen Cagamas' investor base to include the ESG (environmental, social and governance) liquidity pool. 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.

(e) As part of its longer term plans to expand regionally, Cagamas is working towards enhancing mutual development of the secondary mortgage finance market in the region, as seen by its collaboration through the signing of Memorandum of Understandings (MOU) with Indonesia's PT Sarana Multigriya Finansial, Thailand's Secondary Mortgage Corporation and the Mongolia Mortgage Corporation (MIK). 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.

(f) 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.

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**")

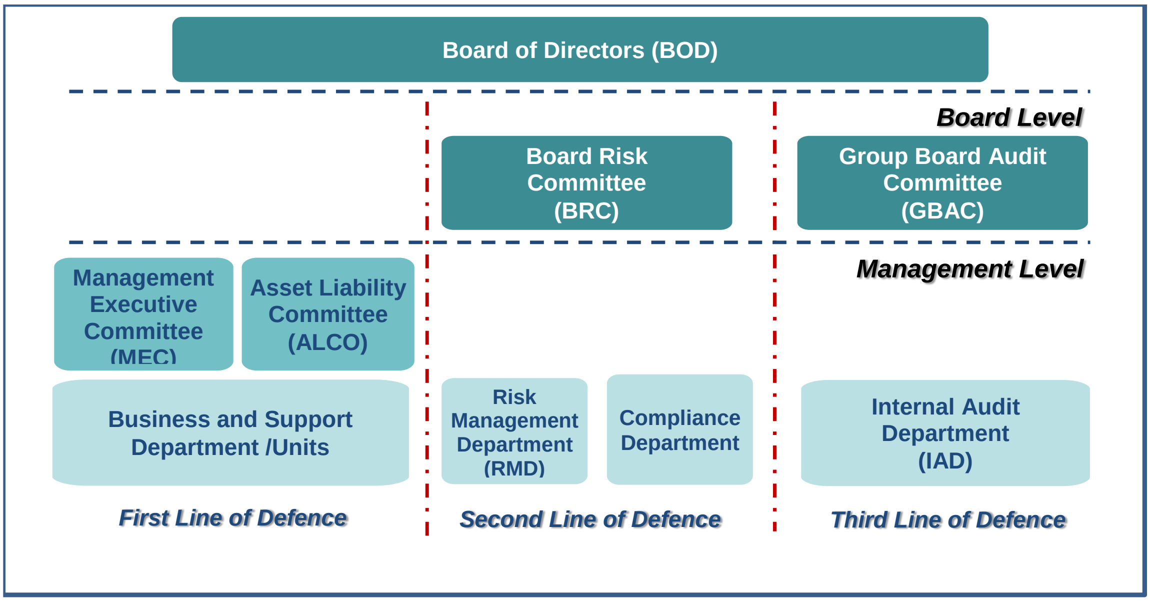
Cagamas' CSR activities are in line with the GOM's policy of nurturing a caring society. Beneficiaries of Cagamas' CSR activities include charitable, non-profit organisations registered with the Social Welfare Department or the Inland Revenue Board, associations with which Cagamas has a working relationship 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.

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 Risk 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, 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. Further, Cagamas also adheres to a strict match-funding policy where all asset purchases are funded by bonds of closely matched size as well as duration and are self-sufficient in terms of cashflow. 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 drawndown 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 shall be 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 and transactions to ensure compliance with Shariah requirements. In addition, Cagamas obtains the approval of the Shariah Advisory Councils of BNM and/or SC for its Islamic products.

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.

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SECTION 7.0 INDUSTRY OVERVIEW

7.1 Overview of the Malaysian economy

Overview

Economic and Financial Developments in Malaysia in the Fourth Quarter of 2018

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation. Private consumption growth remained robust at 8.5% (3Q 2018: 9.0%), despite the frontloading of purchases during the tax holiday period in the previous quarter. Income and employment growth continued to drive household spending. Government measures to alleviate cost of living, such as special payments to civil servants and pensioners, also provided some support to consumer spending. Private investment growth moderated to 4.4% (3Q 2018: 6.9%), attributed to slower capital spending across major economic sectors. However, ongoing multi-year projects particularly in the manufacturing sector continued to provide support to overall growth. Public consumption expanded at a slower pace of 4.0% (3Q 2018: 5.2%), attributable to a more moderate growth in supplies and services. Public investment remained in contraction during the quarter (-4.9%; 3Q 2018: -5.5%), due mainly to a decline in capital spending by public corporations.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), declined to 0.3% in the fourth quarter of 2018 (3Q 2018: 0.5%). For 2018 as a whole, headline inflation averaged at 1.0% (2017: 3.7%), its lowest level since 2009. The decline in headline inflation was due mainly to transport inflation turning negative (4Q 2018: -1.2%; 3Q 2018: 3.0%), reflecting the fixed domestic RON95 petrol and diesel prices during the quarter compared to the higher fuel prices in the base period of 4Q 2017. The combined outcome of the zerorisation of the Goods and Services Tax (GST) and the implementation of the Sales and Services Tax (SST) continued to exert an overall downward impact to headline inflation during the quarter. The percentage of items in the CPI basket that had inflation of more than 2% remained low at around 9% in 4Q 2018 (3Q 2018: 9%).

During the fourth quarter, labour market conditions remained supportive of economic activity. Employment continued to expand albeit at a more moderate pace (2.4%, 3Q 2018: 2.6%), amid stable unemployment rate (3.3%; 3Q 2018: 3.4%). Stronger net employment gains were recorded in the services sector. Manufacturing sector wage growth remained firm at 9.8% (3Q 2018: 9.6%). Wage growth in export oriented industries (10.8%; 3Q 2018: 10.9%) continued to outpace that of domestic-oriented industries (6.6%; 3Q 2018: 6.1%).

The current account surplus widened to RM10.8 billion (3Q 2018: RM3.8 billion) in the fourth quarter. This was due to a larger goods surplus and a smaller income deficit, which more than offset the higher services deficit. The goods surplus increased to RM33.0 billion (3Q 2018: RM26.6 billion) due to stronger manufactured exports in both the E&E and non-

E&E segments, amid a smaller contraction in commodity exports. The services account, however, registered a larger deficit of RM4.3 billion (3Q 2018: -3.3 billion), owing mainly to a smaller surplus in the travel account (RM7.4 billion; 3Q 2018: RM8.0 billion) and higher net payments to foreign providers for architectural and engineering services, as well as use of intellectual property.

In the income accounts, a smaller deficit in the primary income account (-RM12.9 billion; 3Q 2018: -RM15.0 billion) was attributable to the higher income generated by Malaysian firms investing abroad and lower profits accrued to foreign investors in Malaysia. The secondary income deficit remained sizeable at RM4.9 billion (3Q 2018: -RM4.5 billion), on account of continued outward remittances by foreign workers.

The ringgit appreciated marginally against the US dollar during the fourth quarter of 2018, despite cautious investor sentiments in global financial markets and non-resident portfolio outflows from the domestic bond and equity markets. These outflows were driven mainly by expectations for a faster pace of US monetary policy normalisation, prior to the US Federal Reserve's (Fed) downward revision of its policy rate projection for 2019in December 2018. In addition, uncertainties surrounding the moderating momentum of global growth and global trade also led to the unwinding of non-resident investments from regional financial markets, including Malaysia. However, these outflows were offset by resident inflows, mainly from goods and services, leading to the marginal appreciation of the ringgit. Going forward, lingering uncertainties on global trade and the trajectory of monetary policy normalisation in the US will continue to influence the performance of regional currencies, including the ringgit.

Domestic bond yields increased only marginally during the quarter despite non-resident outflows due to continued support from domestic institutional investors. Non-resident outflows from the MGS market were driven mainly by expectations for a faster pace of US monetary policy normalisation. This led to international investors rebalancing their portfolio investments in EMEs towards US financial assets. During the period, the 3-year, 5-year and 10-year MGS yields increased by 2.8, 1.9 and 0.9 basis points, respectively.

Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2018, BNM

Outlook

Prospect for Malaysian Economy in 2019

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively, supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors. On the contrary, public expenditure is expected to grow marginally in 2018 and contract in 2019 following the lower capital outlays by public corporations.

From the supply side, the services sector is expected to remain as the largest contributor, namely wholesale and retail trade, finance and insurance as well as information and communication subsectors, benefitting from steady consumer spending. The manufacturing sector is projected to register a firm growth primarily driven by continuous demand for E&E. Agriculture and mining sectors are expected to rebound in 2019 after recording a marginal contraction in 2018 following an increase in the production of crude palm oil (CPO) and liquefied natural gas (LNG). Meanwhile, the construction sector is expected to moderate following the near completion of infrastructure projects as well as property overhang, particularly in the non-residential segment.

Malaysia’s external position is projected to remain resilient in line with steady global economic and trade performances. However, exports are expected to moderate mainly due to slower global trade and investment activities. At the same time, the current account surplus is expected to narrow following widening deficits in the services and income accounts.

Domestic demand growth is expected to remain resilient at 5% and 4.8% in 2018 and 2019, respectively. Growth will be steered by sustained private sector expenditure at 6.5% in 2018 and 6.4% in 2019, constituting about 72% of GDP. Meanwhile, public sector expenditure is anticipated to further decline to 0.9% in 2019 after recording a marginal growth of 0.1% in 2018 mainly due to lower investment by public corporations. In 2018, private consumption will remain as the major growth determinant, expanding by 7.2%. Growth in private consumption will be supported by stable labour market, benign inflation and conducive financing condition. Other factors such as zerorisation of GST; subsidised pump prices; general election; FIFA World Cup season; and termination of toll collection in two highways provide further impetus to household spending. In 2019, private consumption is forecast to expand 6.8% on account of higher household earnings arising from better employment outlook; implementation of higher minimum wage rate; steady commodity prices; and accommodative financing condition. Furthermore, major events such as the Langkawi International Maritime and Aerospace Exhibition 2019 (LIMA’19) coupled with promotional activities for Visit Malaysia 2020 are expected to spur consumer spending.

Gross exports are projected to expand 4.4% in 2018 led by continued demand for manufactured goods. Exports of manufactured goods, which account for about 84% of total exports, are estimated to expand 6.6% mainly attributed to continuous expansion in electronics cycle and favourable global industrial activities. Receipts from E&E products are estimated to grow 7.3% in line with global semiconductor sales, which is expected to expand 15.7% in 2018. Growth will be supported by favourable performance of semiconductors, automatic data processing equipment and electronic machines apparatus. Demand for E&E products from major trading partners are expected to remain favourable. Meanwhile, exports of non E&E are anticipated to increase 6.1% in 2018, mainly driven by chemicals and chemical products; manufactures of metal; petroleum products; as well as optical and scientific equipment.

In 2018 and 2019, the labour market is expected to remain favourable. The unemployment rate is expected to be sustained at 3.3% with more new jobs in the economy. Total employed persons are projected to increase to 14.8 million and 15.1 million in 2018 and 2019, respectively. In 2019, about 9.3 million persons will be recruited

During the first half of 2018, the unemployment rate remained 3.4%. Total labour force increased 1.6% to 15.1 million. Meanwhile, total employed persons increased 1.7% to 14.6 million with the largest number in the services sector at 9.1 million or 62.2% of total employment, followed by manufacturing (17.3%) and agriculture (11%) sectors. Job vacancies decreased to 550,449, while the number of active job seekers declined 22.3% to 241,046, of which 1.7% was new registrants. Amid favourable labour market conditions, the number of retrenched workers remained low at 9,249 persons. In 2018 and 2019, the labour market is expected to remain favourable. The unemployment rate is expected to be sustained at 3.3% with more new jobs in the economy. Total employed persons are projected to increase to 14.8 million and 15.1 million in 2018 and 2019, respectively. In 2019, about 9.3 million persons will be recruited in the services sector as compared to 9 million in 2018. Meanwhile, total employed persons in the manufacturing and agriculture sectors are projected to be sustained at 2.5 million and 1.9 million in 2018 and 2019, respectively.

Source: Economic Outlook 2019, Ministry of Finance Malaysia

7.2 Overview of the construction industry

Value added of the construction sector grew 4.8% (y-o-y) during the first half of 2018 supported by civil engineering subsector. For the year, the sector is expected to expand, albeit moderately at 4.5% following near completion of several mega projects and overhang, particularly in the non-residential subsector. The growth momentum is expected to improve slightly in 2019, with the sector expanding 4.7%, following an increase in new planned supply in the affordable homes and industrial segments. However, review of several infrastructure projects as well as subdued activities in non-residential subsector is expected to weigh down the sector's performance.

The civil engineering subsector is expected to remain as the driver of the construction sector in 2018 and 2019 largely supported by ongoing projects. Among the infrastructure projects include the Pan Borneo Highway in Sabah and Sarawak; Central Spine Road in East Coast; as well as Mass Rapid Transit (MRT) Sungai Buloh – Serdang – Putrajaya (SSP) Line and Light Rail Transit Line 3 (LRT3) in Klang Valley. Meanwhile, in the petrochemical and power plant segment, ongoing projects are the Deepwater Petroleum Terminal 2 at the Refinery and Petrochemical Integrated Development (RAPID) Complex in Pengerang, Johor; Floating LNG 2 in Sabah; and the Central Processing Platform in Bokor, Sarawak. In addition, mixed-development projects such as the Tun Razak Exchange and Bukit Bintang City Centre in Kuala Lumpur are expected to support the growth of the subsector.

The residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand. Towards this end, the Government suspended the development of residential properties, serviced apartments and luxury condominiums priced over RM1 million in prime areas, effective November 2017. In addition, the developers are focusing on sales of existing projects to address the overhang issues. Meanwhile, the Government will continue to provide affordable housing for the low- and middle-income groups through various programmes.

The non-residential subsector is projected to decline following oversupply and overhang of high-end shops and shopping complexes as well as downward trend in the incoming supply of commercial buildings. However, the demand for commercial buildings in prime areas is anticipated to remain stable supported by residential development projects in Klang Valley suburbs, particularly in areas along MRT and LRT routes; as well as in major cities such as Johor Bahru, Melaka and Pulau Pinang.

Source: Economic Outlook 2019, Ministry of Finance Malaysia

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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, 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 the 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-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent director of 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, CIMB is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

In addition, CIMB 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 and a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) CIMB is a licensed investment bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN Programme 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 a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN Programme and shall be carried out on an arms-length basis;

(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 MTN Programme based on the present arrangement and terms.

(b) HSBC Amanah

Cagamas is wholly-owned by Cagamas Holdings. HSBC Bank holds 4.1% of the shareholding in Cagamas Holdings as at the LPD.

HSBC Amanah is wholly-owned by HSBC Bank.

Notwithstanding the abovementioned relationship between the Issuer and HSBC Amanah, HSBC Amanah is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN 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, Joint Shariah Adviser and a Joint Lead Manager in relation to the MTN 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 MTN 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, Joint Shariah Adviser and a Joint Lead Manager in relation to the MTN 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 MTN 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.

Notwithstanding the abovementioned relationship between the Issuer and HSBC Bank, HSBC Bank is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

In addition, HSBC Bank 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 and a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) HSBC Bank is a licensed bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN 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 a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN 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 MTN 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.

Notwithstanding the abovementioned relationship between the Issuer and MIBB, MIBB is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

MIBB 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 and a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) MIBB is a licensed investment bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN Programme 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 a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the MTN Programme 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 MTN Programme based on the present arrangement and terms.

(e) AIBB

Cagamas is wholly-owned by Cagamas Holdings. AmBank Holdings Berhad ("**AMBB Holdings**") holds an aggregate of 8.04% interest in Cagamas Holdings (via AIBB (3.93%) and AmBank (M) Berhad ("**AmBank**") (4.12%)) as at the LPD.

AIBB AmBank and AmIslamic Bank Berhad ("**AmIslamic**") are entities within the same group of companies that are wholly owned by AMMB Holdings.

Notwithstanding the abovementioned relationship between the Issuer and AIBB, AIBB is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

In addition, AIBB has considered the factors involved and it believes its objectivity and independence in carrying out its role as a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) AIBB is a licensed investment bank regulated by various government authorities and agencies including BNM under, inter alia, the FSA and the SC under, inter alia, the CMSA and its appointment as a Joint Lead Manager in relation to the MTN Programme is in the ordinary course of its business;

(b) AIBB is also governed by its own internal controls and checks and balances with AIBB's employees being competent and skilled to carry out in a professional manner and in the best interest of its clients, the functions required of the role of a Joint Lead Manager;

(c) AIBB's Joint Lead Manager role will be governed by relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of AIBB in its capacity as a Joint Lead Manager in relation to the MTN Programme and such agreements and documentations shall be entered into on an arms' length basis; and

(d) the conduct of AmBank and AmIslamic is regulated strictly by the FSA and the IFSA, respectively and by their own internal controls and checks and balances and they had entered into the abovementioned transactions with Cagamas in the ordinary course of their business.

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 MTN Programme based on the present arrangement and terms.

(f) HLBB

Cagamas is wholly-owned by Cagamas Holdings. HLBB holds 6% of the shareholding in Cagamas Holdings as at the LPD.

Notwithstanding the abovementioned relationship between the Issuer and HLBB, HLBB is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

In addition, HLBB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) HLBB is a licensed bank and its appointment as, amongst others, a Joint Lead Manager in relation to the MTN Programme is in the ordinary course of its business;

(b) the roles of HLBB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HLBB in its capacity as, amongst others, a Joint Lead Manager in relation to the MTN Programme and shall be carried out on an arms-length basis; and

(c) the conduct of HLBB is regulated strictly by the FSA 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 MTN Programme based on the present arrangement and terms.

(g) RHB

Save as disclosed below, as at the date hereof and after making enquiries as were reasonable in the circumstances, RHB is not aware of any circumstances that would give rise to a conflict of interest in its capacity as a Joint Lead Manager in relation to the MTN Programme:

(1) Cagamas is wholly-owned by Cagamas Holdings. RHB and RHB Bank Berhad ("**RHB Bank**") collectively hold 8.6% of the shareholding in Cagamas Holdings as at the LPD.

(2) RHB is wholly-owned by RHB Bank.

The following mitigating measures will be adopted by RHB in order to mitigate or address any potential conflict of interest:-

(a) the Board has been informed and is aware of the potential conflict of interest situations described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the MTN Programme based on the present arrangement and terms.

(b) RHB is a licensed investment bank regulated by BNM and the SC and governed under, inter alia, the FSA and the CMSA and its appointment as a Joint Lead Manager for the MTN Programme is in its ordinary course of business; and

(c) RHB's role in relation to the MTN Programme will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of RHB in its capacity as a Joint Lead Manager in relation to the MTN Programme and shall be carried out on an arms-length basis.

(h) RHB Islamic

Save as disclosed below, as at the date hereof and after making enquiries as were reasonable in the circumstances, RHB Islamic is not aware of any circumstances that would give rise to a conflict of interest in its capacity as a Joint Lead Manager in relation to the MTN Programme:

1) Cagamas is wholly-owned by Cagamas Holdings. RHB and RHB Bank Berhad collectively hold 8.6% of the shareholding in Cagamas Holdings as at the LPD.

2) RHB Islamic and RHB are wholly-owned by RHB Bank.

The following mitigating measures will be adopted by RHB Islamic in order to mitigate or address any potential conflict of interest:-

(a) the Board has been informed and is aware of the potential conflict of interest situations described above. Notwithstanding the above, the Board has approved the above said arrangement and is agreeable to proceed with the implementation of the MTN Programme based on the present arrangement and terms.

(b) RHB Islamic is a licensed Islamic bank regulated by Bank Negara Malaysia and under inter alia, the Islamic Financial Services Act 2013 and its appointment as a Joint Lead Manager for the MTN Programme is in its ordinary course of business; and

(c) RHB Islamic's role in relation to the MTN Programme will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of RHB Islamic in its capacity as a Joint Lead Manager in relation to the MTN Programme and shall be carried out on an arms-length basis.

(i) SCB

Cagamas is wholly-owned by Cagamas Holdings. SCB holds 4,590,000 shares or 3.06% of the shareholding in Cagamas Holdings as at the LPD.

Notwithstanding the abovementioned relationship between the Issuer and SCB, SCB is not aware of circumstances that would give rise to conflict-of-interest in its various roles in relation to the MTN Programme.

SCB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Joint Lead Manager in relation to the MTN Programme, have been and will be maintained at all times for the following reasons:

(a) SCB is a licensed bank and its appointment as, amongst others, a Joint Lead Manager in relation to the MTN Programme is in the ordinary course of its business;

(b) the roles of SCB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of SCB in its capacity as, amongst others, a Joint Lead Manager in relation to the MTN Programme and shall be carried out on an arms-length basis; and

(c) the conduct of SCB is regulated strictly by the FSA 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 MTN Programme based on the present arrangement and terms.

(j) <u>CIMB Islamic</u>

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-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent director of CIMB Bank and CIMB Group Holdings Berhad.

CIMB Islamic is wholly-owned by CIMB Bank. CIMB Islamic and CIMB Bank are subsidiaries of CIMB Group Holdings Berhad.

Notwithstanding the abovementioned relationship between the Issuer and CIMB Islamic, CIMB Islamic is not aware of circumstances that would give rise to conflict-of-interest in its role as a Joint Shariah Adviser in relation to the MTN Programme.

CIMB Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its role as a Joint Shariah Adviser in relation to the Sukuk Cagamas under the MTN 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 a Joint Shariah Adviser in relation to the MTN 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 a Joint Shariah Adviser in relation to the MTN 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 MTN Programme based on the present arrangement and terms.

(k) 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.

Notwithstanding the abovementioned relationship between the Issuer and Maybank Islamic, Maybank Islamic is not aware of circumstances that would give rise to conflict-of-interest in its roles as a joint shariah adviser in relation to the MTN Programme.

Maybank Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Joint Shariah Adviser in relation to the MTN 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 a Joint Shariah Adviser in relation to the MTN Programme is in the ordinary course of its business;

(b) the roles 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 a Joint Shariah Adviser in relation to the MTN 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 MTN Programme based on the present arrangement and terms.

(l) Amanie Advisors Sdn Bhd

As at the LPD and after making enquiries as were reasonable in the circumstances, Amanie Advisors Sdn Bhd confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as a Joint Shariah

Adviser (only in respect of the issue of Sukuk Cagamas under the Wakalah Bil Istithmar principle) in relation to Sukuk Cagamas under the MTN Programme.

(m) Christopher & Lee Ong

As at the LPD and after making enquiries as were reasonable in the circumstances, Christopher & Lee Ong 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 MTN Programme.

(n) PB Trustee Services Berhad

As at the LPD and after making enquiries as were reasonable in the circumstances, PB Trustee Services Berhad confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the trustee in relation to the MTN Programme.

(o) MARC

Datuk Azizan bin Haji Abd Rahman is a non-executive director on the Board of Directors of Cagamas. He is also the independent non-executive chairman of MARC.

Notwithstanding the abovementioned relationship between the Issuer and MARC, MARC is not aware of circumstances that would give rise to conflict-of-interest in its roles as rating agency in relation to the MTN Programme.

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 MTN Programme based on the present arrangement and terms.

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APPENDIX I

Audited financial statements of Cagamas for the Financial Year Ended 2017

APPENDIX II

Unaudited interim financial statements of Cagamas as at 30 June 2018

APPENDIX III

Cagamas Sustainability Bond/Sukuk Framework as at 17 January 2019

APPENDIX IV

Second Opinion

THE ISSUER

Cagamas Berhad
(Company No. 157931-A)
Level 32
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

JOINT LEAD ARRANGERS FOR THE MTN PROGRAMME

CIMB Investment Bank Berhad
(Company No. 18417-M)
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur

HSBC Bank Malaysia Berhad
(Company No. 127776-V)
15th Floor, North Tower
No. 2, Leboh Ampang
50100 Kuala Lumpur

Maybank Investment Bank Berhad
(Company No. 15938-H)
32nd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

HSBC Amanah Malaysia Berhad
(Company No. 807705-X)
14th Floor, North Tower
No. 2, Leboh Ampang
50100 Kuala Lumpur

THE FACILITY AGENT

Cagamas Berhad
(Company No. 157931-A)
Level 32
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

THE TRUSTEE

PB Trustee Services Berhad
(Company No. 7968-T)
17th Floor Menara Public Bank
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50450 Kuala Lumpur

LEGAL COUNSEL TO THE JOINT LEAD ARRANGERS

Christopher & Lee Ong
Level 22 Axiata Tower
No. 9 Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

THE JOINT SHARIAH ADVISERS

CIMB Islamic Bank Berhad
(Company No. 671380-H)
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Kuala Lumpur Sentral
50470 Kuala Lumpur

HSBC Amanah Malaysia Berhad
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No. 2, Leboh Ampang
50100 Kuala Lumpur

Maybank Islamic Berhad
(Company No. 787435-M)
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Amanie Advisors Sdn Bhd
(Company No. 684050-H)
Level 33, Menara Binjai
No. 2 Jalan Binjai
Off Jalan Ampang
50450 Kuala Lumpur
(only in respect of the issue of Sukuk Cagamas under the Wakalah Bil Istithmar principle)

Company No

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Lodged by:
CAGAMAS BERHAD (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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

CONTENT	PAGES

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 2017.

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. 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.

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

FINANCIAL RESULTS

	Group RM’000	Company RM’000
Profit for the financial year	241,715	237,615

DIVIDEND

The dividends paid by the Company since 31 December 2016 were as follows:

	RM’000
In respect of the financial year ended 31 December 2016,	
- a final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 29 March 2017.	22,500
In respect of the financial year ended 31 December 2017,	
- an interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 31 Oct 2017.	7,500
	30,000

DIVIDEND (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 2017 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

RAM Rating Services Berhad (RAM Ratings) has assigned Cagamas Berhad's Global, ASEAN and national-scale Corporate Credit Ratings at $_{g}A_{2}$/Stable/$_{g}$P1, $_{sea}$AAA/Stable/$_{sea}$P1 and AAA/Stable/P1, respectively. In addition, Malaysian Rating Corporation Berhad (MARC) has also assigned Cagamas Berhad's bonds and sukuk issues ratings at AAA/MARC-1 and AAA$_{IS}$/MARC-1$_{IS}$ respectively. Moody's Investors Service (Moody's) has assigned local and foreign currency issuer ratings of A3 that is in line with Malaysian sovereign ratings.

In addition, RAM and Moody's have maintained the ratings of $_{g}A_{2}$(s) and A3 respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme issued by its subsidiaries.

RELATED PARTY TRANSACTIONS

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

During the financial year ended 31 December 2017, the Company entered into a shared service arrangement with Cagamas SRP Berhad ("CSRP"). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business. The details and nature of the transactions are disclosed in Note 34 to the financial statements.

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:

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (appointed as Chairman on 1.7.2017)
Dato' Halipah binti Esa
Dr. Roslan bin A. Ghaffar
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Datuk Chung Chee Leong
Encik Nazrul Hisyam bin Mohd Noh
Dato' Ooi Sang Kuang (redesignated as Director on 1.7.2017 and resigned on 1.1.2018)
Encik Tang Wing Chew (resigned on 1.3.2017)

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

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dr. Roslan bin A. Ghaffar and Encik Phillip Tan Puay Koon retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 31 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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.

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 2017

Cagamas recorded RM14.0 billion of purchases of loans and financing under PWR scheme (2016: RM5.7 billion) and RM100.0 million purchase of loans under PWOR scheme (2016: Nil). Cagamas' net outstanding loans and financing rose by 16% to RM37.6 billion (2016: RM32.5 billion). As at the end of 2017, residential mortgage dominated Cagamas' portfolio at 98.8%, followed by hire purchase loans and financing at 0.8% and personal loans and financing at 0.4%. Cagamas's Islamic asset portfolio against conventional assets contracted to a ratio of 32:68, while PWR and PWOR loans and financing portfolios were at 65% and 35% respectively. The gross impaired loans and financing under the PWOR scheme remained low at 0.72%, while net impaired loans and financing was at 0.23%.

SIGNIFICANT EVENT DURING THE YEAR

The significant event during the financial year is disclosed in Note 45 to the financial statements.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS REMUNERATION

Details of the auditors' remuneration are set in Note 30 to the financial statements

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 15 March 2018.

Signed on behalf of the Board of Directors:

DATUK SHAIK ABDUL RASHEED BIN ABDUL GHAFFOUR
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Cash and short-term funds	5	534,591	409,396	524,185	405,476
Derivative financial instruments	6	466,339	887,826	466,339	887,826
AFS investment securities	7	2,471,430	1,650,518	2,471,430	1,650,518
Amount due from counterparties	8	19,870,378	14,296,165	19,870,378	14,296,165
Islamic financing assets	9	5,544,378	5,307,689	5,544,378	5,307,689
Mortgage assets					
- Conventional	10	5,848,119	6,238,337	5,848,119	6,238,337
- Islamic	11	6,300,576	6,662,093	6,300,576	6,662,093
Hire purchase assets					
- Conventional		-	-	-	-
- Islamic	12	953	1,924	953	1,924
Amount due from					
- Related company		464	436	464	436
- Subsidiaries	13	-	-	6,755	4,951
Other assets	14	8,489	9,153	8,462	9,102
Property and equipment	15	4,437	2,892	4,437	2,892
Intangible assets	16	16,354	14,032	16,354	14,032
Deferred taxation	17	7,965	8,365	7,965	8,365
Investment in subsidiaries	18	-	-	-*	-*
TOTAL ASSETS		41,074,473	35,488,826	41,070,795	35,489,806
LIABILITIES					
Unsecured bearer bonds and notes	19	25,764,940	20,946,586	19,705,283	15,080,427
Sukuk	20	11,597,878	11,214,913	11,445,035	10,746,160
Loans/financing from subsidiaries	21	-	-	6,217,865	6,340,542
Derivative financial instruments	6	216,871	33,825	216,871	33,825
Provision for taxation		12,430	15,668	12,410	15,648
Other liabilities	22	60,789	61,796	59,504	60,804
TOTAL LIABILITIES		37,652,908	32,272,788	37,656,968	32,277,406
Share capital	23	150,000	150,000	150,000	150,000
Reserves	24	3,271,565	3,066,038	3,263,827	3,062,400
SHAREHOLDERS' FUNDS		3,421,565	3,216,038	3,413,827	3,212,400
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		41,074,473	35,488,826	41,070,795	35,489,806
NET TANGIBLE ASSETS PER SHARE (RM)	25	22.70	21.34	22.65	21.32

*denotes USD1 in CGP and RM2 in CGS.

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

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest income	26	1,202,563	1,051,533	1,202,563	1,051,533
Interest expense	27	(896,484)	(782,991)	(901,214)	(786,739)
Income from Islamic operations	44	133,634	139,314	133,614	141,107
Non-interest expense	28	(61,785)	(33,470)	(61,791)	(33,467)
		377,928	374,386	373,172	372,434
Personnel costs	29	(27,302)	(25,488)	(27,302)	(25,488)
Administration and general expenses		(29,132)	(24,925)	(28,496)	(24,553)
OPERATING PROFIT		321,494	323,973	317,374	322,393
(Allowance)/write-back of impairment losses		(719)	8,062	(719)	8,062
PROFIT BEFORE TAXATION AND ZAKAT	30	320,775	332,035	316,655	330,455
Zakat		(927)	(1,011)	(927)	(1,011)
Taxation	32	(78,133)	(75,988)	(78,113)	(75,968)
PROFIT FOR THE FINANCIAL YEAR		241,715	255,036	237,615	253,476
EARNINGS PER SHARE (SEN)	25	161.14	170.02	158.41	168.98
DIVIDEND PER SHARE (SEN)	33	20.00	20.00	20.00	20.00

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

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CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Profit for the financial year		241,715	255,036	237,615	253,476
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
AFS investment securities					
- Net gain on fair value changes before taxation		12,908	5,405	12,908	5,405
- Deferred taxation		(3,103)	(1,297)	(3,103)	(1,297)
Cash flow hedge					
- Net loss on cash flow hedge before taxation		(20,753)	(37,225)	(20,753)	(37,225)
- Deferred taxation		4,760	8,923	4,760	8,923
Other comprehensive loss for the financial year, net of taxation		(6,188)	(24,194)	(6,188)	(24,194)
Total comprehensive income for the financial year		235,527	230,842	231,427	229,282

The accompanying notes form an integral part of these financial statements

Company No.

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CAGAMAS BERHAD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Issued ordinary shares of RM1 each	Non-distributable				
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,915,367	3,216,038
Profit for the financial year		-	-	-	-	241,715	241,715
Other comprehensive income/(loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	241,715	235,527
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,139,614	3,421,565

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

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Issued ordinary shares of RM1 each	Non-distributable				
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2016		150,000	(14,637)	15,938	189,647	2,674,248	3,015,196
Profit for the financial year		-	-	-	-	255,036	255,036
Other comprehensive income/(loss)		-	4,108	(28,302)	-	-	(24,194)
Total comprehensive income/(loss) for the financial year		-	4,108	(28,302)	-	255,036	230,842
Transfer to retained profits during the financial year		-	-	-	(16,083)	16,083	-
Final dividend in respect of financial year ended 31 December 2015	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2016		150,000	(10,529)	(12,364)	173,564	2,915,367	3,216,038

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

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CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2017		150,000	(10,529)	(12,364)	173,564	2,911,729	3,212,400
Profit for the financial year		-	-	-	-	237,615	237,615
Other comprehensive income/ (loss)		-	9,805	(15,993)	-	-	(6,188)
Total comprehensive income/(loss) for the financial year		-	9,805	(15,993)	-	237,615	231,427
Transfer to retained profits during the financial year		-	-	-	(12,532)	12,532	-
Final dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2017	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2017		150,000	(724)	(28,357)	161,032	3,131,876	3,413,827

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

Company No.

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CAGAMAS BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Company	Note	Issued ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2016		150,000	(14,637)	15,938	189,647	2,672,170	3,013,118
Profit for the financial year		-	-	-	-	253,476	253,476
Other comprehensive income/ (loss)		-	4,108	(28,302)	-	-	(24,194)
Total comprehensive income/(loss) for the financial year		-	4,108	(28,302)	-	253,476	229,282
Transfer to retained profits during the financial year		-	-	-	(16,083)	16,083	-
Final dividend in respect of financial year ended 31 December 2015	33	-	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2016	33	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2016		150,000	(10,529)	(12,364)	173,564	2,911,729	3,212,400

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

Company No.

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		241,715	255,036	237,615	253,476
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on AFS investment securities		(8,530)	(8,201)	(8,530)	(8,201)
Accretion of discount on:					
Mortgage assets					
- Conventional		(129,089)	(129,457)	(129,089)	(129,457)
- Islamic		(108,739)	(112,838)	(108,739)	(112,838)
Hire purchase assets					
- Islamic		(16)	(78)	(16)	(78)
Allowance/(write-back) for impairment losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		719	(8,062)	719	(8,062)
Reclassification adjustment on fair value gains on CCS, transfer from equity		(236,599)	(247,650)	(236,599)	(247,650)
Unrealised loss on foreign exchange		236,856	246,478	236,862	246,475
Interest income		(1,056,603)	(907,703)	(1,056,603)	(907,703)
Income from Islamic operations		(518,732)	(560,558)	(518,732)	(560,558)
Interest expense		731,545	644,062	904,382	802,293
Profit attributable to Sukuk holders		503,697	519,593	503,697	519,593
Depreciation of property and equipment		1,057	1,132	1,057	1,132
Amortisation of intangible assets		1,416	1,407	1,416	1,407
Loss on disposal of property and equipment		-	10	-	10
Gain on disposal of AFS investment securities		(2,756)	(3,863)	(2,756)	(3,863)
Taxation		78,133	75,988	78,113	75,968
Zakat		927	1,011	927	1,011
Operating loss before working capital changes		(264,999)	(233,693)	(96,276)	(77,045)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Increase in amount due from counterparties		(5,531,394)	(3,283,417)	(5,531,394)	(3,283,417)
(Increase)/decrease in Islamic financing assets		(230,874)	275,436	(230,874)	275,436
Decrease in mortgage assets					
- Conventional		508,564	634,948	508,564	634,948
- Islamic		458,345	454,812	458,345	454,812
Decrease in hire purchase assets					
- Conventional		-	3	-	3
- Islamic		1,078	2,300	1,078	2,300
Decrease/(increase) in other assets		637	132	(1,191)	2,534
Increase in unsecured bearer bonds and notes		4,779,759	2,922,718	4,582,224	1,786,376
Increase/(decrease) in Sukuk		381,422	(727,993)	697,157	(703,143)
Increase in deferred financing fees		(4,213)	(1,481)	-	-
(Decrease)/increase in loans/financing from subsidiary		-	-	(115,589)	1,098,389
Decrease/(increase) in derivatives		648,664	(190,029)	648,652	(190,023)
Decrease in other liabilities		(927)	(5,474)	(1,216)	(5,205)
Cash generated from/(utilised in) operations		746,062	(151,738)	919,480	(4,035)
Interest received		1,164,214	1,006,815	1,164,214	1,006,815
Profit received from Islamic assets		534,105	599,620	534,105	599,620
Interest paid		(961,161)	(827,438)	(1,141,085)	(978,958)
Profit paid on derivatives		(19,007)	(40,177)	(19,007)	(40,177)
Profit attributable to Sukuk holders		(502,630)	(519,864)	(502,630)	(519,864)
Payment of:					
- Zakat		(1,011)	(2,777)	(1,011)	(2,777)
- Taxation		(79,313)	(84,565)	(79,293)	(84,545)
Net cash generated from/(utilised in) operating activities		881,259	(20,124)	874,773	(23,921)

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CAGAMAS BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
INVESTING ACTIVITIES					
Purchase of AFS investment securities		(3,786,672)	(2,391,852)	(3,786,672)	(2,391,852)
Proceeds from sale/redemption of AFS investment securities		2,995,928	2,551,418	2,995,928	2,551,418
Purchase of:					
- Property and equipment		(2,602)	(1,068)	(2,602)	(1,068)
- Intangible assets		(3,738)	(7,711)	(3,738)	(7,711)
Income received from AFS investment securities		65,193	62,775	65,193	62,775
Income received from Sukuk		5,827	2,046	5,827	2,046
Net cash (utilised in)/generated from investing activities		(726,064)	215,608	(726,064)	215,608
FINANCING ACTIVITY					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Net cash utilised in financing activity		(30,000)	(30,000)	(30,000)	(30,000)
Net increase in cash and cash equivalents		125,195	165,484	118,709	161,687
Cash and cash equivalents as at 1 January		409,396	243,912	405,476	243,789
Cash and cash equivalents as at 31 December		534,591	409,396	524,185	405,476
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	5	534,591	409,396	524,185	405,476

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

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

The Islamic operations of the Group and the Company refer to the purchases of Islamic house financing assets, Islamic hire purchase assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchases assets from approved originators, issuance of Sukuk under Shariah principles and acquisition, investment in and trading of Islamic financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group’s and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

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

The new accounting standards, amendments and improvements to published standards and interpretation that are effective for the Group’s and the Company's financial year beginning on 1 January 2017 are as follows:

- Amendments to MFRS 107 ‘Statement of Cash Flows – Disclosure Initiative’ introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 ‘Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses’ clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  During the financial year, the Group and Company have assessed the impact of changes in MFRS 9 to the classification and measurement of financial assets and liabilities of the Group and Company. The combined application of the entity's business model and cash flows characteristic does not result in significant change in the respective classification of financial assets and liabilities in the statement of financial position as at 31 December 2017. The Group and Company does not expect any significant impact arising from the changes in classification and measurement under MFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued):

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement"(continued)

  MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used under MFRS 139. The ECL model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group and Company have finalised its impairment model and have assessed the financial impact resulting from the adoption of MFRS 9 based on the financial year ended 31 December 2017. The financial impact of MFRS 9 adoption will be reflected as a movement in the Group's and Company's opening retained earnings and overall capital position as at 1 January 2018.

  The Group and the Company is now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to reporting the interim results for the financial period ending 30 June 2018.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract
  - Allocated the transaction price to each of the separate performance obligations; and
  - Recognize the revenue as each performance obligation is satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued):

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (continued).

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued):

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations (continued).

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The adoption of new accounting standards will not have a significant impact on the financial results of the Group and the Company.

- Transfers of Investment Property (Amendments to MFRS 140 – effective from 1 January 2018)

  The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category.

  The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group and the Company.

- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

  The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received.

  The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Group and the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued):

- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4 – effective from 1 January 2018)

  The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon.

  The expiration date of the temporary exemption from MFRS 9 coincides with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach.

  The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Group and the Company.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (Continued)

Subsidiaries (Continued)

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 139 either in profit or loss 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 statement.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

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 statement over the term of the assets using the internal rate of return method.

2.5 AFS investment securities

AFS investment securities are securities that are acquired and held for yield or capital growth and are usually held for an indefinite period of time, which may be sold in response to market conditions.

Purchases of investments are recognised on the date the Group and the Company contract to purchase the investment. Investments are derecognised when the Group and the Company have contracted to sell the investment and transferred substantially all risks and rewards of ownership.

AFS investment securities are carried at fair value on the statement of financial position with cumulative fair value changes reflected under AFS reserve in equity, and recognised in the income statement when the investment securities are disposed of, collected or otherwise sold, or when the securities are determined to be impaired. The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the reporting date.

The realised gains or losses on derecognition of AFS investment securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains or losses arising from changes in fair value previously recognised in equity, are credited or charged to the current year's income statement.

See accounting policy on impairment of financial assets in Note 2.8 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest/profit rate method. The amortisation of premium and accretion of discount on AFS investment securities are recognised as interest/profit income using the effective yield method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.8 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2.7 Property and equipment and depreciation

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

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

Office equipment	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 statement 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 (b) to the financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the mounts previously written off are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets (continued)

(a) Financial assets (continued)

(ii) Assets classified as *AFS*

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(b) 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 statement, 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 statement.

2.9 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.

2.10 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 statement 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 statement over the life of the bonds and notes/Sukuk on an effective yield method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Current and deferred tax

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

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

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

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

2.12 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.

2.13 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.

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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 6 to the financial statements.

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

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

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

To apply hedge accounting, the Group and the Company document at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

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 statement 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 statement under "Non-interest income".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 Zakat

Zakat or "alms giving" is mandatory for all Muslims who possesses minimum nisab.

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 months, 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, as determined by National Fatwa Council for the financial year is 2.5% (2016: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit before taxation after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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 contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statement 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.

2.19 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. These costs are amortised over their estimated useful lives of three to five years.

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.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 years.

Subsequent to the year end, the computer software and computer software licenses shall be amortised over their estimated useful lives of three to ten years.

(b) Service rights to transaction administrator and administrator fees

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Intangible assets (continued)

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8 (b) to the financial statements.

2.20 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.

2.21 Currency translations

(a) Functional and presentation currency

Items included in the financial statements of the Group and the Company 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 Group’s and the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Currency translations (continued)

(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 statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.22 Financial instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable or an equity instrument of another entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

(b) Fair value estimation for disclosure purposes

Please refer to Note 41 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

In assessing fair value of other financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 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.

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 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 derivatives and AFS investment securities

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 and unquoted AFS investment securities 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.

(b) Impairment of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

The Group and the Company make allowances for losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of MFRS 139, 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.

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

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

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

4.1 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.

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 & Compliance Department is independent of other departments involved in risk-taking activities. It is responsible for 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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management (continued)

The Group and the Company manage its credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The Group and the Company have in place an internal rating system which sets out the maximum credit limit permissible for each category of rating. 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 management and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprised mainly of mortgage assets, hire purchase assets/Islamic mortgage 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 is not engaged in any equity or commodity trading activities.

The Group and the Company control its 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 its 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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4 Liquidity risk management (continued)

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 its 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 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 Company. To mitigate such operational risks, the Company has developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tier 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.

5 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institutions	47,679	45,531	37,273	41,611
Money at call and deposits and placements maturing within one month	377,100	230,877	377,100	230,877
Mudharabah money at call and deposits and placements maturing within one month	109,812	132,988	109,812	132,988
	534,591	409,396	524,185	405,476

6 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 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/Sukukholders.

6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CCS and ICCS is 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 Renminbi (“CNH”), Hong Kong Dollar (“HKD”), US Dollar (“USD”), Singapore Dollar (“SGD”) and Australian Dollar (“AUD”).

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 139 to achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group and the Company have designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2017 was a credit of RM249.5 million (2016: RM853.5 million).

(b) Fair value hedges

The Group and the Company do not designate any derivatives as fair value hedges.

(c) Net investment hedges

The Group and the Company do not designate any derivatives as net investment hedges.

6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivatives financial instruments entered by the Group and the Company.

	Group and Company					
			2017			2016
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cashflow hedges:						
IRS						
One to three years	2,585,000	2,344	(11,386)	1,525,000	4,808	(13,154)
Three to five years	545,000	-	(7,904)	-	-	-
More than five years	270,000	7,100	(12,147)	570,000	5,340	(20,434)
	3,400,000	9,444	(31,437)	2,095,000	10,148	(33,588)
CCS/ICCS						
Maturing within one year	2,630,696	157,081	(47,104)	2,452,543	95,405	(237)
One to three years	3,268,500	299,814	(138,330)	2,800,000	781,808	-
	5,899,196	456,895	(185,434)	5,252,543	877,213	(237)
Derivatives not designated as cashflow hedges:						
IPRS						
Maturing within one year	-	-	-	500,000	465	-
	-	-	-	500,000	465	-
	9,299,196	466,339	(216,871)	7,847,543	887,826	(33,825)

7 AFS INVESTMENT SECURITIES

	Group and Company	
	2017	2016
	RM'000	RM'000
At fair value		
Malaysian government securities	81,687	10,060
Corporate bonds	504,181	428,062
Government investment issues	627,143	442,200
Sukuk	554,681	348,602
Quasi government Sukuk	602,446	340,328
Unit trust	101,292	81,266
	2,471,430	1,650,518

The maturity structure of AFS investment securities are as follows:

Maturing within one year	726,423	284,709
One to three years	503,885	285,505
Three to five years	416,171	154,459
More than five years	824,951	925,845
	2,471,430	1,650,518

8 AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	2017	2016
	RM'000	RM'000
Relating to:		
Mortgage loans	19,545,875	13,872,352
Hire purchase and leasing debts	286,304	258,746
Personal loans	38,199	165,067
	19,870,378	14,296,165

The maturity structure of amount due from counterparties are as follows:

Maturing within one year	6,285,506	5,154,450
One to three years	7,604,833	8,135,868
Three to five years	5,345,007	50,824
More than five years	635,032	955,023
	19,870,378	14,296,165

9 ISLAMIC FINANCING ASSETS

	Group and Company	
	2017	2016
	RM'000	RM'000
Relating to:		
Islamic house financing	5,434,616	4,225,536
Islamic hire purchase financing	-	382,819
Islamic personal financing	109,762	699,334
	5,544,378	5,307,689

The maturity structure Islamic financing assets are as follows:

Maturing within one year	1,730,200	3,001,966
One to three years	2,574,231	1,387,816
Three to five years	1,239,947	500,003
More than five years	-	417,904
	5,544,378	5,307,689

10 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	2017	2016
	RM'000	RM'000
Purchase without recourse ("PWOR")	5,848,119	6,238,337

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

Maturing within one year	933,922	935,176
One to three years	1,204,460	1,218,288
Three to five years	1,114,465	1,148,044
More than five years	3,449,082	3,910,131
	6,701,929	7,211,639
Less:		
Unaccreted discount	(815,839)	(934,931)
Allowance for impairment losses	(37,971)	(38,371)
	5,848,119	6,238,337

11 MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	2017	2016
	RM'000	RM'000
PWOR	6,300,576	6,662,093

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

Maturing within one year	712,367	726,071
One to three years	964,148	958,087
Three to five years	967,336	980,438
More than five years	4,475,152	4,924,612
	7,119,003	7,589,208
Less:		
Unaccreted discount	(788,230)	(896,969)
Allowance for impairment losses	(30,197)	(30,146)
	6,300,576	6,662,093

12 HIRE PURCHASE ASSETS - ISLAMIC

	Group and Company	
	2017	2016
	RM'000	RM'000
PWOR	953	1,924

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

Maturing within one year	970	2,001
One to three years	45	153
	1,015	2,154
Less:		
Unaccreted discount	-	(15)
Allowance for impairment losses	(62)	(215)
	953	1,924

13 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and has no fixed term of repayment.

14 OTHER ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Staff loans and financing	3,974	4,487	3,974	4,487
Deposits	908	927	881	876
Prepayments	1,509	1,276	1,509	1,276
Other receivables	328	1,001	328	1,001
Compensation receivable from originator on mortgage assets	1,770	1,462	1,770	1,462
	8,489	9,153	8,462	9,102

15 PROPERTY AND EQUIPMENT

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group and Company				
Cost				
As at 1 January 2017	5,613	4,653	627	10,893
Additions	2,602	-	-	2,602
Disposals	(270)	(4)	-	(274)
As at 31 December 2017	7,945	4,649	627	13,221
Accumulated depreciation				
As at 1 January 2017	(3,893)	(3,549)	(559)	(8,001)
Charge for the financial year	(537)	(454)	(66)	(1,057)
Disposals	270	4	-	274
As at 31 December 2017	(4,160)	(3,999)	(625)	(8,784)
Net book value as at 31 December 2017	3,785	650	2	4,437

15 PROPERTY AND EQUIPMENT (CONTINUED)

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group and Company				
Cost				
As at 1 January 2016	4,834	4,667	627	10,128
Additions	1,048	13	-	1,061
Disposals	(269)	(27)	-	(296)
As at 31 December 2016	5,613	4,653	627	10,893
Accumulated depreciation				
As at 1 January 2016	(3,614)	(3,112)	(434)	(7,160)
Charge for the financial year	(547)	(460)	(125)	(1,132)
Disposals	268	23	-	291
As at 31 December 2016	(3,893)	(3,549)	(559)	(8,001)
Net book value as at 31 December 2016	1,720	1,104	68	2,892

16 INTANGIBLE ASSETS

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
Group and Company					
Cost					
As at 1 January 2017	16,712	12,047	5,523	7,020	41,302
Additions	-	35	309	3,394	3,738
As at 31 December 2017	16,712	12,082	5,832	10,414	45,040
Accumulated amortisation					
As at 1 January 2017	(12,246)	(12,017)	(3,007)	-	(27,270)
Charge for the financial year	(563)	(48)	(805)	-	(1,416)
As at 31 December 2017	(12,809)	(12,065)	(3,812)	-	(28,686)
Net book value					
31 December 2017	3,903	17	2,020	10,414	16,354
Cost					
As at 1 January 2016	16,712	12,047	4,832	-	33,591
Additions	-	-	691	7,020	7,711
As at 31 December 2016	16,712	12,047	5,523	7,020	41,302
Accumulated amortisation					
As at 1 January 2016	(11,682)	(11,943)	(2,238)	-	(25,863)
Charge for the financial year	(564)	(74)	(769)	-	(1,407)
As at 31 December 2016	(12,246)	(12,017)	(3,007)	-	(27,270)
Net book value					
31 December 2016	4,466	30	2,516	7,020	14,032

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 3 to 10 years (2016: 4 to 11 years).

17 DEFERRED TAXATION

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Deferred tax assets (before offsetting)	(10,431)	(10,481)
Deferred tax liabilities (before offsetting)	2,466	2,116
Deferred tax assets	(7,965)	(8,365)

The movements of deferred tax are as follows:

	2017 RM'000	2016 RM'000
As at 1 January	(8,365)	29
Debit/(credit) to income statement (Note 32)	2,057	(767)
Credit to other comprehensive income	(1,657)	(7,627)
As at 31 December	(7,965)	(8,365)

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

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2017				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(5,911)	-	(3,896)	(9,807)
Provisions	(1,245)	940	-	(305)
Revaluation reserves of AFS investment securities	(3,325)	-	3,006	(319)
	(10,481)	940	(890)	(10,431)

17 DEFERRED TAXATION (CONTINUED)

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

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2017				
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instruments under cash flow hedge accounting	1,716	-	(864)	852
Revaluation reserves of AFS investment securities	-	-	97	97
Accelerated tax depreciation	305	970	-	1,275
Temporary difference relating to interest/profit receivables on deposits and placements	95	147	-	242
	2,116	1,117	(767)	2,466
Deferred taxation	(8,365)	2,057	(1,657)	(7,965)
2016				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(7,049)	-	1,138	(5,911)
Provisions	(1,026)	(219)	-	(1,245)
Revaluation reserves of AFS investment securities	(4,736)	-	1,411	(3,325)
	(12,811)	(219)	2,549	(10,481)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 DEFERRED TAXATION (CONTINUED)

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2016				
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instruments under cash flow hedge accounting	11,776	-	(10,060)	1,716
Revaluation reserves of AFS investment securities	116	-	(116)	-
Accelerated tax depreciation	892	(587)	-	305
Temporary difference relating to interest/profit receivables on deposits and placements	56	39	-	95
	12,840	(548)	(10,176)	2,116
Deferred taxation	29	(767)	(7,627)	(8,365)

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares at cost	-*	-*

*denotes USD1 in CGP and RM2 in CGS.

The subsidiaries of the Company are as follows:

Name	Principal activities	Place of Incorporation	Interest in equity held by the Company 2017 %	Interest in equity held by the Company 2016 %
Cagamas Global P.L.C.	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
Cagamas Global Sukuk Berhad	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

19 UNSECURED BEARER BONDS AND NOTES

				Group	
			2017		2016
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2017	-	-	300,000	3.820
	2018	300,000	3.480	-	-
Add:					
Interest payable		1,001		1,052	
		301,001		301,052	
(b) Commercial paper	2018	700,000	3.560	-	-
Add:					
Interest payable		1,297		-	
		701,297		-	
(c) Medium-term notes	2017	-	-	5,795,017	1.600 - 4.640
	2018	6,429,072	1.520 – 5.710	4,887,493	1.520 - 5.710
	2019	5,078,550	2.745 – 5.280	5,288,107	2.745 - 5.280
	2020	4,053,485	2.530 – 6.000	540,000	2.530 - 6.000
	2021	315,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	485,000	3.900 - 4.480
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 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	5.750
		24,561,107		20,485,617	
Add:					
Interest payable		201,523		166,929	
Unaccreted premium		5,852		29	
Less:					
Deferred financing fees		(4,572)		(4,372)	
Unamortised discount		(1,268)		(2,669)	
		24,762,642		20,645,534	
		25,764,940		20,946,586	

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	Year of maturity	2017 Amount outstanding RM'000	2017 Effective interest rate %	Company 2016 Amount outstanding RM'000	2016 Effective interest rate %
(a) Floating rate notes	2017	-	-	300,000	3.8200
	2018	300,000	3.480	-	-
Add: Interest payable		1,001		1,052	
		301,001		301,052	
(b) Commercial paper	2018	700,000	3.560	-	-
Add: Interest payable		1,297		-	
		701,297		-	
(c) Medium-term notes	2017	-	-	3,530,000	3.300 - 4.640
	2018	3,840,000	3.420 – 5.710	3,550,000	3.420 - 5.710
	2019	3,045,000	3.650 – 5.280	3,045,000	3.650 - 5.280
	2020	2,630,000	4.100 – 6.000	540,000	4.100 - 6.000
	2021	315,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	485,000	3.900 - 4.480
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 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	4.140
	2027	275,000	4.140 – 4.900	275,000	4.140 - 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.070
		18,515,000		14,640,000	
Add:					
Interest payable		183,401		142,015	
Unaccreted premium		5,852		29	
Less:					
Unamortised discount		(1,268)		(2,669)	
		18,702,985		14,779,375	
		19,705,283		15,080,427	

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,626,244	6,260,024	5,021,775	3,973,096
One to three years	9,138,696	10,171,562	5,683,508	6,592,331
Three to five years	5,825,000	855,000	5,825,000	855,000
More than five years	3,175,000	3,660,000	3,175,000	3,660,000
	25,764,940	20,946,586	19,705,283	15,080,427

(a) Floating rate notes

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(b) Commercial paper

Commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) Medium-term notes

The medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

Included in medium-term notes are medium-term notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP, and are unconditionally and irrevocably guaranteed by the Company. The unsecured bearer bonds and notes outstanding at the ended financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2017	2016
	RM'000	RM'000
CNH	-	974,256
HKD	521,812	580,170
USD	3,870,347	3,279,146
SGD	1,349,057	1,032,586
AUD	318,441	-
	6,059,657	5,866,158

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 SUKUK

	Year of maturity	2017 Amount outstanding RM'000	2017 Effective profit rate %	2016 Amount outstanding RM'000	2016 Effective profit rate %
					Group
(a) Islamic commercial	2017	-	-	500,000	3.6200
papers	2018	305,000	3.5100	-	-
Add:					
Profit payable		1,173		248	
		306,173		500,248	
(b) Islamic medium-term	2017	-	-	2,625,512	2.300 - 4.050
	2018	1,592,025	1.850 – 5.800	1,145,000	1.850 - 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 - 5.280
	2020	2,230,000	3.980 – 6.000	1,180,000	3.980 - 6.000
	2021	245,000	4.150 – 5.380	245,000	4.150 - 5.380
	2022	2,150,000	3.900 – 4.700	460,000	3.900 - 4.700
	2023	995,000	4.250 – 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 – 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
		11,139,025		10,577,512	
Add:					
Profit payable		114,351		116,678	
Unaccreted premium		39,014		21,857	
Less:					
Deferred financing fees		(29)		(75)	
Unamortised discount		(656)		(1,307)	
		11,291,075		10,714,665	
		11,597,878		11,214,913	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 SUKUK (CONTINUED)

	Year of maturity	2017 Amount outstanding RM'000	2017 Effective profit rate %	2016 Amount outstanding RM'000	2016 Effective profit rate %
					Company
(a) Islamic commercial papers	2017	-	-	500,000	3.6200
	2018	305,000	3.5100	-	-
Add:					
Profit payable		1,173		248	
		306,173		500,248	
(b) Islamic medium-term	2017	-	-	2,160,000	3.300 – 4.050
	2018	1,440,000	3.510 – 5.800	1,145,000	3.510 – 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	1,180,000	3.980 – 6.000
	2021	245,000	4.150 – 5.380	245,000	4.150 – 5.380
	2022	2,150,000	3.900 – 4.700	460,000	3.900 – 4.700
	2023	995,000	4.250 – 6.350	995,000	4.250 – 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 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
		10,987,000		10,112,000	
Add:					
Profit payable		113,504		113,362	
Unaccreted premium		39,014		21,857	
Less:					
Unamortised discount		(656)		(1,307)	
		11,138,862		10,245,912	
		11,445,035		10,746,160	

20 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,011,864	3,242,363	1,859,021	2,773,610
One to three years	3,456,014	2,352,550	3,456,014	2,352,550
Three to five years	2,395,000	1,425,000	2,395,000	1,425,000
More than five years	3,735,000	4,195,000	3,735,000	4,195,000
	11,597,878	11,214,913	11,445,035	10,746,160

(a) Islamic commercial paper

Islamic commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (profit-bearing).

(b) Islamic medium-term notes

Islamic medium-term notes are issued by the Group based on various Islamic principles. The IMTNs have tenures of more than 1 year and are issued at discount or at par (profit-bearing). Profit distributions of the IMTNs are normally made on half year/quarterly basis.

(c) Islamic variable medium-term notes

Islamic variable medium-term notes are issued by the Group and the Company based on various Islamic principles. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at point of issuance. Profit distributions of the IMTNs are normally made on half year/quarterly basis.

Included in Islamic medium-term notes are Islamic medium-term notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by the Company. The Sukuk outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2017	2016
	RM'000	RM'000
SGD	152,843	468,751

21 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:

	Company	
	2017 RM'000	2016 RM'000
CNH	-	975,934
HKD	521,812	580,170
USD	3,874,422	3,282,148
SGD	1,502,915	1,502,290
AUD	318,716	-
	6,217,865	6,340,542

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.520% to 2.745% per annum (2016: 1.710% to 3.860% per annum).

The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	2017 RM'000	2016 RM'000
Maturing within one year	2,760,830	2,759,942
One to three years	3,457,035	3,580,600
	6,217,865	6,340,542

22 OTHER LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision for zakat	927	1,011	927	1,011
Amount due to GOM	36,734	41,209	36,734	41,209
Other payables and accruals	23,128	19,576	21,843	18,584
	60,789	61,796	59,504	60,804

23 SHARE CAPITAL

	Group and Company			
		2017		2016
	Number of shares	Amount	Number of shares	Amount
	’000	RM’000	’000	RM’000
Ordinary shares				
Issued:				
As at 1 January/ 31 December	150,000	150,000	150,000	150,000

24 RESERVES

(a) AFS reserves

This amount represents the unrealised fair value gains or losses on AFS investment securities, net of taxation.

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves which was effective from 31 December 2015 on voluntary basis. The policy document requires banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of the total outstanding loans/financing, net of individual impairment provisions.

25 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,405,211,000 of the Group and RM 3,397,473,000 of the Company respectively (2016: RM3,202,006,000 of the Group and RM3,198,368,000 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 RM241,715,000 of the Group and RM237,615,000 of the Company respectively (2016: RM255,036,000 of the Group and RM253,476,000 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 INTEREST INCOME

	Group and Company	
	2017 RM'000	2016 RM'000
Amount due from counterparties	721,338	563,317
Mortgage assets	269,289	283,236
Compensation from mortgage assets	48	73
AFS investment securities	70,310	62,416
Deposits and placements with financial institutions	8,050	7,358
	1,069,035	916,400
Accretion of discount less amortisation of premium (net)	133,528	135,133
	1,202,563	1,051,533

27 INTEREST EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate notes	10,431	13,640	10,431	13,640
Medium-term notes	883,768	766,361	720,229	628,780
Commercial paper	2,285	2,990	2,285	2,990
Loans/financing from subsidiaries	-	-	168,269	141,329
	896,484	782,991	901,214	786,739

28 NON-INTEREST EXPENSE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net derivatives expense	(69,287)	(43,463)	(69,287)	(43,463)
Gain on disposal of AFS investment securities	2,756	3,863	2,756	3,863
Loss on disposal of property and equipment	-	(10)	-	(10)
Reclassification adjustments of fair value gains on CCS, transfer from equity	236,599	247,650	236,599	247,650
Unrealised loss on foreign exchange	(236,856)	(246,478)	(236,862)	(246,475)
Other non-operating income	5,003	4,968	5,003	4,968
	(61,785)	(33,470)	(61,791)	(33,467)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 PERSONNEL COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salary and allowances	13,528	12,380	13,528	12,380
Bonus	6,647	6,674	6,647	6,674
Overtime	58	63	58	63
EPF and SOCSO	3,859	2,542	3,859	2,542
Insurance	747	747	747	747
Others	2,463	3,082	2,463	3,082
	27,302	25,488	27,302	25,488

30 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' remuneration (Note 31)	2,220	2,173	2,220	2,173
Rental of premises	2,648	2,648	2,648	2,648
Hire of equipment	529	435	529	435
Auditor's remuneration				
- Audit fees	321	205	293	177
- Non audit fees	134	18	129	8
Depreciation of property and equipment	1,057	1,132	1,057	1,132
Amortisation of intangible assets	1,416	1,407	1,416	1,407
Servicers fees	3,720	3,202	3,720	3,202
Repairs and maintenance	(395)	4,945	(395)	4,945
Donations and sponsorship	10	416	10	416
Corporate expenses	673	734	673	734
Travelling expenses	510	684	510	684
Loss on disposal of property and equipment	-	10	-	10
Allowance/(write-back) of impairment losses	719	(8,062)	719	(8,062)

31 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (appointed as Chairman on 1.7.2017)
Dato' Halipah binti Esa
Dr. Roslan bin A. Ghaffar
Dato' Md Agil bin Mohd Natt
Encik Philip Tan Puay Koon
Dato' Wee Yiaw Hin
Encik Nazrul Hisyam bin Mohd Noh
Dato' Ooi Sang Kuang (redesignated as Director on 1.7.2017 and resigned on 1.1.2018)
Encik Tang Wing Chew (resigned on 1.3.2017)

Executive Director

Datuk Chung Chee Leong

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

	Group and Company	
	2017	2016
	RM'000	RM'000
Directors' fees	428	382
Directors' other emoluments	1,792	1,791
	2,220	2,173

D&O insurance premium of RM170,000 (2016: RM170,000) were paid to cover all the Directors and Officers of the Group and were borne by the Company.

32 TAXATION

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	76,076	76,755	76,056	76,735
- Deferred taxation (Note 17)	2,057	(767)	2,057	(767)
	78,133	75,988	78,113	75,968
Current tax:				
- Current year	74,763	78,001	74,743	77,981
- under/(over) provision in prior year	1,313	(1,246)	1,313	(1,246)
	76,076	76,755	76,056	76,735
Deferred taxation:				
Origination and reversal of temporary differences (Note 17)	2,057	(767)	2,057	(767)
	78,133	75,988	78,113	75,968

32 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation and zakat	320,775	332,035	316,655	330,455
Tax calculated at Malaysian tax rate of 24% (2016: 24%)	76,986	79,689	75,997	79,309
Different tax rate in Labuan	(1,011)	(825)	-	-
Subsidiary's current year tax losses utilised	(27)	(465)	(27)	(465)
Loss not subject to tax	27	465	-	-
Expenses not deductible for tax purposes	449	427	434	427
Deduction arising from zakat contribution	(243)	(666)	(243)	(666)
Others	639	(1,391)	639	(1,391)
Under/(over) provision in prior year	1,313	(1,246)	1,313	(1,246)
	78,133	75,988	78,113	75,968

33 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Group and Company			
	2017		2016	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
Interim dividend paid	5.00	7,500	5.00	7,500
Final dividend paid	15.00	22,500	15.00	22,500
	20.00	30,000	20.00	30,000

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2017 of 15 sen per share (2016: 15 sen per share) amounting to RM22,500,000 (2016: RM22,500,000) will be proposed for shareholder's approval.

34 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

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

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

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 statement of the Group and the Company.

During the financial year ended 31 December 2017, the Company entered into a shared service arrangement with Cagamas SRP Berhad (“CSRP”). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business.

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

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

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

	Group	
	Related company RM'000	Other related party RM'000
2017		
Income		
Transaction administrator and administrator fees	4,282	-
Management fee	568	-
Expenses		
FAST* and RENTAS** charges	-	(18)
Servicers fees	3,720	-
Amount due from/(to)		
Transaction administrator and administrator fees	379	-
BNM current accounts	-	30
Reimbursement of operating expenses	-	6
Servicers fees	(896)	-
Management fee receivable	568	-
2016		
Income		
Transaction administrator and administrator fees	4,829	-
Expenses		
FAST* and RENTAS** charges	-	(1)
Servicers fees	3,202	-
Amount due from/(to)		
Transaction administrator and administrator fees	436	-
BNM current accounts	-	25
Servicers fees	(770)	-

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

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

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

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

	Company		
	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000
2017			
Income			
Transaction administrator and administrator fees	-	4,282	-
Management fee	-	568	-
Expenses			
FAST* and RENTAS** charges	-	-	(18)
Servicers fees	-	3,720	-
Interest expense	168,269	-	-
Profit charged	4,568	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	378	-
BNM current accounts	-	-	30
Reimbursement of operating expenses	-	-	6
Servicers fees	-	(896)	-
Loans/financing	(6,217,865)	-	-
Payment on behalf	7,409	-	-
Management fee receivable	-	568	-

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

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

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

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

	Company		
	Subsidiaries RM'000	Related company RM'000	Other related party RM'000
2016			
Income			
Transaction administrator and administrator fees	-	4,829	-
Expenses			
FAST* and RENTAS** charges	-	-	(1)
Servicers fees	-	3,202	-
Interest expense	141,329	-	-
Profit charged	16,901	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	436	-
BNM current accounts	-	-	25
Servicers fees	-	(770)	-
Loans/financing	(6,340,542)	-	-
Payment on behalf	4,951	-	-

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM7,390,607 (2016: RM8,049,828).

The total remuneration paid to the Directors is disclosed in Note 31 to the financial statements.

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

(c) Transactions with the GOM and its related parties

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.

35 CAPITAL COMMITMENTS

	Group and Company	
	2017	2016
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	12,054	20,501
Authorised but not contracted for	3,911	3,258
	15,965	23,759
Analysed as follows:		
Equipment and others	196	616
Computer hardware and software	15,769	23,143
	15,965	23,759

36 LEASE COMMITMENTS

The Group and the Company have lease commitments in respect of rented premise and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments are as follows:

	Group and Company	
	2017	2016
	RM'000	RM'000
Maturing within one year	4,727	4,618
One to three years	6,593	3,700
Three to five years	-	96
	11,320	8,414

37 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.

The following tables summarise the Group’s and the Company's exposure to interest/profit rate risks. Included in the tables are the Group’s and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group’s and the Company's exposure to interest/profit rates movements, are included in "other assets" and "other liabilities".

The tables also represent a static position which provides an indication of the potential impact on the Group’s and the Company's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-statement of financial position items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group’s and the Company's shareholder's funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

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.

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	47,679	534,591
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^[1]
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^[2]
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^[3]
- Islamic	970	45	-	-	(62)	953^[4]
Other assets	158,424	303,201	840	9,050	32,533	504,048
	11,034,726	13,154,803	9,083,766	9,393,267	(1,592,089)	41,074,473

^[1] Includes impairment losses on conventional mortgage assets of RM37,970,725.
^[2] Includes impairment losses on Islamic mortgage assets of RM30,196,660.
^[3] Includes impairment losses on conventional hire purchase assets of RM2,059.
^[4] Includes impairment losses on Islamic hire purchase assets of RM62,050.

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2017						
Financial liabilities						
Unsecured bearer bonds and notes	7,626,244	9,138,696	5,825,000	3,175,000	-	25,764,940
Sukuk	2,011,864	3,456,014	2,395,000	3,735,000	-	11,597,878
Other liabilities	58,490	146,234	-	12,147	73,219	290,090
	9,696,598	12,740,944	8,220,000	6,922,147	73,219	37,652,908
Total interest/profit sensitivity gap	1,338,128	413,859	863,766	2,471,120		
Cumulative gap	1,338,128	1,751,987	2,615,753	5,086,873		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2016						
Financial assets						
Cash and short-term funds	363,865	-	-	-	45,531	409,396
AFS investment securities	284,709	285,505	154,459	925,845	-	1,650,518
Amount due from counterparties	5,154,450	8,135,868	50,824	955,023	-	14,296,165
Islamic financing assets	3,001,966	1,387,816	500,003	417,904	-	5,307,689
Mortgage assets:						
- Conventional	935,176	1,218,288	1,148,044	3,910,131	(973,302)	6,238,337[^1]
- Islamic	726,071	958,087	980,438	4,924,612	(927,115)	6,662,093[^2]
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-[^3]
- Islamic	2,001	153	-	-	(230)	1,924[^4]
Other assets	101,723	782,956	653	8,443	28,929	922,704
	10,569,963	12,768,673	2,834,421	11,141,958	(1,826,189)	35,488,826

[^1] Includes impairment losses on conventional mortgage assets of RM38,370,723.
[^2] Includes impairment losses on Islamic mortgage assets of RM30,146,432.
[^3] Includes impairment losses on conventional hire purchase assets of RM2,059.
[^4] Includes impairment losses on Islamic hire purchase assets of RM214,714.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2016						
Financial liabilities						
Unsecured bearer bonds and notes	6,260,024	10,171,562	855,000	3,660,000	-	20,946,586
Sukuk	3,242,363	2,352,550	1,425,000	4,195,000	-	11,214,913
Other liabilities	13,391	-	-	20,434	77,464	111,289
	9,515,778	12,524,112	2,280,000	7,875,434	77,464	32,272,788
Total interest/profit sensitivity gap	1,054,185	244,561	554,421	3,266,524		
Cumulative gap	1,054,185	1,298,746	1,853,167	5,119,691		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2017						
Financial assets						
Cash and short-term funds	486,912	-	-	-	37,273	524,185
AFS investment securities	726,423	503,885	416,171	824,951	-	2,471,430
Amount due from counterparties	6,285,506	7,604,833	5,345,007	635,032	-	19,870,378
Islamic financing assets	1,730,200	2,574,231	1,239,947	-	-	5,544,378
Mortgage assets:						
- Conventional	933,922	1,204,460	1,114,465	3,449,082	(853,810)	5,848,119^1
- Islamic	712,367	964,148	967,336	4,475,152	(818,427)	6,300,576^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	970	45	-	-	(62)	953^4
Other assets	158,424	303,201	840	9,050	39,261	510,776
	11,034,726	13,154,803	9,083,766	9,393,267	(1,595,767)	41,070,795

^1 Includes impairment losses on conventional mortgage assets of RM37,970,725.
^2 Includes impairment losses on Islamic mortgage assets of RM30,196,660.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM62,050.

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2017						
Financial liabilities						
Unsecured bearer bonds and notes	5,021,775	5,683,508	5,825,000	3,175,000	-	19,705,283
Sukuk	1,859,021	3,456,014	2,395,000	3,735,000	-	11,445,035
Loans/financing from subsidiary	2,760,830	3,457,035	-	-	-	6,217,865
Other liabilities	58,490	146,234	-	12,147	71,914	288,785
	9,700,116	12,742,791	8,220,000	6,922,147	71,914	37,656,968
Total interest/profit sensitivity gap	1,334,610	412,012	863,766	2,471,120		
Cumulative gap	1,334,610	1,746,622	2,610,388	5,081,508		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2016						
Financial assets						
Cash and short-term funds	363,865	-	-	-	41,611	405,476
AFS investment securities	284,709	285,505	154,459	925,845	-	1,650,518
Amount due from counterparties	5,154,450	8,135,868	50,824	955,023	-	14,296,165
Islamic financing assets	3,001,966	1,387,816	500,003	417,904	-	5,307,689
Mortgage assets:						
- Conventional	935,176	1,218,288	1,148,044	3,910,131	(973,302)	6,238,337^1
- Islamic	726,071	958,087	980,438	4,924,612	(927,115)	6,662,093^2
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-^3
- Islamic	2,001	153	-	-	(230)	1,924^4
Other assets	101,723	782,956	653	8,443	33,829	927,604
	10,569,963	12,768,673	2,834,421	11,141,958	(1,825,209)	35,489,806

^1 Includes impairment losses on conventional mortgage assets of RM38,370,723.
^2 Includes impairment losses on Islamic mortgage assets of RM30,146,432.
^3 Includes impairment losses on conventional hire purchase assets of RM2,059.
^4 Includes impairment losses on Islamic hire purchase assets of RM214,714.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Company						
2016						
Financial liabilities						
Unsecured bearer bonds and notes	3,973,096	6,592,331	855,000	3,660,000	-	15,080,427
Sukuk	2,773,610	2,352,550	1,425,000	4,195,000	-	10,746,160
Loans/financing from subsidiary	2,759,942	3,580,600	-	-	-	6,340,542
Other liabilities	13,391	-	-	20,434	76,452	110,277
	9,520,039	12,525,481	2,280,000	7,875,434	76,452	32,277,406
Total interest/profit sensitivity gap	1,049,924	243,192	554,421	3,266,524		
Cumulative gap	1,049,924	1,293,116	1,847,537	5,114,061		

37 INTEREST/PROFIT RATE RISK (CONTINUED)

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

	Group			
	+100 basis		-100 basis	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(74,075)	(58,568)	79,191	62,305
PWR (floating rate)	(6,202)	(3,429)	6,362	3,565
Unsecured bonds and notes (floating rate)	1,087	3,168	(1,100)	(3,213)
Taxation effects on the above at tax rate of 24%	19,006	14,119	(20,269)	(15,038)
Effect on shareholder's funds	(60,184)	(44,710)	64,184	47,619
As percentage of shareholder's funds	(1.8%)	(1.4%)	1.9%	1.5%

	Company			
	+100 basis		-100 basis	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(74,075)	(58,568)	79,191	62,305
Derivatives financial instruments	(1,509)	(6,831)	1,534	7,005
Loans/financing from subsidiaries	4,636	7,743	(4,704)	(7,918)
PWR (floating rate)	(6,202)	(3,429)	6,362	3,565
Unsecured bonds and notes (floating rate)	1,087	3,168	(1,100)	(3,213)
Taxation effects on the above at tax rate of 24%	18,255	13,900	(19,508)	(14,819)
Effect on shareholder's funds	(57,808)	(44,017)	61,775	46,925
As percentage of shareholder's funds	(1.7%)	(1.5%)	1.8%	1.4%

38 CREDIT RISK

38.1 Credit risk concentration

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 ("FSA"), 2013 and the Islamic Financial Services Act ("IFSA"), 2013 and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Group										
2017										
Government bodies	-	-	897,126	-	-	-	-	-	1,325	898,451
Financial institutions:										
- Commercial banks	466,079	466,339	612,659	18,615,537	4,273,959	-	-	-	-	24,434,573
- Investment banks	68,510	-	-	-	-	-	-	-	-	68,510
Communication, electricity, gas and water	-	-	100,945	-	-	-	-	-	-	100,945
Transportation	-	-	379,040	-	-	-	-	-	-	379,040
Leasing	-	-	-	286,304	-	-	-	-	-	286,304
Consumers	-	-	-	-	-	5,848,119	6,300,576	953	-	12,149,648
Corporate	-	-	147,415	968,537	1,270,419	-	-	-	-	2,386,371
Construction	-	-	81,186	-	-	-	-	-	-	81,186
Others	2	-	253,059	-	-	-	-	-	7,628	260,689
Total	534,591	466,339	2,471,430	19,870,378	5,544,378	5,848,119	6,300,576	953	8,953	41,045,717

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Group										
2016										
Government bodies	-	-	572,718	-	-	-	-	-	2,062	574,780
Financial institutions:										
- Commercial banks	319,361	887,826	442,276	13,002,576	4,355,927	-	-	-	-	19,007,966
- Investment banks	90,033	-	-	-	-	-	-	-	-	90,033
Communication, electricity, gas and water	-	-	70,528	-	-	-	-	-	-	70,528
Transportation	-	-	194,967	-	-	-	-	-	-	194,967
Leasing	-	-	-	258,746	-	-	-	-	-	258,746
Consumers	-	-	-	-	-	6,238,337	6,662,093	1,924	-	12,902,354
Corporate	-	-	-	1,034,843	951,762	-	-	-	-	1,986,605
Construction	-	-	86,051	-	-	-	-	-	-	86,051
Others	2	-	283,978	-	-	-	-	-	7,527	291,507
Total	409,396	887,826	1,650,518	14,296,165	5,307,689	6,238,337	6,662,093	1,924	9,589	35,463,537

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Company										
2017										
Government bodies	-	-	897,126	-	-	-	-	-	1,325	898,451
Financial institutions:										
- Commercial banks	455,673	466,339	612,659	18,615,537	4,273,959	-	-	-	-	24,424,167
- Investment banks	68,510	-	-	-	-	-	-	-	-	68,510
Communication, electricity, gas and water	-	-	100,945	-	-	-	-	-	-	100,945
Transportation	-	-	379,040	-	-	-	-	-	-	379,040
Leasing	-	-	-	286,304	-	-	-	-	-	286,304
Consumers	-	-	-	-	-	5,848,119	6,300,576	953	-	12,149,648
Corporate	-	-	147,415	968,537	1,270,419	-	-	-	-	2,386,371
Construction	-	-	81,186	-	-	-	-	-	-	81,186
Others	2	-	253,059	-	-	-	-	-	14,356	267,417
Total	524,185	466,339	2,471,430	19,870,378	5,544,378	5,848,119	6,300,576	953	15,681	41,042,039

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

38.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities 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
2016										
Government bodies	-	-	572,718	-	-	-	-	-	2,062	574,780
Financial institutions:										
- Commercial banks	315,441	887,826	442,276	13,002,576	4,355,927	-	-	-	-	19,004,046
- Investment banks	90,033	-	-	-	-	-	-	-	-	90,033
Communication, electricity, gas and water	-	-	70,528	-	-	-	-	-	-	70,528
Transportation	-	-	194,967	-	-	-	-	-	-	194,967
Leasing	-	-	-	258,746	-	-	-	-	-	258,746
Consumers	-	-	-	-	-	6,238,337	6,662,093	1,924	-	12,902,354
Corporate	-	-	-	1,034,843	951,762	-	-	-	-	1,986,605
Construction	-	-	86,051	-	-	-	-	-	-	86,051
Others	2	-	283,978	-	-	-	-	-	12,427	296,407
Total	405,476	887,826	1,650,518	14,296,165	5,307,689	6,238,337	6,662,093	1,924	14,489	35,464,517

38 CREDIT RISK (CONTINUED)

38.2 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 past due nor impaired; or
- past due but not individually impaired.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

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

Group and Company	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2017							
Amount due from counterparties	19,870,378	-	19,870,378	-	19,870,378	-	-
Islamic financing assets	5,544,378	-	5,544,378	-	5,544,378	-	-
Mortgage assets:							
- Conventional	5,832,022	54,068	5,886,090	37,971	5,848,119	54,068	70
- Islamic	6,284,879	45,894	6,330,773	30,197	6,300,576	45,894	66
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	953	62	1,015	62	953	62	100
	37,532,610	100,026	37,632,636	68,232	37,564,404	100,026	

* These assets have been provided for under collective assessment

38 CREDIT RISK (CONTINUED)

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

Group and Company	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2016							
Amount due from counterparties	14,296,165	-	14,296,165	-	14,296,165	-	-
Islamic financing assets	5,307,689	-	5,307,689	-	5,307,689	-	-
Mortgage assets:							
- Conventional	6,202,839	73,869	6,276,708	38,371	6,238,337	73,869	52
- Islamic	6,641,629	50,610	6,692,239	30,146	6,662,093	50,610	60
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	1,798	341	2,139	215	1,924	341	63
	32,450,120	124,822	32,574,942	68,734	32,506,208	124,822	

* These assets have been provided for under collective assessment

38 CREDIT RISK (CONTINUED)

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

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

	Group and Company			
		2017		2016
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	19,870,378	19,870,378	14,296,165	14,296,165
Islamic financing assets	5,544,378	5,544,378	5,307,689	5,307,689
Mortgage assets:				
- Conventional	5,832,022	5,832,022	6,202,839	6,202,839
- Islamic	6,284,879	6,284,879	6,641,629	6,641,629
Hire purchase assets:				
- Islamic	953	953	1,798	1,798
	37,532,610	37,532,610	32,450,120	32,450,120

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

38 CREDIT RISK (CONTINUED)

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

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

	Group and Company				
	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
Mortgage assets:					
- Conventional	3,866	3,252	3,396	43,554	54,068
- Islamic	4,049	2,656	3,776	35,413	45,894
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	2	60	62
	7,915	5,908	7,174	79,029	100,026
2016					
Mortgage assets:					
- Conventional	5,719	3,138	3,268	61,744	73,869
- Islamic	4,519	3,480	2,124	40,487	50,610
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	28	313	341
	10,238	6,618	5,420	102,546	124,822

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 asset, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 CREDIT RISK (CONTINUED)

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

For the financial year ended 31 December 2017, the Group and the Company have deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

	Group and Company			
	As at 1 January RM'000	(Write-back) /allowance made RM'000	Allowance (written-off to) / written-back from principal balance outstanding RM'000	As at 31 December RM'000
2017				
Mortgage assets:				
- Conventional	38,371	502	(902)	37,971
- Islamic	30,146	217	(166)	30,197
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	215	-	(153)	62
	68,734	719	(1,221)	68,232
2016				
Mortgage assets:				
- Conventional	40,387	(1,526)	(490)	38,371
- Islamic	36,167	(6,536)	515	30,146
Hire purchase assets:				
- Conventional	1	-	1	2
- Islamic	70	-	145	215
	76,625	(8,062)	171	68,734

38 CREDIT RISK (CONTINUED)

38.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Group and the Company use the rating by external rating agencies, mainly RAM and MARC. The table below presents an analysis of AFS investment securities external rating:

	Group and Company			
	Investment grade			
	GOM	AAA	AA1 to AA2/ AA+ to A-	Total
	RM'000	RM'000	RM'000	RM'000
2017				
Malaysian Government securities	81,687	-	-	81,687
Corporate Bonds	-	156,947	347,234	504,181
Government investment issues	627,143	-	-	627,143
Sukuk	20,345	509,489	24,847	554,681
Quasi Government Sukuk	414,148	-	188,298	602,446
Unit trust	-	-	101,292	101,292
Total	1,143,323	666,436	661,671	2,471,430
2016				
Malaysian Government securities	10,060	-	-	10,060
Corporate Bonds	-	117,703	310,359	428,062
Government investment issues	442,200	-	-	442,200
Sukuk	-	288,731	59,871	348,602
Quasi Government Sukuk	340,328	-	-	340,328
Unit trust	-	-	81,266	81,266
Total	792,588	406,434	451,496	1,650,518

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

38.4 Amount due from related company

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

38 CREDIT RISK (CONTINUED)

38.5 Offsetting financial instruments

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

	Group and Company					
				Related amounts not set off in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Financial instrument	Cash collateral placed	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Derivatives financial liabilities	(216,871)	-	(216,871)	-	7,760	(209,111)
2016						
Derivatives financial liabilities	(33,825)	-	(33,825)	-	13,690	(20,135)

39 LIQUIDITY RISK

39.1 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.

39 LIQUIDITY RISK (CONTINUED)

39.2 Liquidity pool

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counterparties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Total RM'000
Group									
2017	534,591	466,339	2,471,430	5,848,119	6,300,576	19,870,378	5,544,378	8,396	41,044,207
2016	409,396	887,826	1,650,518	6,238,337	6,662,093	14,296,165	5,307,689	10,236	35,462,260
Company									
2017	524,185	466,339	2,471,430	5,848,119	6,300,576	19,870,378	5,544,378	15,124	41,040,529
2016	405,476	887,826	1,650,518	6,238,337	6,662,093	14,296,165	5,307,689	15,136	35,463,240

39 LIQUIDITY RISK (CONTINUED)

39.3 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, which does not result in a significantly different analysis.

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2017						
Financial liabilities						
Unsecured bonds and notes	5,287	988,206	6,449,841	14,963,696	3,175,000	25,582,030
Sukuk	-	547,843	1,349,344	5,851,014	3,735,000	11,483,201
Other liabilities	-	-	-	-	36,734	36,734
	5,287	1,536,049	7,799,185	20,814,710	6,946,734	37,101,965
Assets held for managing liquidity risk	778,830	2,072,620	7,307,662	21,935,616	9,759,398	41,854,126

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

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, which does not result in a significantly different analysis.

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2016						
Financial liabilities						
Unsecured bonds and notes	2,958	722,096	5,391,903	11,026,562	3,660,000	20,803,519
Sukuk	-	1,048,751	2,080,000	3,777,550	4,195,000	11,101,301
Other liabilities	-	-	-	-	41,209	41,209
	2,958	1,770,847	7,471,903	14,804,112	7,896,209	31,946,029
Assets held for managing liquidity risk	517,919	1,166,321	8,091,461	14,819,484	11,133,515	35,728,700

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2017						
Financial liabilities						
Unsecured bonds and notes	-	985,000	3,853,865	11,508,508	3,175,000	19,522,373
Sukuk	-	395,000	1,349,344	5,851,014	3,735,000	11,330,358
Loan from Subsidiary Company	5,576	156,991	2,598,264	3,457,034	-	6,217,865
Other liabilities	-	-	-	-	36,734	36,734
	5,576	1,536,991	7,801,473	20,816,556	6,946,734	37,107,330
Assets held for managing liquidity risk	786,153	2,072,620	7,307,662	21,935,616	9,382,565	41,484,616

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 LIQUIDITY RISK (CONTINUED)

39.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2016						
Financial liabilities						
Unsecured bonds and notes	-	300,000	3,530,029	7,447,331	3,660,000	14,937,360
Sukuk	-	580,000	2,080,000	3,777,550	4,195,000	10,632,550
Loans/financing from subsidiary	3,017	892,764	1,864,161	3,580,600	-	6,340,542
Other liabilities	-	-	-	-	41,209	41,209
	3,017	1,772,764	7,474,190	14,805,481	7,896,209	31,951,661
Assets held for managing liquidity risk	522,870	1,166,321	8,091,461	14,819,484	11,133,515	35,733,651

39 LIQUIDITY RISK (CONTINUED)

39.4 Derivative liabilities

The Group’s and the Company's derivatives comprise IRS, IPRS and CCS entered by the Company for which net cash flows are exchanged for hedging purposes. The derivatives held by the Company are settled on either net or gross basis.

The following table analyses the Group’s and the Company's derivatives financial liabilities that will be settled on either net or gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group and Company					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
2017						
Derivatives held for hedging						
- IRS/IPRS	(4,204)	17,029	(9,403)	20,358	(38,449)	(14,669)
- CCS/ICCS	318,831	(644,764)	1,790,793	(1,295,756)	-	169,104
2016						
Derivatives held for hedging						
- IRS/IPRS	-	1,243	(12,804)	(17,938)	(3,397)	(32,896)
- CCS/ICCS	-	(138)	(140)	-	-	(278)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FOREIGN EXCHANGE RISK

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

The Group hedges 100% of its foreign currency denominated unsecured 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.

40.1 Exposure to foreign currency risk

					Group
	AUD	HKD	USD	SGD	CNH
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
Derivatives financial Instruments	319,497	521,812	3,851,753	1,505,110	-
	319,497	521,812	3,851,753	1,505,110	-
Unsecured bonds and notes	318,441	521,812	3,870,347	1,349,057	-
Sukuk	-	-	-	152,843	-
	318,441	521,812	3,870,347	1,501,900	-
2016					
Derivatives financial Instruments	-	583,885	3,280,824	1,508,608	-
Amount due from Counterparties	-	-	-	-	974,781
	-	583,885	3,280,824	1,508,608	974,781
Unsecured bonds and notes	-	580,170	3,279,146	1,032,586	974,256
Sukuk	-	-	-	468,75	-
Derivatives financial instruments	-	-	-	-	1,397
	-	580,170	3,279,146	1,501,337	975,653

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FOREIGN EXCHANGE RISK (CONTINUED)

40.1 Exposure to foreign currency risk (continued)

	Company				
	AUD RM'000	HKD RM'000	USD RM'000	SGD RM'000	CNH RM'000
2017					
Derivatives financial Instruments	319,497	521,812	3,851,753	1,505,110	-
	319,497	521,812	3,851,753	1,505,110	-
Amount due from subsidiaries	318,716	521,812	3,874,422	1,502,915	-
	318,716	521,812	3,874,422	1,502,915	-
2016					
Derivatives financial Instruments	-	583,885	3,280,824	1,508,608	-
Amount due from Counterparties	-	-	-	-	974,781
	-	583,885	3,280,824	1,508,608	974,981
Amount due from subsidiaries	-	580,170	3,282,148	1,502,290	975,934
Derivatives financial instruments	-	-	-	-	1,397
	-	580,170	3,282,148	1,502,290	977,331

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FOREIGN EXCHANGE RISK (CONTINUED)

40.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

	Group		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2017				
HKD	2	-	2	-
USD	(166)	(1)	(166)	(1)
SGD	18	-	18	-
AUD	6	-	6	-
	(140)	(1)	(140)	(1)
2016				
CNH	(1)	-	(1)	-
HKD	(26)	-	(26)	-
USD	(5)	(1)	(5)	(1)
SGD	51	-	51	-
	19	(1)	19	(1)

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

41.1 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 AFS investment securities 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).

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Assets				
AFS investment Securities	-	2,471,430	-	2,471,430
Derivatives financial instruments	-	466,339	-	466,339
Liabilities				
Derivatives financial instruments	-	216,871	-	216,871
2016				
Assets				
AFS investment Securities	-	1,650,518	-	1,650,518
Derivatives financial instruments	-	887,826	-	887,826
Liabilities				
Derivatives financial instruments	-	33,825	-	33,825

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

41.2 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 short-term funds and deposits and placements with licensed financial institutions

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

(b) Other financial assets

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

(c) Amount due from related company

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.

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

41.2 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):

				Group
		2017		2016
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Amount due from counterparties	19,870,378	19,944,333	14,296,165	14,280,849
Islamic financing assets	5,544,378	5,504,117	5,307,689	5,332,670
Mortgage assets:				
- Conventional	5,848,119	6,008,321	6,238,337	7,291,685
- Islamic	6,300,576	6,715,579	6,662,093	7,698,475
Islamic hire purchase assets	953	1,186	1,924	1,930
	37,564,404	38,173,536	32,506,208	34,605,609
Financial liabilities				
Unsecured bearer bonds and notes	25,764,940	26,158,440	20,946,586	21,317,956
Sukuk	11,597,878	11,925,862	11,214,913	11,587,453
	37,362,818	38,084,302	32,161,499	32,905,409

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

41.2 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):

	Company			
	2017		2016	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	19,870,378	19,944,333	14,296,165	14,280,849
Islamic financing assets	5,544,378	5,504,117	5,307,689	5,332,670
Mortgage assets:				
- Conventional	5,848,119	6,008,321	6,238,337	7,291,685
- Islamic	6,300,576	6,715,579	6,662,093	7,698,475
Islamic hire purchase assets	953	1,186	1,924	1,930
	37,564,404	38,173,536	32,506,208	34,605,609
Financial liabilities				
Unsecured bearer bonds and notes	19,705,283	20,094,241	15,080,427	15,447,425
Sukuk	11,445,035	11,772,990	10,746,160	11,118,626
Loans/financing from subsidiary	6,217,865	6,331,393	6,340,542	6,237,081
	37,368,183	38,198,624	32,167,129	32,803,132

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

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 unsecured bearer bonds and notes and Sukuk are derived at using the present value of future cash flows discounted based on the coupon rate at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

42 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. 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.

42 SEGMENT REPORTING (CONTINUED)

(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.

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

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2017			
External revenue	1,018,795	820,865	1,839,660
External interest/profit expense	(808,012)	(585,971)	(1,393,983)
Profit from operations	108,994	211,781	320,775
Zakat	(627)	(300)	(927)
Taxation	(26,357)	(51,776)	(78,133)
Profit after taxation and zakat by segment	82,010	159,705	241,715
Segment assets	27,935,704	13,138,769	41,074,473
Segment liabilities	26,445,915	11,206,993	37,652,908
Other information:			
Capital expenditure	4,312	2,028	6,340
Depreciation and amortisation	1,682	791	2,473

42 SEGMENT REPORTING (CONTINUED)

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2016			
External revenue	871,751	862,517	1,734,268
External interest/profit expense	(709,773)	(605,723)	(1,315,496)
Profit from operations	88,974	243,061	332,035
Zakat	(610)	(401)	(1,011)
Taxation	(17,853)	(58,135)	(75,988)
Profit after taxation and zakat by segment	70,511	184,525	255,036
Segment assets	21,756,280	13,732,546	35,488,826
Segment liabilities	19,744,510	12,528,278	32,272,788
Other information:			
Capital expenditure	5,377	3,395	8,772
Depreciation and amortisation	1,556	983	2,539

42 SEGMENT REPORTING (CONTINUED)

			Company
	PWR RM'000	PWOR RM'000	Total RM'000
2017			
External revenue	1,018,795	820,865	1,839,660
Internal interest/profit expense	(172,387)	-	(172,837)
External interest/profit expense	(639,924)	(585,971)	(1,225,895)
Total interest/profit expense	(812,761)	(585,971)	(1,398,732)
Profit from operations	104,874	211,781	316,655
Zakat	(627)	(300)	(927)
Taxation	(26,337)	(51,776)	(78,113)
Profit after taxation and zakat by segment	77,910	159,705	237,615
Segment assets	27,938,025	13,138,770	41,070,795
Segment liabilities	26,449,975	11,206,993	37,656,968
Other information:			
Capital expenditure	4,312	2,028	6,340
Depreciation and amortisation	1,682	791	2,473

42 SEGMENT REPORTING (CONTINUED)

			Company
	PWR RM'000	PWOR RM'000	Total RM'000
2016			
External revenue	871,751	862,517	1,734,268
Internal interest/profit expense	(158,231)	-	(158,231)
External interest/profit expense	(553,496)	(605,723)	(1,159,219)
Total interest/profit expense	(711,727)	(605,723)	(1,317,450)
Profit from operations	87,394	243,061	330,455
Zakat	(610)	(401)	(1,011)
Taxation	(17,833)	(58,135)	(75,968)
Profit after taxation and zakat by segment	68,951	184,525	253,476
Segment assets	21,757,260	13,732,546	35,489,806
Segment liabilities	19,749,129	12,528,277	32,277,406
Other information:			
Capital expenditure	5,377	3,395	8,772
Depreciation and amortisation	1,556	983	2,539

43 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 I 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 II 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 I capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Before deducting proposed final dividend*				
CET I capital ratio	20.9	22.3	20.8	22.3
Tier I capital ratio	20.9	22.3	20.8	22.3
Total capital ratio	22.3	24.1	22.3	24.0
After deducting proposed final dividend*				
CET I capital ratio	20.7	22.2	20.7	22.2
Tier I capital ratio	20.7	22.2	20.7	22.2
Total capital ratio	22.2	23.9	22.1	23.9

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

43 CAPITAL ADEQUACY (CONTINUED)

Components of CET I, Tier I and Tier II capital:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
CET1/Tier I capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,300,646	3,088,931	3,292,908	3,085,293
	3,450,646	3,238,931	3,442,908	3,235,293
AFS reserve	(724)	(10,529)	(724)	(10,529)
Deferred tax assets	(7,965)	(8,365)	(7,965)	(8,365)
Less : Regulatory reserves	(161,032)	(173,564)	(161,032)	(173,564)
	3,280,925	3,046,473	3,273,187	3,042,835
Tier II capital				
Allowance for impairment losses	68,232	68,734	68,232	68,734
Add : Regulatory reserves	161,032	173,564	161,032	173,564
Total Tier II capital	229,264	242,298	229,264	242,298
Total capital	3,510,189	3,288,771	3,502,451	3,285,133

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Credit risk	15,026,002	12,935,305	15,030,648	12,939,362
Operational risk	711,021	722,196	711,021	722,196
Total risk-weighted assets	15,737,023	13,657,501	15,741,669	13,661,558

44 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Cash and short-term funds	(a)	110,090	133,084	110,083	133,084
Derivative financial instruments		-	23,025	-	23,025
AFS investment securities	(b)	576,571	40,119	576,571	40,119
Financing assets	(c)	5,544,378	5,307,689	5,544,378	5,307,689
Mortgage assets	(d)	6,297,302	6,657,724	6,297,302	6,657,724
Hire purchase assets	(e)	457	1,584	457	1,584
Deferred taxation		1,058	-	1,058	-
Other assets and prepayments		289,393	289,364	291,626	291,753
TOTAL ASSETS		12,819,249	12,452,589	12,821,475	12,454,978
LIABILITIES					
Sukuk	(f)	11,597,878	11,214,913	11,445,035	10,746,160
Derivative financial instruments		10,315	-	10,315	-
Deferred taxation		-	98	-	98
Other liabilities	(g)	15,408	131,540	167,361	599,741
TOTAL LIABILITIES		11,623,601	11,346,551	11,622,711	11,345,999
ISLAMIC OPERATIONS' FUNDS		1,195,648	1,106,038	1,198,764	1,108,979
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		12,819,249	12,452,589	12,821,475	12,454,978

44 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Total income attributable		637,098	682,737	637,098	682,736
Income attributable to the Sukuk holders	(h)	(497,498)	(532,505)	(497,518)	(530,712)
Non-profit expense		(5,966)	(10,918)	(5,966)	(10,917)
Total income attributable	(i)	133,634	139,314	133,614	141,107
Administration and general expenses		(7,414)	(2,594)	(7,219)	(2,448)
(Allowance)/write-back of impairment losses		(217)	6,536	(217)	6,536
PROFIT BEFORE TAXATION AND ZAKAT		126,003	143,256	126,178	145,195
Zakat		(927)	(1,011)	(927)	(1,011)
Taxation		(30,487)	(37,478)	(30,487)	(37,478)
PROFIT FOR THE FINANCIAL YEAR		94,589	104,767	94,764	106,706

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the financial year	94,589	104,767	94,764	106,706
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
AFS investment securities				
- Net gain/(loss) on fair value changes before taxation	528	(598)	528	(598)
- Deferred taxation	(127)	144	(127)	144
Cash flow hedge				
- Net loss on cash flow hedge before taxation	(6,788)	(6,788)	(6,788)	(6,788)
- Deferred taxation	1,408	1,618	1,408	1,618
Other comprehensive loss for the financial year net of taxation	(4,979)	(5,624)	(4,979)	(5,624)
Total comprehensive income for the financial year	89,610	99,143	89,785	101,082

44 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	721,509	1,106,038
Profit for the financial year	-	-	-	-	94,589	94,589
Other comprehensive Income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive Income/(loss) for the financial year	-	401	(5,380)	-	94,589	89,610
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	821,580	1,195,648
Balance as at 1 January 2016	294,159	361	6,496	95,598	610,281	1,006,895
Profit for the financial year	-	-	-	-	104,767	104,767
Other comprehensive loss	-	(454)	(5,170)	-	-	(5,624)
Total comprehensive (loss)/income for the financial year		(454)	(5,170)	-	104,767	99,143
Transfer to retained profits during the financial year	-	-	-	(6,461)	6,461	-
Balance as at 31 December 2016	294,159	(93)	1,326	89,137	721,509	1,106,038

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Company						
Balance as at 1 January 2017	294,159	(93)	1,326	89,137	724,450	1,108,979
Profit for the financial year	-	-	-	-	94,764	94,764
Other comprehensive Income/(loss)	-	401	(5,380)	-	-	(4,979)
Total comprehensive Income/(loss) for the financial year	-	401	(5,380)	-	94,764	89,785
Transfer to retained profits during the financial year	-	-	-	(5,482)	5,482	-
Balance as at 31 December 2017	294,159	308	(4,054)	83,655	824,696	1,198,764
Balance as at 1 January 2016	294,159	361	6,496	95,598	611,283	1,007,897
Profit for the financial year	-	-	-	-	106,706	106,706
Other comprehensive loss	-	(454)	(5,170)	-	-	(5,624)
Total comprehensive (loss)/income for the financial year	-	(454)	(5,170)	-	106,706	101,082
Transfer to retained profits during the financial year	-	-	-	(6,461)	6,461	-
Balance as at 31 December 2016	294,159	(93)	1,326	89,137	724,450	1,108,979

Company No.

157931	A

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		94,589	104,767	94,764	106,706
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- AFS investment securities		(4,739)	(3,152)	(4,739)	(3,152)
- Mortgage assets		(108,739)	(112,838)	(108,739)	(112,838)
- Hire purchases		(17)	(77)	(17)	(77)
- Sukuk		651	626	651	626
Allowance/(write-back) of impairment losses on Islamic mortgage assets and Islamic hire purchase assets		217	(6,536)	217	(6,536)
Reclassification adjustment on fair value gains on CCS, transfer from equity		(12,434)	(21,937)	(12,434)	(21,937)
Unrealised loss on foreign exchange		27,716	8,721	27,716	8,721
Income from:					
- AFS investment securities		(8,949)	(2,044)	(8,949)	(2,044)
- Operations		(509,783)	(558,515)	(509,783)	(558,515)
Profit attributable to Sukuk holders		503,915	522,315	503,697	519,592
Gain on disposal of AFS investment securities		(49)	-	(49)	-
Taxation		30,487	37,478	30,487	37,478
Zakat		927	1,011	927	1,011
Operating profit/(loss) before working capital changes		13,792	(30,181)	13,749	(30,965)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Increase)/decrease in financing assets		(230,874)	275,436	(230,874)	275,436
Decrease in mortgage assets		457,581	452,490	457,581	452,490
Decrease in hire purchase assets		1,205	2,559	1,205	2,559
(Increase)/decrease in other assets and prepayments		(26)	(29)	127	548
Increase/(decrease) in Sukuk		382,462	(845,629)	698,223	(817,026)
Increase in deferred financing		(174)	(450)	-	-
Decrease in financing from subsidiary company		-	-	(316,088)	(28,663)
Decrease/(increase) in derivatives		11,270	(12,326)	11,270	(12,326)
(Decrease)/increase in other liabilities		(112,137)	30,527	(112,101)	30,344
Cash generated from/(utilized in) operating activities		523,099	(127,603)	523,092	(127,603)
Profit received from assets		518,384	565,931	518,384	565,931
Profit paid to Sukuk holders		(503,697)	(405,981)	(503,697)	(405,981)
Payment of:					
- Taxation		(34,273)	(26,429)	(34,273)	(26,429)
- Zakat		(1,011)	(2,777)	(1,011)	(2,777)
Net cash generated from operations		502,502	3,141	502,495	3,141
INVESTING ACTIVITIES					
Purchase of AFS investment securities		(1,770,718)	(30,430)	(1,770,718)	(30,430)
Sale of AFS investment securities		1,242,510	78,688	1,242,510	78,688
Income received from AFS investment securities		2,712	2,056	2,712	2,056
Net cash (utilised in)/generated from investing activities		(525,496)	50,314	(525,496)	50,314

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net (decrease)/increase in cash and cash equivalents		(22,994)	53,455	(23,001)	53,455
Cash and cash equivalents as at 1 January		133,084	79,629	133,084	79,629
Cash and cash equivalents as at 31 December		110,090	133,084	110,083	133,084
Analysis of cash and cash equivalents as at 31 December					
Cash and short-term funds	(a)	110,090	133,084	110,083	133,084

44 ISLAMIC OPERATIONS (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Cash and short-term funds				
Cash and bank balances with bank and other financial institutions	278	96	271	96
Mudharabah money at call and deposit placements maturing within one month	109,812	132,988	109,812	132,988
	110,090	133,084	110,083	133,084

	Group and Company	
	2017 RM'000	2016 RM'000
(b) AFS investment securities		
At fair value:		
Sukuk	91,321	10,044
Government investment issues	50,723	30,075
Quasi government securities	434,527	-
	576,571	40,119
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	332,868	465
One to three years	123,213	-
Three to five years	65,233	39,654
More than five years	55,257	-
	576,571	40,119

44 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	2017	2016
	RM'000	RM'000
(c) *Financing assets*		
Relating to:		
House financing	5,434,616	4,225,536
Hire purchase financing	-	382,819
Personal financing	109,762	699,334
	5,544,378	5,307,689

The maturity structure of financing assets are as follows:

	2017 RM'000	2016 RM'000
Maturing within one year	1,708,434	3,001,966
One to three years	2,594,787	1,387,816
Three to five years	1,241,157	500,003
More than five years	-	417,904
	5,544,378	5,307,689

	2017 RM'000	2016 RM'000
(d) *Mortgage assets*		
PWOR	6,297,302	6,657,724

The maturity structure of mortgage assets are as follows:

	2017 RM'000	2016 RM'000
Maturing within one year	711,371	724,663
One to three years	962,429	956,214
Three to five years	966,501	979,385
More than five years	4,474,359	4,923,648
	7,114,660	7,583,910
Less:		
Unaccreted discount	(788,230)	(896,969)
Allowance for impairment losses	(29,128)	(29,217)
	6,297,302	6,657,724

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
(e) Hire purchase assets		
PWOR	457	1,584
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	474	1,523
One to three years	45	153
Three to five years	-	-
	519	1,676
Less:		
Unaccreted discount	-	(17)
Allowance for impairment losses	(62)	(75)
	457	1,584

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(f) Sukuk				
Commercial Papers	306,173	500,248	306,173	500,248
Medium-term notes	11,291,705	10,714,665	11,138,862	10,245,912
	11,597,878	11,214,913	11,445,035	10,746,160
The maturity structure of Sukuk are as follows:				
Maturing within one year	2,011,864	3,242,363	1,859,021	2,773,610
One to three years	3,456,014	2,352,550	3,456,014	2,352,550
Three to five years	2,395,000	1,425,000	2,395,000	1,425,000
More than five years	3,735,000	4,195,000	3,735,000	4,195,000
	11,597,878	11,214,913	11,445,035	10,746,160

44 ISLAMIC OPERATIONS (CONTINUED)

(g) *Other liabilities*

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Zakat	927	1,011	927	1,011
Other payables	14,481	130,529	14,409	129,760
Financing from subsidiary	-	-	152,025	468,970
	15,408	131,540	167,361	599,741

(h) *Income attributable to the Sukuk holders*

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Mortgage assets	291,535	310,814	291,555	309,021
Hire purchase assets	251	278	251	278
Financing assets	205,712	221,413	205,712	221,413
	497,498	532,505	497,518	530,712

Income attributable to Sukuk holders analysed by concept:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Bai Al-Dayn	497,498	532,505	497,518	530,712

(i) *Total income attributable*

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Income from:				
Mortgage assets	103,008	110,853	103,008	110,853
Hire purchase assets	(213)	(300)	(213)	(300)
Financing assets	18,196	28,329	18,176	30,121
AFS investment securities	13,737	5,195	13,737	5,195
Deposit and placements with financial institutions	4,872	6,155	4,872	6,155
Non-profit income expense	(5,966)	(10,918)	(5,966)	(10,917)
	133,634	139,314	133,614	141,107

44 ISLAMIC OPERATIONS (CONTINUED)

(i) Total income attributable (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total net income analysed by concept are as follows:				
Ijarah	145	-	145	-
Murabahah	9,548	801	9,548	801
Bai Al-Dayn	115,024	128,695	115,004	130,488
Mudharabah	5,932	8,668	5,932	8,668
Musyarakah	1,392	1,150	1,392	1,150
Wakalah	1,593	-	1,593	-
	133,634	139,314	133,614	141,107

(j) Capital adequacy

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Before deducting proposed final dividend*				
CET I	25.2	22.5	25.2	22.6
Tier I capital ratio	25.2	22.5	25.2	22.6
Total capital ratio	27.7	25.2	27.8	25.2
After deducting proposed* final dividend				
CET I capital ratio	24.6	22.0	24.7	22.1
Tier I capital ratio	24.6	22.0	24.7	22.1
Total capital ratio	27.2	24.7	27.3	24.7

Components of CET I, Tier I and Tier II capital:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	882,735	811,726	885,851	813,587
	1,176,894	1,105,885	1,180,010	1,107,746
Less: Regulatory reserves	(83,655)	(89,137)	(83,655)	(89,137)
AFS reserve	138	(93)	138	(93)
Total CET I/Tier I capital	1,093,377	1,016,655	1,096,493	1,018,516

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

44 ISLAMIC OPERATIONS (CONTINUED)

(j) Capital adequacy (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Tier II capital:				
Add: Regulatory reserves	83,655	89,137	83,655	89,137
Allowance for impairment losses	30,259	30,361	30,259	30,361
Total Tier II capital	113,914	119,498	113,914	119,498
Total capital	1,207,291	1,136,153	1,210,407	1,138,014

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
The breakdown of risk -weighted assets by each major risk category is as follows:				
Credit risk	4,172,477	4,235,172	4,174,710	4,237,559
Operational risk	263,407	277,449	263,407	277,449
Total risk-weighted assets	4,435,884	4,512,621	4,438,117	4,515,008

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 Company consult an independent Shariah advisor on an ad-hoc basis for all its Islamic products to ensure compliance with Islamic principles. In addition, the Group and the Company are required to obtain the approval of the Shariah Council of the regulatory bodies for its Islamic products.

45 SIGNIFICANT EVENT DURING THE YEAR

During the financial year, the Company entered into a shared service arrangement with Cagamas SRP Berhad ("CSRP"). Under this arrangement, the Company sets out the scope of services performed for CSRP in the normal course of business. The details and nature of the transactions are disclosed in Note 34 to the financial statements.

46 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with the resolution of the Board of Directors.

Company No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

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

We, Datuk Shaik Abdul Rasheed Bin Abdul Ghaffour 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 126 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 2017 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.

DATUK SHAIK ABDUL RASHEED BIN
ABDUL GHAFFOUR
CHAIRMAN

DATUK CHUNG CHEE LEONG
DIRECTOR

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

I, Norazilla Md Tahir, 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 126 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.

NORAZILLA MD TAHIR

Subscribed and solemnly declared by the abovenamed Norazilla Md Tahir at Kuala Lumpur in Malaysia on

2 1 MAR 2018

Before me,
COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 681
RAJEEV SAIGAL A/L RAMLABAYA SAIGAL
MALAYSIA

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

pwc

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
(Company No. 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 2017 and of their financial performance and their cash flows for the 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 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 126.

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' Code of Ethics for Professional Accountants ("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
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 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 Directors' Report, but does not include the financial statements 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 AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 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 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 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 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 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 Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

OTHER MATTERS

This report is made solely to the 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	ONG CHING CHUAN
LLP0014401-LCA & AF 1146	02907/11/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
21 March 2018

CAGAMAS BERHAD
(Company No. 157931-A)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2018

Domiciled in Malaysia.
Registered Office:
Level 32, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Company	
		30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
ASSETS					
Cash and short-term funds	1	294,948	534,591	282,213	524,185
Derivative financial instruments	2	292,790	466,339	292,790	466,339
Available-for-sale investment securities	3	-	2,471,430	-	2,471,430
Financial asset designated as fair value through profit or loss (FVTPL)	4	140,493	-	140,493	-
Financial investment at fair value through other comprehensive income (FVOCI)	5	3,186,406	-	3,186,406	-
Amount due from counterparties	6	19,869,903	19,870,378	19,869,903	19,870,378
Islamic financing assets	7	8,827,945	5,544,378	8,827,945	5,544,378
Mortgage assets					
- Conventional	8	5,599,007	5,848,119	5,599,007	5,848,119
- Islamic	9	6,126,553	6,300,576	6,126,553	6,300,576
Hire purchase assets					
- Conventional		-	-	-	-
- Islamic	10	677	953	677	953
Amount due from					
- Related company		438	464	438	464
- Subsidiaries		-	-	5,254	6,755
Other assets	11	8,418	8,489	8,413	8,462
Property and equipment		4,342	4,437	4,342	4,437
Intangible assets		17,193	16,354	17,193	16,354
Deferred taxation		19,782	7,965	19,782	7,965
Investment in subsidiaries		-	-	-*	-*
TOTAL ASSETS		44,388,895	41,074,473	44,381,409	41,070,795
LIABILITIES					
Unsecured bearer bonds and notes	12	26,148,051	25,764,940	21,387,312	19,705,283
Sukuk	13	14,386,668	11,597,878	14,386,668	11,445,035
Loans/financing from subsidiaries	14	-	-	4,764,266	6,217,865
Derivative financial instruments	2	267,861	216,871	267,861	216,871
Provision for taxation		24,476	12,430	24,476	12,410
Other liabilities	15	66,914	60,789	65,628	59,504
TOTAL LIABILITIES		40,893,970	37,652,908	40,896,211	37,656,968
Share capital		150,000	150,000	150,000	150,000
Reserves		3,344,925	3,271,565	3,335,198	3,263,827
SHAREHOLDER'S FUNDS		3,494,925	3,421,565	3,485,198	3,413,827
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		44,388,895	41,074,473	44,381,409	41,070,795
NET TANGIBLE ASSETS PER SHARE (RM)		23.18	22.70	23.12	22.65

* denotes USD1 in CGP and RM2 in CGS.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes on pages 8 to 54 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 13 August 2018.

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

		Group		Company	
		6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Interest income	16	669,932	567,210	669,932	567,210
Interest expense	17	(503,027)	(427,697)	(505,438)	(429,514)
Income from Islamic operations	21	67,183	71,572	67,179	71,561
Non-interest expense	18	(39,316)	(20,829)	(39,316)	(20,824)
		194,772	190,256	192,357	188,433
Administration and general expenses		(13,501)	(18,516)	(13,075)	(18,242)
Personnel costs		(13,584)	(13,229)	(13,584)	(13,229)
OPERATING PROFIT		167,687	158,511	165,698	156,962
Allowance for impairment losses		(176)	(369)	(176)	(369)
PROFIT BEFORE TAXATION		167,511	158,142	165,522	156,593
Taxation		(39,725)	(37,582)	(39,725)	(37,582)
PROFIT FOR THE FINANCIAL PERIOD		127,786	120,560	125,797	119,011
EARNINGS PER SHARE (SEN)		85.19	80.37	83.86	79.34
DIVIDEND PER SHARE (SEN)		15.00	15.00	15.00	15.00

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes on pages 8 to 54 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 13 August 2018

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Company	
	6 Months to 30 Jun 2018 RM’000	**6 Months to 30 Jun 2017 RM’000**	**6 Months to 30 Jun 2018 RM’000**	**6 Months to 30 Jun 2017 RM’000**
Profit for the financial period	127,786	120,560	125,797	119,011
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Available-for-sale investment securities				
- Net gain on fair value changes before taxation	-	12,604	-	12,604
- Deferred taxation	-	(2,533)	-	(2,533)
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	(7,475)	-	(7,475)	-
- Deferred taxation	1,524	-	1,524	-
		-		-
Cash flow hedge				
- Net gain on cash flow hedge before taxation	(42,892)	(10,720)	(42,892)	(10,720)
- Deferred taxation	10,294	2,478	10,294	2,478
Other comprehensive income for the financial period, net of taxation	(38,549)	1,829	(38,549)	1,829
Total comprehensive income for the financial period	89,237	122,389	87,248	120,840

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Group	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,139,614	3,421,565
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,146,237	3,428,188
Profit for the financial period	-	-	-	-	-	127,786	127,786
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	127,786	89,237
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,257,181	3,494,925
Balance as at 1 January 2017	150,000	(10,059)	-	(12,364)	173,564	2,915,367	3,216,038
Profit for the financial period	-	-	-	-	-	120,560	120,560
Other comprehensive income/(loss)	-	10,071	-	(8,242)	-	-	1,829
Total comprehensive income/(loss) for the financial period	-	10,071	-	(8,242)	-	120,560	122,389
Transfer from regulatory reserve during the financial period	-	-	-	-	(6,171)	6,171	-
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2017	150,000	(458)	-	(20,606)	167,393	3,019,598	3,315,927

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Company	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,131,876	3,413,827
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,138,499	3,420,450
Profit for the financial period	-	-	-	-	-	125,797	125,797
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	125,797	87,248
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,247,453	3,485,198
Balance as at 1 January 2017	150,000	(10,059)	-	(12,364)	173,564	2,911,729	3,212,400
Profit for the financial period	-	-	-	-	-	119,011	119,011
Other comprehensive income/(loss)	-	10,071	-	(8,242)	-	-	1,829
Total comprehensive income/(loss) for the financial period	-	10,071	-	(8,242)	-	119,011	120,840
Transfer from regulatory reserve during the financial period	-	-	-	-	(6,171)	6,171	-
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2017	150,000	(458)	-	(20,606)	167,393	3,014,411	3,310,740

Company No:

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
OPERATING ACTIVITIES				
Profit for the financial period	127,786	120,560	125,797	119,011
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on :				
- AFS investment securities	-	(3,598)	-	(3,598)
- Financial investment at FVOCI	(10,204)	-	(10,204)	-
Accretion of discount on:				
Mortgage assets				
- Conventional	(60,539)	(58,373)	(60,539)	(58,373)
- Islamic	(55,610)	(58,046)	(55,610)	(58,046)
Hire purchase assets				
- Islamic	(1)	(16)	(1)	(16)
Islamic commercial paper and medium term note	333	319	333	319
Allowance for impairment losses	176	611	176	611
Unrealised loss on foreign exchange	(143)	(2,368)	(143)	(2,368)
Interest income	(591,844)	(505,112)	(591,844)	(505,112)
Income from Islamic operations	(286,552)	(257,480)	(286,552)	(257,480)
Interest expense	505,295	431,853	505,295	431,853
Profit attributable to Sukuk holders	288,054	246,285	288,054	246,285
Depreciation of property and equipment	460	558	460	558
Amortisation of intangible assets	785	710	785	710
Gain on disposal of:				
- AFS investment securities	-	(1,565)	-	(1,565)
- Financial investment at FVOCI	(1,464)	-	(1,464)	-
Taxation	39,725	37,582	39,725	37,582
Operating loss before working capital changes	(43,743)	(48,080)	(45,732)	(49,629)
Decrease/(increase) in amount due from counterparties	14,628	(3,495,928)	14,628	(3,495,928)
(Increase)/decrease in Islamic financing assets	(3,270,712)	151,698	(3,270,712)	151,698
Decrease in mortgage assets				
- Conventional	319,316	303,472	319,316	303,472
- Islamic	233,483	230,510	233,483	230,510
Decrease in hire purchase assets				
- Islamic	344	757	344	757
Increase/(decrease) in other assets	96	1,053	1,578	(864)
Increase in unsecured bearer bonds and notes	354,658	3,251,456	1,653,576	2,025,658
Increase/(decrease) in Sukuk	2,768,173	(46,511)	2,921,017	265,639
Increase in other liabilities	7,058	5,023	7,054	3,735

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
(Decrease)/increase in loans/financing from subsidiaries	4,251	(1,687)	(1,449,349)	913,164
Decrease in derivatives	224,866	282,864	224,866	282,864
Cash generated from operations	612,418	634,627	610,069	631,076
Interest received	535,751	428,669	535,751	428,669
Profit received from Islamic assets	264,928	255,628	264,928	255,628
Interest paid	(481,093)	(404,967)	(481,093)	(404,967)
Interest paid on derivatives	(155,040)	(116,474)	(155,040)	(116,474)
Interest received on derivatives	111,981	95,938	111,981	95,938
Profit paid on derivatives	(24,494)	(13,430)	(24,494)	(13,430)
Profit received on derivatives	24,477	13,903	24,477	13,903
Profit attributable to Sukuk holders	(267,770)	(244,580)	(267,770)	(244,580)
Payment of:				
- Zakat	(927)	(1,011)	(927)	(1,011)
- Taxation	(29,770)	(34,020)	(29,750)	(34,000)
Net cash generated from operating activities	590,461	614,283	588,132	610,752
INVESTING ACTIVITIES				
Purchase of :				
- AFS investment securities	-	(1,596,180)	-	(1,596,180)
- Financial investment at FVOCI	(2,811,848)	-	(2,811,848)	-
Proceeds from sale/redemption of :				
- AFS investment securities	-	913,185	-	913,185
- Financial investment at FVOCI	1,964,930	-	1,964,930	-
Purchase of:				
- Property and equipment	(366)	(2,431)	(366)	(2,431)
- Intangible assets	(1,624)	(2,708)	(1,624)	(2,708)
Income received from:				
- AFS investment securities	-	30,406	-	30,406
- Financial investment at FVOCI	41,304	-	41,304	-
Net cash utilised in investing activities	(807,604)	(657,728)	(807,604)	(657,728)
FINANCING ACTIVITY				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Net cash utilised in financing activity	(22,500)	(22,500)	(22,500)	(22,500)
Net increase in cash and cash equivalents	(239,643)	(65,945)	(241,972)	(69,476)
Cash and cash equivalents as at 1 January	534,591	409,396	524,185	405,476
Cash and cash equivalents as at 30 June	294,948	343,451	282,213	336,000

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	294,948	343,451	282,213	336,000

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018

A1 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. The ultimate holding company is Cagamas Holdings Berhad, a company incorporated in Malaysia. 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 activity is to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund raising vehicle. Its main principal activity is to undertake the issuance of Sukuk in foreign currency.

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

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2018 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI") and derivative financial instruments.

The unaudited condensed interim financial statements of the Group and the Company for the financial period 30 June 2018 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Company since financial year ended 31 December 2017. The Group's and the Company's unaudited interim financial statements include the financial statements of the Company and its subsidiaries.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2017.

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A2 Basis of preparation (Continued)

i. Standards and amendments to published standards that are effective and applicable

The new accounting standards and amendments to published accounts that are effective and applicable to the Company for the financial year beginning on 1 January 2018 are as follows:

- MFRS 9 'Financial Instruments' replaced MFRS 139 'Financial Instruments: Recognition and Measurement'.

  The Company has adopted MFRS 9 as issued by the MASB in November 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

  MFRS 9 'Financial Instruments' includes requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

  The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in FVOCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  Classification and measurement

  The classification and measurement of financial assets will depend on how these are managed (i.e. the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, FVOCI or FVTPL. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with MFRS 139.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

  Impairment

  MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used under MFRS 139. The ECL model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised

  The impairment requirement applies to financial assets measured at amortised cost, FVOCI, certain financial commitments and financial guarantee contracts.
  .

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A2 Basis of preparation (Continued)

i. Standards and amendments to published standards that are effective and applicable (Continued)

- MFRS 9 'Financial Instruments' replaced MFRS 139 'Financial Instruments: Recognition and Measurement'(continued)

  Impairment (continued)

  Allowance for impairment is made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

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

  b) Stage 2: Lifetime ECL – non-credit impaired
  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

  c) Stage 3: Lifetime ECL – credit impaired
  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

  The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

- MFRS 15 'Revenue from contracts with customers' replaced MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A2 Basis of preparation (Continued)

i. <u>Standards and amendments to published standards that are effective and applicable (continued)</u>

- MFRS 15 'Revenue from contracts with customers' replaced MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations (continued)

  Key provisions of the new standard are as follows:

  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

- Transfers of Investment Property (Amendments to MFRS 140)

  The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category.

- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

  The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. .

- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4).

  The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon.

  The expiration date of the temporary exemption from MFRS 9 coincides with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach.

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A2 Basis of preparation (Continued)

ii. Standards and amendments to published standards and interpretations to existing standards that are applicable but not yet effective.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The adoption of new accounting standards will not have a significant impact on the financial results of the Group and the Company.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

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The Initial application of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current and prior year's financial statements of the Company upon its first adoption.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies

i. Classification and measurement of financial instrument

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

Group	***MFRS 139*** Measurement category	***MFRS 139*** Carrying amount RM'000	***MFRS 9*** Measurement category	***MFRS 9*** Carrying amount RM'000
Financial assets				
Cash and short-term funds	Amortised cost	534,591	Amortised cost	534,591
Financial assets designated as fair value through profit or loss (FVTPL)	Not Applicable	-	FVTPL (1)	101,292
Derivative financial instruments	FVTPL (Held to maturity)	466,339	FVTPL (1)	466,339
Available-for-sale investment securities	FVOCI (2) (AFS)	2,471,430	Not Applicable	-
Financial Investment at fair value through other comprehensive income (FVOCI)	Not Applicable	-	FVOCI (2)	2,370,138
Amount due from counterparties	Amortised cost	19,870,378	Amortised cost	19,870,337
Islamic financing assets	Amortised cost	5,544,378	Amortised cost	5,544,156
Mortgage assets:				
- Conventional	Amortised cost	5,848,119	Amortised cost	5,854,973
- Islamic	Amortised cost	6,300,576	Amortised cost	6,302,640
Hire purchase assets:				
- Conventional	Amortised cost	-	Amortised cost	-
- Islamic	Amortised cost	953	Amortised cost	1,013
Total financial assets		41,036,764		41,045,479

(1) Fair Value through Profit and Loss
(2) Fair Value through other comprehensive income

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies (Continued)

i. Classification and measurement of financial instrument (Continued)

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

	MFRS 139		***MFRS 9***	
Company	**Measurement category**	**Carrying amount RM'000**	**Measurement category**	**Carrying amount RM'000**
Financial assets				
Cash and short-term funds	Amortised cost	524,185	Amortised cost	524,185
Financial assets designated as fair value through profit or loss (FVTPL)	Not Applicable	-	FVTPL [1]	101,292
Derivative financial instruments	FTVPL (Held to maturity)	466,339	FVTPL [1]	466,339
Available-for-sale investment securities	FVOCI [2] (AFS)	2,471,430	Not Applicable	-
Financial Investment at fair value through other comprehensive income (FVOCI)	Not Applicable	-	FVOCI [2]	2,370,138
Amount due from counterparties	Amortised cost	19,870,378	Amortised cost	19,870,337
Islamic financing assets	Amortised cost	5,544,378	Amortised cost	5,544,156
Mortgage assets:				
- Conventional	Amortised cost	5,848,119	Amortised cost	5,854,973
- Islamic	Amortised cost	6,300,576	Amortised cost	6,302,640
Hire purchase assets:				
- Conventional	Amortised cost	-	Amortised cost	-
- Islamic	Amortised cost	953	Amortised cost	1,013
Total financial assets		41,026,358		41,035,073

[1] Fair Value through Profit and Loss
[2] Fair Value through other comprehensive income

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies (Continued)

ii. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9

Group	**MFRS 139 carrying amount as at 31 Dec 2017 RM'000**	**Reclassification RM'000**	**Remeasurement RM'000**	**MFRS 9 carrying amount as at 1 Jan 2018 RM'000**	**Retained profits impact (net of tax) as at 1 Jan 2018 RM'000**
Assets					
Cash and short-term funds	534,591	-	-	534,591	-
Financial assets designated as fair value through profit or loss (FVTPL)	-	101,292	-	101,292	-
Derivative financial instruments	466,339	-	-	466,339	-
Available-for-sale investment securities	2,471,430	(2,471,430)	-	-	-
Financial Investment at fair value through other comprehensive income (FVOCI)	-	2,370,138	-	2,370,138	-
Amount due from counterparties	19,870,378	-	(41)	19,870,337	(31)
Islamic financing assets	5,544,378	-	(222)	5,544,156	(169)
Mortgage assets:					
- Conventional	5,848,119	-	6,854	5,854,973	5,209
- Islamic	6,300,576	-	2,064	6,302,640	1,569
Hire purchase assets:					
- Conventional	-	-	-	-	-
- Islamic	953	-	60	1,013	45
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018	41,036,764	-	8,715	41,045,479	6,623

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies (Continued)

ii. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9 (Continued)

Company	**MFRS 139 carrying amount as at 31 Dec 2017** RM'000	**Reclassification** RM'000	**Remeasurement** RM'000	**MFRS 9 carrying amount as at 1 Jan 2018** RM'000	**Retained profits impact (net of tax) as at 1 Jan 2018** RM'000
Assets					
Cash and short-term funds	524,185	-	-	524,185	-
Financial assets designated as fair value through profit or loss (FVTPL)	-	101,292	-	101,292	-
Derivative financial instruments	466,339	-	-	466,339	-
Available-for-sale investment securities	2,471,430	(2,471,430)	-	-	-
Financial Investment at fair value through other comprehensive income	-	2,370,138	-	2,370,138	-
Amount due from counterparties	19,870,378	-	(41)	19,870,337	(31)
Islamic financing assets	5,544,378	-	(222)	5,544,156	(169)
Mortgage assets:					
- Conventional	5,848,119	-	6,854	5,854,973	5,209
- Islamic	6,300,576	-	2,064	6,302,640	1,569
Hire purchase assets:					
- Conventional	-	-	-	-	-
- Islamic	953	-	60	1,013	45
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018	41,026,358	-	8,715	41,035,073	6,623

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies (Continued)

iii. Reconciliation impairment allowance balances from MFRS 139 to MFRS 9

The following table reconciles the prior year's closing impairment allowance for the Company measured in accordance with the MFRS 139 incurred loss model to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 January 2018:

Group and Company	**Impairment allowance under MFRS 139 RM'000**	**Reclassification RM'000**	**Remeasurement RM'000**	**Impairment allowance under MFRS 9 RM'000**
Amortised cost (MFRS 139)/ Amortised cost (MFRS 9)				
Amount due from counterparties	-	-	41	41
Islamic financial assets	-	-	222	222
Mortgage assets:				
- Conventional	37,971	-	(6,854)	31,117
- Islamic	30,197	-	(2,064)	28,133
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	62	-	(60)	2
Total	68,232	-	(8,715)	59,517

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A4 Auditor’s report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A5 Seasonality or Cyclical factors

The business operations of the Group and the Company are not subject to material seasonal or cyclical fluctuations.

A6 Unusual items due to their nature, size or incidence

There was no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Company for the financial period ended 30 June 2018.

A7 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Company for the financial period 30 June 2018.

A8 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2017 was paid on 30 March 2018.

A9 Subsequent events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim financial statements.

A10 Changes in the composition of the Group

There were no material changes in the composition of the Group during the financial period.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

1. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Cash and balances with banks and other financial institutions	57,626	47,679	44,891	37,273
Money at call and deposit placements maturing within one month	157,078	377,100	157,078	377,100
Mudharabah money at call and deposit placements maturing within one month	80,244	109,812	80,244	109,812
	294,948	534,591	282,213	524,185

All cash and short-term funds balances are within Stage 1 allocation (12-months ECL) as at 30 June 2018.

2. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

	Group and Company					
	30 Jun 2018			31 Dec 2017		
	Contract/ Notional amount RM'000	**Assets RM'000**	**Liabilities RM'000**	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Derivatives designated as cash flow hedges:						
IRS/IPRS						
Maturing within one year	1,150,000	636	(8,728)	2,585,000	2,344	(11,386)
One to three years	1,860,000	-	(6,258)	545,000	-	(7,904)
More than five years	815,000	4,624	(17,369)	270,000	7,100	(12,147)
	3,825,000	5,260	(32,355)	3,400,000	9,444	(31,437)

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

2. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group and Company					
	30 Jun 2018			31 Dec 2017		
	Contract/ Notional amount RM'000	**Assets RM'000**	**Liabilities RM'000**	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
CCS/ICCS						
Maturing within one year	1,358,946	19,002	(69,875)	2,630,696	157,081	(47,104)
One to three years	3,268,500	268,528	(165,631)	3,268,500	299,814	(138,330)
	4,627,446	287,530	(235,506)	5,899,196	456,895	(185,434)
	8,452,446	292,790	(267,861)	9,299,196	466,339	(216,871)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

3. AFS INVESTMENT SECURITIES

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
At fair value:		
Malaysian government securities	-	81,687
Corporate bonds	-	504,181
Government investment issues	-	627,143
Sukuk	-	554,681
Quasi government Sukuk	-	602,446
Unit trust	-	101,292
	-	2,471,430

The maturity structure of AFS investment securities are as follows:

Maturing within one year	-	726,423
One to three years	-	503,885
Three to five years	-	416,171
More than five years	-	824,951
	-	2,471,430

4. FINANCIAL ASSET DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group		Company	
	30 Jun 2018	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unit trust	140,493	-	140,493	-

For financial asset designated as fair value through profit or loss (FVTPL), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

5. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME (FVOCI)

	Group and Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
At fair value:		
Malaysian government securities	129,994	-
Corporate bonds	747,589	-
Government investment issues	816,279	-
Sukuk	848,741	-
Quasi government Sukuk	643,803	-
	3,186,406	-

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

The maturity structure of AFS investment securities are as follows:

Maturing within one year	1,148,614	-
One to three years	543,201	-
Three to five years	563,193	-
More than five years	931,398	-
	3,186,406	-

6. AMOUNT DUE FROM COUNTERPARTIES

Relating to:		
Mortgage loans	19,242,450	19,545,875
Hire purchase and leasing debts	627,549	286,304
Personal loans	-	38,199
	19,869,999	19,870,378
Less: Allowance for impairment losses	(96)	-
	19,869,903	19,870,378

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

6. AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	7,028,915	6,285,506
One to three years	6,861,044	7,604,833
Three to five years	5,345,008	5,345,007
More than five years	635,032	635,032
	19,869,999	19,870,378
Movement in impairment allowances are as follows:		
At 1 January	-	-
Adoption of MFRS 9	41	-
Allowance made during the year	55	-
At 30 June/ 31 Dec	96	-

The gross carrying value of amount due from counterparties and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

7. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
Relating to:		
Islamic house financing	8,808,280	5,434,316
Islamic personal financing	19,971	109,762
	8,828,251	5,544,378
Less: Allowance for impairment losses	(306)	-
	8,827,945	5,544,378

The maturity structure of Islamic financing assets are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Maturing within one year	946,047	1,730,200
One to three years	3,919,876	2,574,231
Three to five years	3,962,328	1,239,947
	8,828,251	5,544,378

Movement in impairment allowances are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
At 1 January	-	-
Adoption of MFRS 9	222	-
Allowance made during the year	84	-
At 30 June/ 31 Dec	306	-

The gross carrying value of Islamic financing assets and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

8. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
Purchase without Recourse ("PWOR")	5,599,007	5,848,119

The maturity structure of mortgage assets - conventional are as follows

Maturing within one year	918,010	933,922
One to three years	1,189,004	1,204,460
Three to five years	1,094,632	1,114,465
More than five years	3,184,603	3,449,082
	6,386,249	6,701,929
Less: Unaccreted discount	(755,300)	(815,839)
Allowance for impairment losses	(31,942)	(37,971)
	5,599,007	5,848,119

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	37,971	38,371
Adoption of MFRS 9	(37,971)	-
Amounts written off during the financial year	-	(400)
At 30 June/ 31 Dec	-	37,971

Upon adoption of MFRS 9:	**Gross Carrying value 30 Jun 2018 RM'000**	**Impairment allowance 30 Jun 2018 RM'000**
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,300,159	7,914
Stage 2 (Lifetime ECL; non credit impaired)	15,214	1,403
Stage 3 (Lifetime ECL; credit impaired)	70,876	22,625
At 30 June	6,386,249	31,942

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

9. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
PWOR	6,126,553	6,300,576

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

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Maturing within one year	724,512	712,367
One to three years	963,723	964,148
Three to five years	953,859	967,336
More than five years	4,244,218	4,475,152
	6,886,312	7,119,003
Less: Unaccreted discount	(732,620)	(788,230)
Allowance for impairment losses	(27,139)	(30,197)
	6,126,553	6,300,576

Movement in impairment allowances under MFRS 139 are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
At 1 January	30,197	30,146
Adoption of MFRS 9	(30,197)	-
Allowance made during the year	-	51
At 30 June/ 31 Dec	-	30,197

Upon adoption of MFRS 9:	**Gross Carrying value 30 Jun 2018 RM'000**	**Impairment allowance 30 Jun 2018 RM'000**
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,817,962	8,615
Stage 2 (Lifetime ECL; non credit impaired)	14,676	1,349
Stage 3 (Lifetime ECL; credit impaired)	53,674	17,175
At 30 June	6,886,312	27,139

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

10. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
PWOR	677	953

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

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Maturing within one year	679	970
One to three years	-	45
	679	1,015
Less: Allowance for impairment losses	(2)	(62)
	677	953

Movement in impairment allowances under MFRS 139 are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
At 1 January	62	62
Adoption of MFRS 9	(62)	-
At 30 June/ 31 Dec	-	62

Upon adoption of MFRS 9:	**Gross Carrying value 30 Jun 2018 RM'000**	**Impairment allowance 30 Jun 2018 RM'000**
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	678	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	1	2
At 30 June	679	2

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

11. OTHER ASSETS

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Staff loans and financing	3,679	3,974	3,679	3,974
Deposits	890	908	885	881
Prepayments	2,501	1,509	2,501	1,509
Other receivables	390	328	390	328
Compensation receivable from originator on mortgage assets	958	1,770	958	1,770
	8,418	8,489	8,413	8,462

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

12. UNSECURED BEARER BONDS AND NOTES

					Group
			30 Jun 2018		31 Dec 2017
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2018	-	-	300,000	3.480
	2019	300,000	3.740	-	-
Add:					
Interest payable		1,137		1,001	-
		301,137		301,001	
(b) Commercial paper	2018	800,000	3.690	700,000	3.560
Add:					
Interest payable		3,043		1,297	
		803,043		701,297	
(c) Medium-term notes					
	2018	4,392,312	1.520 – 5.710	6,429,072	1.520 - 5.710
	2019	5,997,870	2.745 – 5.280	5,078,550	2.745 - 5.280
	2020	4,896,009	2.530 – 6.000	4,053,485	2.530 - 6.000
	2021	835,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	5,510,000	3.900 - 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 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
		24,806,191		24,561,107	
Add:					
Interest payable		227,392		201,523	
Unaccreted premium		13,753		5,852	
Less:					
Deferred financing fees		(2,871)		(4,572)	
Unamortised discount		(594)		(1,268)	
		25,043,871		24,762,642	
		26,148,051		25,764,940	

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

12. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

				Company	
		30 Jun 2018		31 Dec 2017	
	Year of maturity	**Amount outstanding RM'000**	**Effective interest rate %**	**Amount outstanding RM'000**	**Effective interest rate %**
(a) Floating rate notes	2018	-	-	300,000	3.480
	2019	300,000	3.740	-	-
Add:					
Interest payable		1,137		1,001	
		301,137		301,001	
(b) Commercial paper	2018	800,000	3.690	700,000	3.560
Add:					
Interest payable		3,043		1,297	
		803,043		701,297	
(c) Medium-term notes					
	2018	3,085,000	3.420 – 5.710	3,480,000	3.420 - 5.710
	2019	3,975,000	3.650 – 5.280	3,045,000	3.650 - 5.280
	2020	3,480,000	4.100 – 6.000	2,630,000	4.100 - 6.000
	2021	835,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	5,510,000	3.900 - 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 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
		20,060,000		18,515,000	
Add:					
Interest payable		209,973		183,401	
Unaccreted premium		13,753		5,852	
Less:					
Unamortised discount		(594)		(1,268)	
		20,283,132		18,702,985	
		21,387,312		19,705,283	

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

12. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Maturing within one year	7,563,090	7,626,244	6,238,559	5,021,775
One to three years	9,689,961	9,138,696	6,253,753	5,683,508
Three to five years	5,720,000	5,825,000	5,720,000	5,825,000
More than five years	3,175,000	3,175,000	3,175,000	3,175,000
	26,148,051	25,764,940	21,387,312	19,705,283

(a) Floating rate notes

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(b) Commercial paper

Commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) Medium-term notes

The medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

Included in medium term notes are medium term-notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP, and are unconditionally and irrevocably guaranteed by the Company. The unsecured bearer bonds and notes outstanding as at the date of statement of financial position that are not in the functional currencies of the Group are as follows:

	Group	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
USD	3,445,854	3,870,347
SGD	1,016,098	1,349,057
AUD	298,787	318,441
HKD	-	521,812
	4,760,739	6,059,657

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

13. SUKUK

					Group
			30 Jun 2018		31 Dec 2017
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2018	-	-	305,000	3.510
	2019	305,000	3.690	-	-
Add:					
Profit payable		1,233		1,173	
		306,233		306,173	
(b) Islamic medium-term notes					
	2018	1,345,000	1.850 – 5.800	1,592,025	1.850 – 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 – 6.000
	2021	1,770,000	4.150 – 5.380	245,000	4.150 - 5.380
	2022	2,150,000	3.900 – 4.700	2,150,000	3.900 - 4.700
	2023	2,495,000	4.250 – 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 – 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
		13,917,000		11,139,025	
Add:					
Profit payable		133,727		114,351	
Unaccreted premium		29,957		39,014	
Less:					
Deferred financing fees		-		(29)	
Unamortised discount		(249)		(656)	
		14,080,435		11,291,075	
		14,386,668		11,597,878	

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

13. SUKUK (CONTINUED)

						Company
				30 Jun 2018		**31 Dec 2017**
		Year of maturity	**Amount outstanding**	**Effective profit rate**	**Amount outstanding**	**Effective profit rate**
			RM'000	**%**	**RM'000**	%
(a)	Islamic commercial papers	2018	-	-	305,000	3.510
		2019	305,000	3.690	-	-
	Add:					
	Profit payable		1,233		1,173	
			306,233		306,173	
(b)	Islamic medium-term notes					
		2018	1,345,000	3.510 – 5.800	1,440,000	3.510 - 5.800
		2019	1,187,000	3.750 – 5.280	1,187,000	3.750 - 5.280
		2020	2,230,000	3.980 – 6.000	2,230,000	3.980 - 6.000
		2021	1,770,000	4.150 – 5.380	245,000	4.150 - 5.380
		2022	2,150,000	3.900 – 4.700	2,150,000	3.900 - 4.700
		2023	2,495,000	4.250 – 6.350	995,000	4.250 - 6.350
		2024	315,000	4.000 – 5.520	315,000	4.000 - 5.520
		2025	455,000	4.550 – 4.650	455,000	4.550 - 4.650
		2026	20,000	4.410 – 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
			13,917,000		10,987,000	
	Add:					
	Profit payable		133,727		113,504	
	Unaccreted premium		29,957		39,014	
	Less:					
	Unamortised discount		(249)		(656)	
			14,080,435		11,138,862	
			14,386,668		11,445,035	

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

13. SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Maturing within one year	2,358,075	2,011,864	2,358,075	1,859,021
One to three years	4,518,593	3,456,014	4,518,593	3,456,014
Three to five years	3,780,000	2,395,000	3,780,000	2,395,000
More than five years	3,730,000	3,735,000	3,730,000	3,735,000
	14,386,668	11,597,878	14,386,668	11,445,035

(a) Islamic commercial paper

Islamic commercial paper are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (profit-bearing).

(b) Islamic medium-term notes

Islamic medium-term notes are issued by the Group based on various Islamic principles including Sukuk ALIm and fixed rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and are issued at a discount or at par (coupon-bearing). Profit on these Sukuk is paid on a half-yearly/quaterly basis depending on issuance.

Included in Islamic medium-term notes are Islamic medium-term notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by the Company. The Sukuk outstanding as at the date of statement of financial position that are not in the functional currencies of the Group are as follows:

	Group	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
SGD	-	152,843

14. LOANS/FINANCING FROM SUBSIDIARIES

Loans/financing from subsidiaries outstanding as at the date of statement of financial position that are not in the functional currencies of the Group is as follows:

	Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
USD	3,449,005	3,874,422
SGD	1,016,343	1,502,915
AUD	298,918	318,716
HKD	-	521,812
	4,764,266	6,217,865

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

14. LOANS/FINANCING FROM SUBSIDIARIES (CONTINUED)

Loans/financing from subsidiaries are unsecured and subject to interest/profit rates ranging from 1.520% to 2.745% per annum (Dec 2017: 1.520% to 2.745% per annum).

The maturity structure of loans/financing from subsidiaries is as follows:

	Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
Maturing within one year	1,325,387	2,760,830
One to three years	3,438,879	3,457,035
	4,764,266	6,217,865

15. OTHER LIABILITIES

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Amount due to Government	44,688	36,734	44,689	36,734
Other payables and accruals	22,266	23,128	20,939	21,843
Provision for zakat	-	927	-	927
	66,914	60,789	65,628	59,504

16. INTEREST INCOME

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Amount due from counterparties	432,000	334,588	432,000	334,588
Mortgage assets	128,278	137,238	128,278	137,238
Compensation from mortgage assets	16	27	16	27
Hire purchase assets	2	-	2	-
AFS investment securities	-	33,286	-	33,286
Financial assets designated as FVOCI	43,627	-	43,627	-
Deposits and placements with financial institutions	5,470	3,698	5,470	3,698
	609,393	508,837	609,393	508,837
Accretion of discount less amortisation of premium (net)	60,539	58,373	60,539	58,373
	669,932	567,210	669,932	567,210

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

17. INTEREST EXPENSE

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Medium-term notes	(478,765)	(422,529)	(412,031)	(341,898)
Floating rate notes	(5,440)	(5,168)	(5,440)	(5,168)
Deposits and placements of financial institutions	(18,822)	-	(18,822)	-
Loans/financing from subsidiaries	-	-	(69,145)	(82,448)
	(503,027)	(427,697)	(505,438)	(429,514)

18. NON-INTEREST EXPENSE

Realised net loss on derivatives	(43,940)	(27,033)	(43,940)	(27,033)
Other non-operating income	3,017	2,276	3,017	2,276
Gain on disposal of AFS investment securities	-	1,565	-	1,565
Gain on disposal of financial investment at FVOCI	1,464	-	1,464	-
Unrealised loss on foreign exchange	143	2,363	143	2,368
	(39,316)	(20,829)	(39,316)	(20,824)

19. 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. The Group and the Company has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions;

(a) Purchase With Recourse ("PWR")

(b) Purchase Without Recourse ("PWOR")

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

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

19. SEGMENT REPORTING (CONTINUED)

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
30 Jun 2018			
External revenue	626,527	393,882	1,020,409
External interest expense	(507,641)	(275,357)	(782,998)
Profit from operations	58,609	108,902	167,511
Taxation	(12,989)	(26,736)	(39,725)
Net profit by segment	45,620	82,166	127,786
Segment assets	31,600,917	12,787,978	44,388,895
Segment liabilities	30,147,030	10,746,944	40,893,970
Other information			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245

			Company
30 Jun 2018			
External revenue	626,527	393,882	1,020,409
External interest expense	(510,056)	(275,357)	(785,413)
Profit from operations	55,837	109,685	165,522
Taxation	(12,688)	(27,037)	(39,725)
Net profit by segment	43,149	82,648	125,797
Segment assets	31,593,431	12,787,978	44,381,409
Segment liabilities	30,149,270	10,746,941	40,896,211
Other information			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

19. SEGMENT REPORTING (CONTINUED)

			Group
	PWR RM'000	PWOR RM'000	Total RM'000
30 Jun 2017			
External revenue	476,683	410,085	886,768
External interest expense	(386,906)	(286,049)	(672,955)
Profit from operations	47,429	110,713	158,142
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	36,870	83,690	120,560
Segment assets	25,366,935	13,445,348	38,812,283
Segment liabilities	22,972,631	12,525,774	35,498,405
Other information			
Capital expenditure	3,359	1,780	5,139
Depreciation and amortisation	829	439	1,268

			Company
30 Jun 2017			
External revenue	476,683	410,085	886,768
External interest expense	(388,733)	(286,049)	(674,782)
Profit from operations	45,880	110,713	156,593
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	35,321	83,690	119,011
Segment assets	25,366,302	13,445,348	38,811,650
Segment liabilities	22,977,188	12,525,774	35,502,962
Other information			
Capital expenditure	3,359	1,780	5,139
Depreciation and amortisation	829	439	1,268

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

20. CAPITAL ADEQUACY

Common equity tier 1 ("CET1") and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

	Group		**Company**	
	30 Jun 2018	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
	%	**%**	**%**	**%**
CET I capital ratio	27.4	20.9	27.3	20.8
Tier I capital ratio	27.4	20.9	27.3	20.8
Total capital ratio	29.2	22.3	29.1	22.3

	RM'000	**RM'000**	**RM'000**	**RM'000**
The capital adequacy ratios are as follows:				
CET 1/Tier I capital				
Paid up capital	150,000	150,000	150,000	150,000
Retained profits	3,412,555	3,300,646	3,402,827	3,292,908
	3,562,555	3,450,646	3,552,827	3,442,908
AFS reserve	-	(724)	-	(724)
Financial investment at FVOCI	(6,675)	-	(6,675)	-
Deferred taxation assets	(19,782)	(7,965)	(19,782)	(7,965)
Less: Regulatory reserves	(155,374)	(161,032)	(155,374)	(161,032)
Total Tier I capital	3,380,724	3,280,925	3,370,996	3,273,187
Tier II capital				
Allowance for impairment losses	59,542	68,232	59,542	68,232
Add: Regulatory reserves	155,374	161,032	155,374	161,032
Total Tier II capital	214,916	229,264	214,916	229,264
Total capital	3,595,640	3,510,189	3,585,912	3,502,451
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	11,619,364	15,026,002	11,622,063	15,030,648
Operational risk	713,355	711,021	713,355	711,021
Total risk-weighted assets	12,332,719	15,737,023	12,335,418	15,741,669

Company No:

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CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Company	
		30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
ASSETS					
Cash and short-term funds	(a)	80,340	110,090	80,303	110,083
AFS investment securities	(b)	-	576,571	-	576,571
Derivative financial instruments		33	-	33	-
Financial investments at fair value through other comprehensive Income (FVOCI)	(c)	880,966	-	880,966	-
Financing assets	(d)	8,285,300	5,544,378	8,285,300	5,544,378
Mortgage assets	(e)	6,122,711	6,297,302	6,122,711	6,297,302
Hire purchase assets	(f)	182	457	182	457
Deferred taxation		1,210	1,058	1,210	1,058
Other assets and prepayments		288,497	289,393	291,680	291,626
TOTAL ASSETS		15,659,239	12,819,249	15,662,385	12,821,475
LIABILITIES					
Sukuk	(g)	14,386,668	11,597,878	14,386,668	11,445,035
Derivative financial instruments		5,271	10,315	5,271	10,315
Other liabilities	(h)	21,372	15,408	21,271	167,361
TOTAL LIABILITIES		14,413,311	11,623,601	14,413,210	11,622,711
ISLAMIC OPERATIONS' FUNDS		1,245,928	1,195,648	1,249,175	1,198,764
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		15,659,239	12,819,249	15,662,385	12,821,475

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Group		Company	
		6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
Total income attributable		350,477	319,558	350,477	319,558
Income attributable to the Sukuk holders	(k)	(279,971)	(245,258)	(279,975)	(245,269)
Non-profit expense		(3,323)	(2,728)	(3,323)	(2,728)
Total income attributable	(l)	67,183	71,572	67,179	71,561
Administration and general expenses		(2,109)	(2,021)	(1,974)	(1,952)
Writeback/(allowance) for impairment losses		919	(173)	919	(173)
PROFIT BEFORE TAXATION		65,993	69,378	66,124	69,436
Taxation		(15,870)	(16,664)	(15,870)	(16,664)
PROFIT FOR THE FINANCIAL PERIOD		50,123	52,714	50,254	52,772

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Profit for the financial period	50,123	52,714	50,254	52,772
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss				
AFS investment securities				
- Net gain/(loss) on fair value changes before taxation	-	487	-	487
- Deferred taxation	-	(117)	-	(117)
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	(1,011)	-	(1,011)	-
- Deferred taxation	242	-	242	-
Cash flow hedge				
- Net loss on cash flow hedge before taxation	376	(728)	376	(728)
- Deferred taxation	(90)	175	(90)	175
Other comprehensive loss for the financial period, net of taxation	(483)	(183)	(483)	(183)
Total comprehensive loss for the financial period	49,640	52,531	49,771	52,589

Company No:

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CAGAMAS BERHAD
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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Non-distributable						
Group	**Allocated Capital funds RM'000**	**AFS reserves RM'000**	**Financial investment at FVOCI RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	821,580	1,195,648
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	294,159	-	308	(4,054)	83,655	822,220	1,196,288
Profit for the financial period	-	-	-	-	-	50,123	50,123
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,123	49,640
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	294,159	-	(461)	(3,768)	80,737	875,261	1,245,928
Balance as at 1 January 2017	294,159	(93)	-	1,326	89,137	721,509	1,106,038
Profit for the financial period	-	-	-	-	-	52,714	52,714
Other comprehensive income/(loss)	-	370	-	(553)	-	-	(183)
Total comprehensive income/(loss) for the financial period	-	370	-	(553)	-	52,714	52,531
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,700)	2,700	-
Balance as at 30 June 2017	294,159	277	-	773	86,437	776,923	1,158,569

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Non-distributable						
Company	**Allocated Capital funds RM'000**	**AFS reserves RM'000**	**Financial investment at FVOCI RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	824,696	1,198,764
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	294,159	-	308	(4,054)	83,655	825,336	1,199,404
Profit for the financial period	-	-	-	-	-	50,254	50,254
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,254	49,771
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	294,159	-	(461)	(3,768)	80,737	878,508	1,249,175
Balance as at 1 January 2017	294,159	(93)	-	1,326	89,137	724,450	1,108,979
Profit for the financial period	-	-	-	-	-	52,772	52,772
Other comprehensive income/(loss)	-	370	-	(553)	-	-	(183)
Total comprehensive income/(loss) for the financial period	-	370	-	(553)	-	52,772	52,589
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,700)	2,700	-
Balance as at 30 June 2017	294,159	277	-	773	86,437	779,922	1,161,568

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
OPERATING ACTIVITIES				
Profit for the financial period	50,123	52,714	50,254	52,772
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- AFS investment securities	-	(1,956)	-	(1,956)
- Financial investment at FVOCI	(5,630)	-	(5,630)	-
Accretion of discount on:				
Mortgage assets	(55,610)	(58,046)	(55,610)	(58,046)
Hire purchase assets	(1)	(16)	(1)	(16)
Sukuk	333	319	333	319
Allowance for impairment losses	(919)	173	(919)	173
Income from:				
- AFS investment securities	-	(2,527)	-	(2,527)
- Financial investment at FVOCI	(6,329)	-	(6,329)	-
- Operations	(279,940)	(254,952)	(279,940)	(254,952)
Profit attributable to Sukuk holders	279,436	246,418	279,403	246,285
Taxation	15,870	16,664	15,870	16,664
Operating loss before working capital changes	(2,667)	(1,209)	(2,569)	(1,284)
(Increase)/decrease in financing assets	(2,728,097)	151,698	(2,728,097)	151,698
Decrease in mortgage assets	233,993	229,810	233,993	229,810
Decrease in hire purchase assets	330	742	330	742
Decrease/(increase) in other assets and prepayments	893	(1)	(54)	23
Increase/(decrease) in Sukuk	2,768,141	(160,254)	2,921,017	152,028
Decrease in financing from subsidiary company	-	-	(152,882)	(312,242)
Increase in other liabilities	2,624	19,881	3,449	19,838
Cash generated from operations	275,217	240,667	275,187	240,613

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	Group		**Company**	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Profit received from Islamic assets	265,029	255,761	265,029	255,761
Profit attributable to Sukuk holders	(259,119)	(130,970)	(259,119)	(130,970)
Payment of:				
- Zakat	(927)	(1,011)	(927)	(1,011)
- Taxation	(11,804)	(16,664)	(11,804)	(16,664)
Net cash generated from operating activities	268,396	347,783	268,366	347,729
INVESTING ACTIVITIES				
Purchase of:				
- AFS investment securities	-	(919,512)	-	(919,512)
- Financial investment at FVOCI	(1,371,011)	-	(1,371,011)	-
Sale of:				
- AFS investment securities	-	501,660	-	501,660
- Financial investment at FVOCI	1,071,237	-	1,071,237	-
Derivative financial instruments	(4,701)	22,802	(4,701)	22,802
Income received from				
- AFS investment securities	-	527	-	527
- Financial investment at FVOCI	6,329	-	6,329	-
Net cash utilised in investing activities	(298,146)	(394,523)	(298,146)	(394,523)
Net increase in cash and cash equivalents	(29,750)	(46,740)	(29,780)	(46,794)
Cash and cash equivalents as at 1 January	110,090	133,084	110,083	133,084
Cash and cash equivalents as at 30 June	80,340	86,344	80,303	86,290
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	80,340	86,344	80,303	86,290

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(a) Cash and short-term funds

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
Cash and bank balances with banks and other financial institutions	96	278	59	271
Mudharabah money at call and deposit placements maturing within one month	80,244	109,812	80,244	109,812
	80,340	110,090	80,303	110,083

All cash and short-term funds balances are within Stage 1 allocation (12-months ECL) as at 30 June 2018.

(b) AFS investment securities

	Group and Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**
At fair value:		
Sukuk	-	91,321
Government investment issues	-	50,723
Quasi government securities	-	434,527
	-	576,751

The maturity structure of AFS investment securities are as follows:

Maturing within one year	-	332,868
One to three years	-	123,213
Three to five years	-	65,233
More than five years	-	55,257
	-	576,571

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2018	**31 Dec 2017**
	RM'000	**RM'000**
(c) *Financial investment at fair value through other comprehensive income (FVOCI)*		
At fair value:		
Sukuk	161,785	-
Government investment issues	439,255	-
Quasi government issues	279,926	-
	880,966	-
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	642,807	-
One to three years	118,236	-
Three to five years	99,840	-
More than five years	20,083	-
	880,966	-

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

(d) *Financing assets*		
Relating to:		
House financing	8,265,595	5,434,616
Personal financing	19,971	109,762
	8,285,566	5,544,378
Less: Allowance for impairment losses	(266)	-
	8,285,300	5,544,378
The maturity structure of financing assets are as follows:		
Maturing within one year	941,993	1,708,434
One to three years	3,381,324	2,594,787
Three to five years	3,962,249	1,241,157
	8,285,566	5,544,378

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(e) *Financing assets (continued)*

	Group and Company	
	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Movement in impairment allowances are as follows:		
At 1 January	-	-
Adoption of MFRS 9	222	-
Allowance made during the year	44	-
At 30 June/ 31 Dec	266	-

The gross carrying value of financing assets and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

(f) Mortgage assets

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
PWOR	6,122,711	6,297,302

The maturity structure of mortgage assets are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Maturing within one year	723,468	711,371
One to three years	962,142	962,429
Three to five years	953,120	966,501
More than five years	4,243,733	4,474,359
	6,882,463	7,114,660
Less:		
Unaccreted discount	(732,620)	(788,230)
Allowance for impairment losses	(27,132)	(29,128)
	6,122,711	6,297,302

Movement in impairment allowances under MFRS 139 are as follows:

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
At 1 January	29,128	29,217
Adoption of MFRS 9	(29,128)	-
Write - off	-	(89)
At 30 June/ 31 Dec	-	29,128

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(a) Mortgage assets (continued)

Upon adoption of MFRS 9:	**Gross Carrying value 30 Jun 2018 RM'000**	**Impairment allowance 30 Jun 2018 RM'000**
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,814,119	8,608
Stage 2 (Lifetime ECL; non credit impaired)	14,676	1,349
Stage 3 (Lifetime ECL; credit impaired)	53,668	17,175
At 30 June	6,882,463	27,132

(b) Hire purchase assets

PWOR	182	457

The maturity structure of hire purchase assets are as follows:

Maturing within one year	184	474
One to three years	-	45
	184	519
Less:		
Allowance for impairment losses	(2)	(62)
	182	457

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	62	75
Adoption of MFRS 9	(62)	-
Write - off	-	(13)
At 30 June/ 31 Dec	-	62

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(b) Hire purchase assets (continued)

Upon adoption of MFRS 9:	Gross Carrying value 30 Jun 2018 RM'000	Impairment allowance 30 Jun 2018 RM'000
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	-	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	184	2
At 30 June	184	2

	Group		Company	
	30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
(c) Sukuk				
Commercial papers	306,233	306,173	306,233	306,173
Medium-term notes	14,080,435	11,291,705	14,080,435	11,138,862
	14,386,668	11,597,878	14,386,668	11,445,035
The maturity structure of Sukuk are as follows:				
Maturing within one year	2,358,075	2,011,864	2,358,075	1,859,021
One to three years	4,518,593	3,456,014	4,518,593	3,456,014
Three to five years	3,780,000	2,395,000	3,780,000	2,395,000
More than five years	3,730,000	3,735,000	3,730,000	3,735,000
	14,386,668	11,597,878	14,386,668	11,445,035

(d) Other liabilities

	Group		Company	
	30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Other payables	21,372	14,481	21,271	14,409
Financing from subsidiary company	-	-	-	152,052
Zakat	-	927	-	927
	21,372	15,408	21,271	167,361

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(e) Income attributable to the Sukuk holders

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Mortgage assets	(144,911)	(144,937)	(144,915)	(144,948)
Hire purchase assets	(108)	(126)	(108)	(126)
Financing assets	(134,952)	(100,195)	(134,952)	(100,195)
	(279,971)	(245,258)	(279,975)	(245,269)

Income attributable to the Sukuk holders by concept is as follows:

Bai Al-Dayn	(279,971)	(245,258)	(279,975)	(245,269)

(f) Total income attributable

Income from:				
Mortgage assets	45,990	57,537	45,990	57,537
Financing assets	9,719	10,254	9,715	10,243
Deposit and placements with financial institutions	2,662	2,120	2,662	2,120
Financial assets designated as FVOCI	12,243	-	12,243	-
Hire purchase assets	(108)	(94)	(108)	(94)
AFS investments securities	-	4,483	-	4,483
Non-profit expense	(3,323)	(2,728)	(3,323)	(2,728)
	67,183	71,572	67,179	71,561

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(k) Total income attributable (continued)

Total net income analysed by concept are as follows:

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	**6 Months to 30 Jun 2017 RM'000**	**6 Months to 30 Jun 2018 RM'000**	**6 Months to 30 Jun 2017 RM'000**
Bai Al-Dayn	56,388	67,705	56,384	67,694
Musyarakah	7,750	495	7,750	495
Murabahah	1,048	(1,353)	1,048	(1,353)
Wakalah	967	610	967	610
Mudharabah	714	4,076	714	4,076
Bai Bithaman Ajil	212	-	212	-
Ijarah	104	39	104	39
	67,183	71,572	67,179	71,561

(l) Capital adequacy

	Group		Company	
	30 Jun 2018	**31 Dec 2017**	**30 Jun 2018**	**31 Dec 2017**
	%	%	%	%
CET I capital ratio	22.8	25.2	22.9	25.2
Tier I capital ratio	22.8	25.2	22.9	25.2
Total capital ratio	24.9	27.7	25.0	27.8

	RM'000	**RM'000**	**RM'000**	**RM'000**
CET 1/Tier I capital				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	955,998	882,735	959,245	885,851
	1,250,157	1,176,894	1,253,404	1,180,010
Less: Regulatory reserves	(80,737)	(83,655)	(80,737)	(83,655)
AFS reserve	-	138	-	138
Financial investment at FVOCI	(208)	-	(208)	-
Total CET 1/Tier I capital	1,169,212	1,093,377	1,172,459	1,096,493
Tier II capital				
Add: Regulatory reserves	80,737	83,655	80,737	83,655
Allowance for impairment losses	27,400	30,259	27,400	30,259
Total Tier II capital	108,137	113,914	108,137	113,914
Total capital	1,277,349	1,207,291	1,280,596	1,210,407

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

	Group		Company	
	30 Jun 2018 RM'000	**31 Dec 2017 RM'000**	**30 Jun 2018 RM'000**	**31 Dec 2017 RM'000**
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,867,985	4,172,477	4,870,287	4,174,710
Operational risk	258,583	263,407	258,583	263,407
Total risk-weighted assets	5,126,568	4,435,885	5,128,870	4,438,117

22. BUSINESS REVIEW

Market environment

Global economy expanded at a robust pace in the first quarter of 2018 with steady growth witnessed across regions. Global growth is projected to reach 3.1% in 2018 (2017:3.1%). Growth in advanced economies and major emerging market and developing economies are attributed by strong investment and export activities. Global trade continued to grow, fuelled by higher investment and expansionary fiscal policy.

The Malaysian economy expanded by 5.4% in 1Q2018 (4Q 2017: 5.9%) fuelled mainly by robust and steady domestic demand led by private sector expenditure. Private consumption grew by 6.9% (4Q 2017: 7.0%) attributed by steady employment and low inflation rate. Private investment moderated to 0.5% (4Q 2017: 9.2%) due to lower capital spending residential and commercial properties, machinery and equipment during the quarter. As for the supply side, all sectors registered positive growth, particularly the expansion of the services and manufacturing sector at 6.5% and 5.3% respectively. The services sector saw higher growth in the finance and insurance sub-sector, resulting from higher lending activity by the household. Malaysia's strong growth performance in 2017 is expected to be sustained through 2018.

Headline inflation declined to 1.8% in 1Q2018 (4Q 2017: 3.5%) contributed by relatively slower increase in fuel prices and stronger ringgit. The labour market witnessed a falling unemployment rate to 3.3% (4Q 2017: 3.4%) while total employment was recorded at 14.7 million. The services sector remained major driver of employment (61.7%), followed by manufacturing (17.4%) and agriculture (10.9%) sectors. The ringgit continued to appreciate against the US dollar and other regional currencies in 1Q2018. The strengthening on the ringgit is driven primarily by foreign direct inflows as investors are positive on Malaysia's growth outlook. Following the OPR increase in Jan 2018, interest rates in wholesale and retail markets trended higher. Liquidity remains supportive of banks' financing activities. In light of the overall net capital inflows during the quarter, the level of surplus liquidity placed with BNM also increased. At the institutional level, most banks continued to maintain surplus liquidity positions. The banking system remains well capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio stood at 13.2%, 14% and 17.5% respectively in the first quarter of 2018 (4Q 2017: 13.5%, 14.5% and 17.3%, respectively).The growth of net financing sustained at 6.3% in 1Q2018 (4Q 2017: 6.4%) attributed by steady growth of outstanding loans. Overall gross impaired loans ratio stood at 1.57% yoy (4Q 2017: 1.54%)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

22. BUSINESS REVIEW (CONTINUED)

Financial performance

The Group registered a pre-tax profit of RM167.5 million for the 6 months ending 30 June 2018 as compared to RM158.1 million in the previous corresponding period.

The increase in the Group's net interest income is mainly due to increase in net interest income contribution from new PWR asset purchased during the financial period. The total assets of the Group stood at RM44.4 billion, a 8.0% growth since 31 Dec 2017.

Purchase of Loans and Financing

Cagamas recorded RM6.1 billion of purchases of loans and financing (1H 2017: RM5.2 billion) in the 1H 2018. All purchases were under PWR scheme while residential mortgage continued to dominate Cagamas' portfolio at 98.4% (1H 2017: 96.2%), followed by personal loans and financing at 1.6% (1H 2017 : 2.3%) and hire purchase loans and financing at 0.1% (1H 2017: 1.5%).

Issuance of Bonds and Sukuk

As at end-June 2018, Cagamas has issued a total of 15 new issuances totalling RM7.5 billion, comprising an aggregate of RM3.9 billion bonds and RM3.6 billion sukuk. Total issuance of RM7.5 billion was raised solely from the ringgit market under the Company's MTN Programme.

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

Capital management

The Group's core capital ratio as at 30 June 2018 increased to 27.4% as compared to 20.9% as at 31 December 2017. As at 1H 2018 RWCR remains stable at 29.2%, above the minimum ratio of 20% as stipulated in the Guidelines on Capital Adequacy Ratio, computed in accordance with the Basel II Capital Adequacy Framework. The improvements in the Group's capital adequacy ratio is subsequent to adoption of local ratings in determining the risk weight for all counterparties under the standardised approach and consistent with risk assessment for MFRS 9.

Total shareholder's funds for the Group had grown to RM3.5 billion from RM3.4 billion arising from profits generated during the period, while net tangible assets per share increased by 2% to RM23.18 per share as at 30 June 2018.

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

22. BUSINESS REVIEW (CONTINUED)

Information About Company Employees, Social And Community Issues Including The Impact Of The Company's Business On The Environment

As part of its Corporate Social Responsibility (CSR) efforts, Cagamas continues to provide assistance to the less fortunate through its ongoing CSR and Zakat initiatives. For the financial period ended 30 June 2018, Cagamas had participated as a Corporate Pledge Partner for Teach for Malaysia's Empowered To Unlock MY Potential Campaign which is in line with the Company's efforts to promote sustainable, positive social and environmental change through education. The Cagamas Scholarship Programme (CSP) which was launched last year continues to see the Company reaching out to deserving Malaysians who are in need of financial aid to pursue their education through its second enrolment of undergraduates for the CSP.

In addition, Cagamas launched its sponsored *Islamic Finance in Malaysia, Growth & Development* publication which was a partnership with the International Centre for Education in Islamic Finance (INCEIF). Cagamas also co-sponsored the *Islamic Economics Textbook* to be published by the International Shari'ah Reseach Academy (ISRA). It is hoped that the book sponsorships, which are in line with the Malaysia International Islamic Finance Centre's (MIFC) initiative to promote the country as an international Islamic financial hub, will assist in the advancement of the Islamic finance sector.