

## IMPORTANT PAGE

### NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)). ANY OFFERING PURSUANT HERETO IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be a U.S. person and must be located outside the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular you shall be deemed to have represented to us: (1) that you and any customers you represent are, and the electronic mail address that you provided us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; (2) that you are not a U.S. person, or acting for, the account or benefit of a U.S. person (in each case as defined in Regulation S); and (3) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

**EU MIFID II PRODUCT GOVERNANCE/TARGET MARKET** — The Pricing Supplement in respect of any Sukuk may include a legend entitled “EU MiFID II Product Governance” which will outline the target market assessment in respect of the Sukuk and which channels for distribution of the Sukuk are appropriate. Any person subsequently offering, selling or recommending the Sukuk (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**EU MiFID II**”) is responsible for undertaking its own target market assessment in respect of the Sukuk (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Sukuk is a manufacturer in respect of such Sukuk, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

**UK MIFIR PRODUCT GOVERNANCE/TARGET MARKET** — The Pricing Supplement in respect of any Sukuk may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Sukuk and which channels for distribution of the Sukuk are appropriate. Any person subsequently offering, selling, or recommending the Sukuk (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Sukuk (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Sukuk is a manufacturer in respect of such Sukuk, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**IMPORTANT — EEA RETAIL INVESTORS** — If the Pricing Supplement in respect of any Sukuk includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Sukuk are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Sukuk or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Sukuk or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT — UK RETAIL INVESTORS** — If the Pricing Supplement in respect of any Sukuk includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Sukuk are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Sukuk or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Sukuk or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001** — The Pricing Supplement in respect of any Sukuk may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Sukuk pursuant to section 309B(1) of the Securities and Futures Act 2001 (the “**SFA**”). The Trustee will make a determination and provide the appropriate written notification to “relevant persons” in relation to each issue about the classification of the Sukuk being offered for purposes of section 309B(1)(a) and section 309B(1)(c) of the SFA.

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct:** Prospective investors should be aware that certain intermediaries in the context of certain offerings of the Sukuk pursuant to this Programme, each such offering, a **CMI Offering**, including certain Dealers, may be “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the SFC Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the “**OCs**”) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Trustee, Obligor, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Trustee, Obligor, the CMI or the relevant group company. Prospective investors associated with the Trustee, Obligor or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Sukuk and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Trustee to all private banks for orders they place (other than in relation to Sukuk subscribed by such private banks as principal whereby it is

deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Sukuk distributed by such private banks to investors. Details of any such rebate (where applicable) will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Dealer, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the relevant CMI Offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Trustee and the Obligor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities in this Offering Circular.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a dealer or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of Cagamas Global Sukuk Berhad in such jurisdiction.

This Offering Circular has been sent to you in an electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Cagamas Global Sukuk Berhad, Cagamas Berhad, each of CIMB Investment Bank Berhad, HSBC Amanah Malaysia Berhad, RHB Investment Bank Berhad and Standard Chartered Bank (together, the “**Arrangers**”), and each of The Hongkong and Shanghai Banking Corporation Limited, AmInvestment Bank Berhad, Deutsche Bank AG, Singapore Branch and Malayan Banking Berhad (together with the Arrangers (other than HSBC Amanah Malaysia Berhad), the “**Dealers**”), any person who controls the Arrangers or Dealers, any director, officer, employee or agent of Cagamas Global Sukuk Berhad, Cagamas Berhad, the Arrangers or Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or Dealers.

**Actions that you May Not Take:** If you receive this Offering Circular by e-mail, you should not reply by e-mail to this Offering Circular, and you may not purchase any securities by doing so. Any reply by e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. If you receive this Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# Cagamas Global Sukuk

## CAGAMAS GLOBAL SUKUK BERHAD

(Registration No.: 201401016049 (1092135-D))

(incorporated in Malaysia with limited liability under the Malaysian Companies Act 2016)

### U.S.\$2,500,000,000 Multicurrency Sukuk Issuance Programme

On 28 November 2014, Cagamas Global Sukuk Berhad (in its capacities as issuer and as trustee, the “**Trustee**”) established a Multicurrency Sukuk Issuance Programme (the “**Programme**”, as amended, supplemented or restated) and prepared an offering circular dated 28 November 2014. On 15 February 2016, the Trustee updated the Programme and prepared an offering circular dated 15 February 2016. This offering circular (the “**Offering Circular**”) further updates the Programme and supersedes any previous offering circular describing the Programme. Any Sukuk (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Sukuk issued before the date of this Offering Circular.

Under the Programme described in this Offering Circular, the Trustee, subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Sukuk**”), each of which shall represent an undivided beneficial ownership interest in the relevant Trust Assets (as defined herein), denominated in any currency (other than Ringgit) agreed between the Trustee, Cagamas Berhad (the “**Obligor**” or “**Cagamas**”) and the Relevant Dealer(s) (as defined below).

The Sukuk may only be issued in registered form. The maximum aggregate face amount of all Sukuk from time to time outstanding under the Programme will not at any time exceed U.S.\$2,500,000,000 (or its equivalent in other currencies), subject to increase as described in the Dealer Agreement (as defined herein).

Each Series (as defined herein) of Sukuk issued under the Programme will be constituted by an amended and restated master trust deed dated 20 December 2022 entered into between the Trustee, Cagamas and The Hongkong and Shanghai Banking Corporation Limited as delegate of the Trustee (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Sukuk (the “**Issue Date**”) in respect of the relevant Series (as defined herein) (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”). Sukuk of each Series confer on the holders thereof from time to time (the “**Sukukholders**”) the right to receive certain payments (as more particularly described herein) arising from the relevant Trust Assets. The Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each Sukukholder.

The Sukuk may be issued on a continuing basis to one or more of the Dealers specified under “*Summary of the Programme*” or any additional Dealer appointed under the Programme from time to time by the Trustee (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**Relevant Dealer**” shall, in the case of an issue of Sukuk being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Sukuk.

Approval-in-principle has been obtained from the Labuan International Financial Exchange Inc. (the “**LEFX**”) for the listing of the Sukuk issued under the Programme and approval-in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, list and for the quotation of any Sukuk that may be issued under the Programme and which are agreed to or prior to the time of issue thereof to be so listed on the LEFX and the SGX-ST. Such permission will be granted when the Programme or such Sukuk have been admitted to listing on the LEFX and the Official List of the SGX-ST. There is no assurance that an application for the listing of the Sukuk on the Official List of the SGX-ST will be approved. The SGX-ST and the LEFX take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the contents of this Offering Circular, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The approval-in-principle for the listing and quotation of any Sukuk to be issued pursuant to the Programme, and the admission of any Sukuk to the LEFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.

Investors are advised to read and understand the contents of this document before investing. If in doubt, the investors should consult his or her adviser.

Notice of the aggregate face amount of the Sukuk, periodic distribution amounts (if any) payable in respect of the Sukuk, the issue price of the Sukuk and any other terms and conditions not contained herein which are applicable to each Series of Sukuk will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Sukuk to be listed on the SGX-ST, will be delivered to the SGX-ST before the listing of the Sukuk of such Series.

The Programme provides that Sukuk may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, Cagamas and the Relevant Dealer(s). The applicable Pricing Supplement in respect of the issue of any Sukuk will specify whether or not such Sukuk will be listed on the LEFX, the SGX-ST or any other stock exchange. The Trustee may also issue unlisted Sukuk.

The Sukuk of each Series will be represented on issue by a global certificate in registered form (each a “**Global Certificate**”). Global Certificates may be deposited on the relevant Issue Date with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”) or with The Central Depository (Pte) Limited (“**CDP**”) or with a sub-custodian for the Central Money Markets Unit (the “**CMU**”) operated by the Monetary Authority pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong) or its successors (the “**HKMA**”) or with such other clearing system (including, without limitation, RENTAS (as defined in the Conditions)) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent (as defined herein) and the Delegate. The provisions governing the exchange of interests in Global Certificates for Sukuk in definitive form are described in “*Summary of Provisions Relating to the Sukuk while in Global Form*”.

**The Sukuk have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable security laws of any state of the United States. For a description of certain restrictions on offers, sales and transfers of Sukuk and on the distribution of this Offering Circular, see “Subscription and Sale”.**

The Trustee and Cagamas may agree with any Dealer that Sukuk may be issued in a form not contemplated by either the terms and conditions of the Management Wakala Sukuk or the Investment Wakala Sukuk set out herein under “*Terms and Conditions of the Management Wakala Sukuk*” and “*Terms and Conditions of the Investment Wakala Sukuk*” (each term therein a “**Condition**”), in which event a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Sukuk.

The submission to the Securities Commission Malaysia (“**SC**”) in respect of the Programme was made by CIMB Investment Bank Berhad and HSBC Amanah Malaysia Berhad as joint principal advisers (“**Joint Principal Advisers**”). The approval and authorisation of the SC for the Programme was obtained on 20 November 2014. The approval and authorisation of and of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk under the Programme.

The Programme has been assigned a rating of A3 by Moody’s Investors Service Singapore Pte. Ltd (“**Moody’s**”). Series of Sukuk to be issued under the Programme will be rated or unrated. Where a Series of Sukuk is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or other Series of Sukuk. Where a Series of Sukuk is rated, the applicable rating(s) will be specified in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**The Sukuk will be limited recourse obligations of the Trustee. No payment of any amount whatsoever shall be made in respect of the Sukuk except to the extent that funds for that purpose are available from the relevant Trust Assets. Sukukholders will otherwise have no recourse to any assets of the Trustee in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished. Investing in Sukuk issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Sukuk in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Sukuk. Investors should not purchase Sukuk unless they understand and are able to bear risks associated with the Sukuk. The principal risk factors that may affect the abilities of the Trustee and Cagamas to fulfil their respective obligations in respect of the Sukuk are discussed under “Risk Factors”.**

The transaction structure relating to the Sukuk (as described in this Offering Circular) has been approved by CIMB Islamic Bank Berhad, HSBC Global Shariah Supervisory Committee and Amanie Advisors Sdn Bhd. Prospective Sukukholders should not rely on such approval in deciding whether to make an investment in the Sukuk and should consult their own *Shariah* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shariah* principles.

#### Joint Principal Advisers

CIMB

HSBC

#### Arrangers

CIMB

HSBC

RHB

Standard Chartered Bank

#### Dealers

AmInvestment Bank Berhad

CIMB

Deutsche Bank

HSBC

Maybank

RHB

Standard Chartered Bank

The date of this Offering Circular is 20 December 2022



## IMPORTANT NOTICE

Each of the Trustee and Cagamas, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (i) this Offering Circular contains all information with respect to the Trustee, Cagamas and Cagamas' subsidiaries (Cagamas and its subsidiaries, collectively, the **"Group"**), and to the Sukuk (including all information which, according to the particular nature of the Trustee, Cagamas, the Group and of the Sukuk, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and Cagamas and of the rights attaching to the Sukuk); (ii) all statements of fact relating to the Trustee, Cagamas, the Group and to the Sukuk contained in this Offering Circular are in every material respect true and accurate and not misleading, and that there are no other facts in relation to the Trustee, Cagamas, the Group and to the Sukuk the omission of which would in the context of the issue of the Sukuk make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion, belief or expectation with regard to the Trustee, Cagamas and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions; and (iv) all reasonable enquiries have been made by the Trustee and Cagamas to ascertain such facts and to verify the accuracy of all such statements. The Trustee and Cagamas accept full responsibility for the accuracy of the information contained in this Offering Circular.

Each Series (as defined herein) of Sukuk will be issued on the terms and conditions set out herein under *"Terms and Conditions of the Management Wakala Sukuk"* or *"Terms and Conditions of the Investment Wakala Sukuk"* (as applicable) (together, the **"Terms and Conditions of the Sukuk"** or the **"Conditions"**) as amended and/or supplemented by the Pricing Supplement specific to such Series. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of Sukuk, must be read and construed together with the applicable Pricing Supplement.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from third party sources, including internal surveys, market research, publicly available information and industry publications. Although the Trustee and the Obligor believe this information to be reliable, this information has not been independently verified by the Trustee or the Obligor, and none of the Trustee or the Obligor makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Sukuk in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, Cagamas, the Delegate, each of CIMB Investment Bank Berhad and HSBC Amanah Malaysia Berhad (together, the **"Arrangers"**), and each of The Hongkong and Shanghai Banking Corporation Limited, AmInvestment Bank Berhad, Deutsche Bank AG, Singapore Branch and Malayan Banking Berhad (together with the Arrangers (other than HSBC Amanah Malaysia Berhad), the **"Dealers"**) to inform themselves about and to observe any such restrictions. None of the Trustee, Cagamas, the Delegate, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Sukuk may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, Cagamas, the Delegate, the Arrangers or the Dealers which would permit a public offering of any Sukuk or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Sukuk may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Dealer or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

There are restrictions on the offer and sale of the Sukuk and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, Japan, Malaysia, the Republic of Singapore, Hong Kong, the People's Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and to persons connected therewith. See "*Subscription and Sale*" for a discussion of these restrictions.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Sukuk on the LFX and/or the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Group or the Sukuk. In making an investment decision, investors must rely on their own examination of the Trustee, Cagamas, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Sukuk.

No person has been authorised by the Trustee or Cagamas to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Sukuk and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, Cagamas, the Delegate, the Arrangers or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Sukuk shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or Cagamas since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same.

This Offering Circular is highly confidential and has been prepared by the Trustee and Cagamas solely for use in connection with the Programme and the proposed offering of the Sukuk under the Programme as described herein. None of the Trustee and Cagamas has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Sukuk and (a) may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful, and (b) should not be considered as a recommendation by the Trustee, Cagamas, the Delegate, the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Sukuk. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and Cagamas.

The maximum aggregate face amount of Sukuk outstanding at any one time under the Programme will not exceed U.S.\$2,500,000,000 (and for this purpose, any Sukuk denominated in another currency shall be translated into United States Dollars at the date of the agreement to issue such Sukuk calculated in accordance with the provisions of the Dealer Agreement as defined under “*Subscription and Sale*”). The maximum aggregate face amount of Sukuk which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

**In connection with the issue of any Series of Sukuk, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of a Stabilising Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Sukuk or effect transactions with a view to supporting the market price of the Sukuk at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Sukuk is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Sukuk and 60 days after the date of the allotment of the relevant Series of Sukuk. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of the relevant Stabilising Manager) in accordance with all applicable laws and rules.**

None of the Delegate, the Arrangers or the Dealers have independently verified any of the information contained or incorporated by reference in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither of the Delegate, the Arrangers nor any of the Dealers, or any director, officer, employee, agent or affiliate of any such persons make any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy, completeness or sufficiency of any of the information contained or incorporated in this Offering Circular or any other information provided by the Trustee or Cagamas in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Delegate, the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such persons. To the fullest extent permitted by law, neither of the Delegate, the Arrangers nor the Dealers, or any director, officer, employee, agent or affiliate of any such persons, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Delegate, the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Trustee, Cagamas, the Group or the issue and offering of the Sukuk. Each of the Delegate, the Arrangers and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor’s particular circumstances) of an investment in Sukuk of a particular issue. Each potential purchaser of Sukuk should refer to and consider carefully the applicable Pricing Supplement for each particular issue of Sukuk, which may describe additional risks and investment considerations associated with such Sukuk. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial, legal, tax and *Shariah* advisers as to the risks and investment considerations arising from an investment in an issue of Sukuk and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Delegate, the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such persons in connection with its investigation of the accuracy of such information or its investment decision.

The Joint *Shariah* Advisers have confirmed that the Transaction Documents (as defined herein) are, in their opinion, *Shariah*-compliant. However, there can be no assurance that the Transaction Documents

or any issue and trading of a Series of Sukuk will be deemed to be *Shariah*-compliant by any other *Shariah* board or *Shariah* scholars. None of the Trustee, Cagamas, the Delegate, the Arrangers or any of the Dealers makes any representation as to the *Shariah* compliance of any Series of Sukuk and potential investors are reminded that, as with any *Shariah* views, differences in opinion are possible. Potential investors should obtain their own independent *Shariah* advice as to the compliance of the Transaction Documents and the issue and trading of a Series of Sukuk with their individual standards of compliance with *Shariah* principles. Questions as to the *Shariah* permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk. See “*Risk Factors — Investors must make their own determination as to Shariah compliance*”.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, Cagamas, the Delegate, the Arrangers or the Dealers, or any director, officer, employee, agent or affiliate of any such persons, that any recipient of this Offering Circular or of any such information should purchase the Sukuk. Each potential purchaser of Sukuk should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee, Cagamas and the Group. Each potential purchaser of Sukuk should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Sukuk should be based upon such investigation with its own tax, legal and business advisers as it deems necessary. Neither the Arrangers nor the Dealers or any agent or affiliate of any such persons undertake to review the financial condition or affairs of the Trustee, Cagamas or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Sukuk of any information coming to the attention of any of the Arrangers or the Dealers or any of them.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the “**Capital Market Authority**”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Sukuk issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Sukuk. If a prospective purchaser does not understand the contents of this Offering Circular, he or she should consult an authorised financial adviser.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Sukuk issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “**CBB**”) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.



The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Sukuk will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to or made available to the public generally.

## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

The Sukuk will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Sukuk are not and will not be traded on the Qatar Stock Exchange. The Sukuk and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar (including the Qatar Financial Centre).

## **INDUSTRY AND MARKET DATA**

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of certain regions within Malaysia have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Trustee, Cagamas, the Delegate, the Arrangers, the Dealers or by their respective directors and advisers, and none of the Trustee, Cagamas, the Delegate, the Arrangers, the Dealers nor their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

The Trustee's financial statements (if any) are reported in Ringgit and presented in accordance with the Malaysian Companies Act 2016, the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

Cagamas' financial statements are reported in Ringgit and presented in accordance with the Malaysian Companies Act 2016, the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

## **FORWARD LOOKING STATEMENTS**

Certain statements under "*Risk Factors*", "*Description of the Trustee*", "*Description of Cagamas*" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause

actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Trustee and Cagamas expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Trustee's, Cagamas' or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Trustee's or Cagamas' expectations. All subsequent written and forward-looking statements attributable to the Trustee or Cagamas or persons acting on behalf of the Trustee or Cagamas are expressly qualified in their entirety by such cautionary statements.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to, general economic and political conditions in Malaysia, South East Asia, and the other countries which have an impact on the Trustee's and Cagamas' business activities or investments, political or financial instability in Malaysia or any other country caused by any factor including any terrorist attacks in Malaysia, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of Malaysia, political or financial instability in Malaysia or military armament or social unrest in any part of Malaysia, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Ringgit, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in Malaysia and regional or general changes in asset valuations.

## CERTAIN TERMS AND CONVENTIONS

In this Offering Circular, unless otherwise specified, all references to the "**Government**" are to the Government of Malaysia; all references to "**Singapore**" are to the Republic of Singapore; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "**PRC Government**" mean the government of the PRC; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC; references to "**Macau**" are to the Macao Special Administrative Region of the PRC; and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland.

All references in this document to "**euro**" or "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended and to "**Ringgit**" and "**RM**" refer to Malaysian Ringgit. In addition, references to "**sterling**" and "**£**" refer to pounds sterling, references to "**U.S. dollars**", "**US\$**", "**U.S.\$**", "**\$**" and "**USD**" refer to United States dollars; all references to "**S\$**" refer to Singapore dollars; all references to "**HK\$**" and to "**HKD**" are to Hong Kong dollars; all references to "**yen**" are to Japanese yen; and all references to "**Renminbi**", "**CNH**", "**RMB**" and "**CNY**" are to the currency of the PRC.

The Sukuk issued under the Programme may be issued in a Management Wakala Series or an Investment Wakala Series, as specified in the applicable Pricing Supplement. Accordingly, unless the context requires or this Offering Circular states otherwise, references herein to associated terminology (including, but not limited to, Sukukholders, Sukuk, Conditions, Global Certificates, Series, Tranche, Transaction Documents and Wakala Assets) are to such terms as applicable to the Management Wakala Series and/or Investment Wakala Series.

## EXCHANGE RATE INFORMATION

For the convenience of the readers, certain Ringgit amounts have been translated into U.S. dollar amounts, based on the prevailing exchange rate of RM 4.4085 = U.S.\$1 as of 30 June 2022, being the closing exchange rate for Ringgit against U.S. dollars dealt on that date by Bank Negara Malaysia (“BNM”), the Central Bank of Malaysia. Such translations should not be construed as representations that the Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

## ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. Rounding adjustments have been made in calculating some of the financial and other numerical information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

## SECURITIES COMMISSION MALAYSIA

In accordance with the Capital Markets and Services Act 2007 of Malaysia (“CMSA”), a copy of this Offering Circular will be deposited with the SC, which takes no responsibility for its contents. The issue, offer and invitation to subscribe and purchase the Sukuk in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including, without limitation, the applicable approval and authorisation from the SC. The Programme is approved and authorised by the SC pursuant to sections 212(4) and 212(5) of the CMSA, under the SC’s deemed approval process and notification to the SC will be made in respect of the current update to the Programme in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (first issued on 9 March 2015 and as amended from time to time). Please note that the approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk. The SC shall not be liable for any non-disclosure on the part of the Trustee and/or Cagamas and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

## INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each (a) applicable Pricing Supplement, (b) the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Trustee and Cagamas from time to time (if any), together with the audit or review reports in respect thereof, and (c) all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the Specified Offices of the Paying Agents and the Specified Office of the Principal Paying Agent (as defined under “*Summary of the Programme*”) (or such other Paying Agent for the time being) set out at the end of this Offering Circular.

Copies of the documents listed in (b) above which are deemed to be incorporated in, and to form part of this Offering Circular are available at the website of the SGX-ST at <http://www.sgx.com/>.

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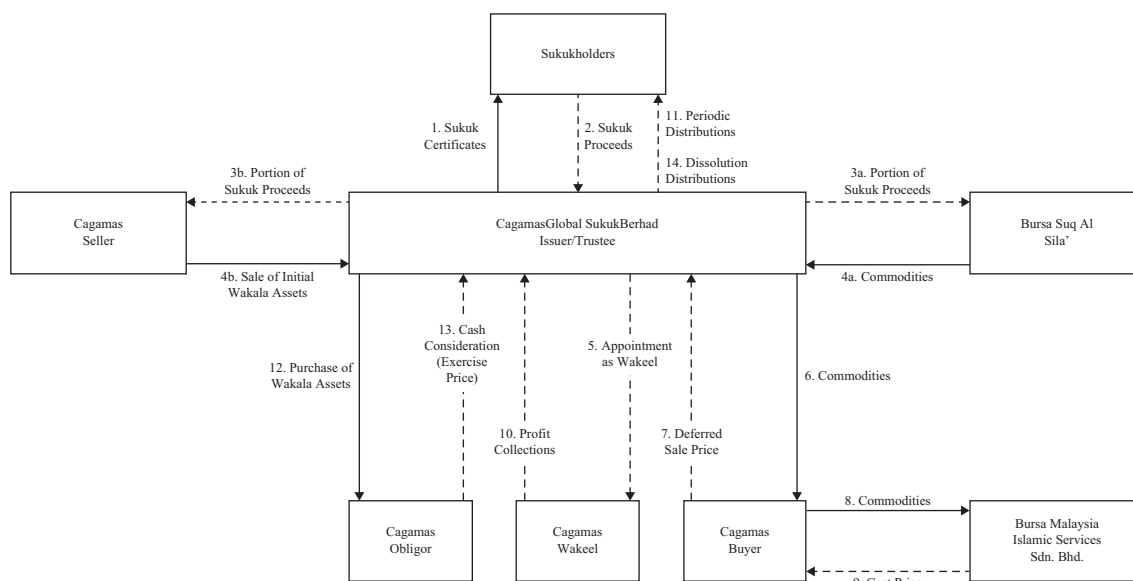


## STRUCTURE DIAGRAM AND CASHFLOWS OF THE MANAGEMENT WAKALA SUKUK

*Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series of Management Wakala Sukuk issued. Potential investors are referred to the Management Wakala Conditions (as defined below) and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.*

*The defined terms used in this section are applicable to the Management Wakala Sukuk only.*

### Structure Diagram



### Payments by the Sukukholders and the Trustee

On the issue date of a Management Wakala Series (the “**Issue Date**”), the Sukukholders will pay the issue price in respect of the Management Wakala Sukuk (the “**Issue Price**”) to the Trustee.

The Trustee will use the Issue Price of each Management Wakala Series as follows:

- (a) no more than 66 per cent. of the Issue Price of that Management Wakala Series, as specified in the applicable Pricing Supplement (the “**Murabaha Investment Amount**”), will be used to purchase *Shariah*-compliant commodities (the “**Commodities**”) from Bursa Suq Al-Sila’ (through Cagamas as the commodity trading participant) and to sell such Commodities to the Obligor (in its capacity as buyer, the “**Buyer**”) on a deferred payment basis for a sale price specified in a letter of offer and acceptance (the “**Deferred Sale Price**”) pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shariah*-compliant commodities by the Trustee to the Obligor and all of the Trustee’s rights and entitlements against the Obligor (in its capacity as buyer) in connection therewith being the “**Commodity Murabaha Investment**”); and
- (b) the remaining portion of the Issue Price, as specified in the applicable Pricing Supplement (the “**Purchase Price**”), will be used to purchase and accept the transfer and conveyance from the Obligor (in its capacity as seller, the “**Seller**”) of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under certain Eligible Wakala Assets specified in the relevant Management Wakala Supplemental Purchase Agreement (the “**Initial Wakala Assets**”) pursuant to a Management Wakala Supplemental Purchase Agreement provided that the Purchase Price paid for the Eligible Wakala Assets is at least equal to 34 per cent. of the Issue Price.

The:

- (a) Initial Wakala Assets (as may be substituted from time to time) and any additional Eligible Wakala Assets acquired from time to time in accordance with the Transaction Documents, all revenues from them which comprise amounts in the nature of sale, capital or principal payments (including, without limitation, any total loss and expropriation related insurance proceeds and any indemnity payments) and including any amounts payable by the Wakeel under certain provisions of the Amended and Restated Management Wakala Agreement and any amounts in respect of an Impaired Wakala Asset Exercise Price (as defined in the “Summary of the Principal Transaction Documents” section under the heading “Management Wakala Sukuk Documents”) (the “**Principal Revenues**”) and any investment deposit made with any *Shariah*-compliant financial institution (the “**Shariah-Compliant Investments**”) in accordance with the Amended and Restated Management Wakala Agreement (together, the “**Wakala Assets**”); and
- (b) (if applicable) the Commodity Murabaha Investment,

shall together constitute the assets of the Management Wakala Sukuk in respect of the relevant Management Wakala Series (the “**Management Wakala Sukuk Assets**”).

The Trustee has, pursuant to the terms of the Amended and Restated Management Wakala Agreement, appointed the Obligor as its agent (in such capacity the “**Wakeel**”) to perform certain services set out in the Amended and Restated Management Wakala Agreement (the “**Wakala Services**”) in respect of the Wakala Assets of each Management Wakala Series.

#### **Periodic Distribution Payments**

The Wakeel will record: (i) all Principal Revenues from the Wakala Assets of each Management Wakala Series in a book-entry ledger account (the “**Management Wakala Principal Collection Account**”); and (ii) all revenues from the Wakala Assets of each Management Wakala Series that are not Principal Revenues (the “**Income Revenues**”) in a book-entry ledger account (the “**Management Wakala Income Collection Account**”). On the business day prior to each Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the Management Wakala Income Collection Account to pay to the Transaction Account an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Management Wakala Sukuk of the relevant Series on the Periodic Distribution Date falling one business day after such date (the “**Required Amount**”) and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Management Wakala Income Collection Account are greater than the relevant Required Amount, such excess returns shall, after payment of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee (the “**Wakeel Liabilities Amount**”) in providing the Wakala Services and repayment of any Liquidity Facility (as defined below), be credited by the Wakeel to a separate book-entry ledger account (such account, the “**Management Wakala Reserve Account**”).

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Management Wakala Income Collection Account are less than the relevant Required Amount, the Wakeel shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall and, if such amounts standing to the credit of the Reserve Account are insufficient for such purpose, the Wakeel may provide to the Trustee *Shariah*-compliant funding in an amount equal to the remaining shortfall (a “**Liquidity Facility**”).

## **Dissolution Payments**

On the business day prior to the relevant Scheduled Dissolution Date in relation to each Management Wakala Series:

- (a) the outstanding Deferred Sale Price shall be due and payable; and
- (b) the Trustee will have the right under the Amended and Restated Management Wakala Purchase Undertaking to require the Obligor to purchase all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets in consideration for payment by the Obligor of the Exercise Price.

The outstanding Deferred Sale Price payable by the Obligor under the Amended and Restated Management Wakala Master Murabaha Agreement and the Exercise Price payable by the Obligor under the Amended and Restated Management Wakala Purchase Undertaking, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Management Wakala Sukuk.

The Management Wakala Sukuk in relation to any Management Wakala Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) redemption following a Dissolution Event; and
- (b) an early redemption for tax reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Management Wakala Sukuk in relation to any Management Wakala Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) if so specified in the applicable Pricing Supplement, at the option of the Sukukholders;
- (b) if so specified in the applicable Pricing Supplement, following a Change of Shareholding; and
- (c) if so specified in the applicable Pricing Supplement, at the option of the Obligor.

Upon the exercise of such right, the Trustee shall redeem the relevant Management Wakala Sukuk for an amount equal to the sum of the face amounts of such Management Wakala Sukuk and the Periodic Distribution Amounts on such Management Wakala Sukuk (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Pricing Supplement. Such redemption of the Management Wakala Sukuk will be funded in a similar manner to that described above for the payment of Periodic Distribution Amounts and the Dissolution Distribution Amount through: (i) a proportionate amount of the outstanding Deferred Sale Price becoming immediately due and payable; and (ii) the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportionate amount of the Wakala Assets being sold by the Trustee to the Obligor pursuant to the Amended and Restated Management Wakala Purchase Undertaking or the Amended and Restated Management Wakala Sale Undertaking at a purchase price such that the aggregate amounts received by the Trustee are sufficient to pay the amount payable in respect of the Management Wakala Sukuk being redeemed.

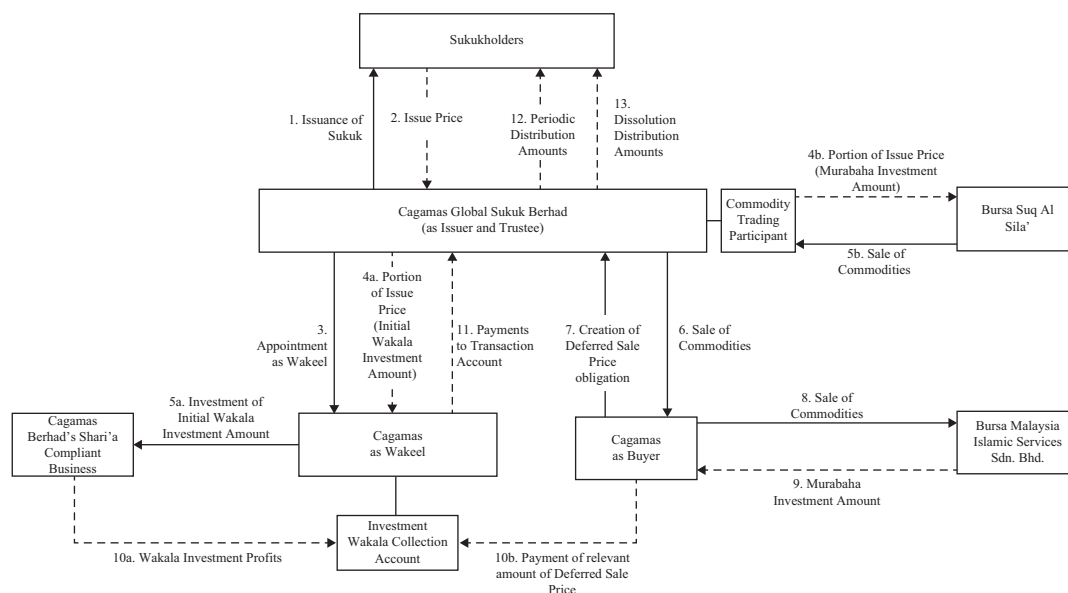
Following the redemption of the Management Wakala Sukuk in full, the Wakeel shall be entitled to retain any amounts standing to the credit of the Management Wakala Reserve Account for its own account as an incentive fee for acting as Wakeel.

## STRUCTURE DIAGRAM AND CASHFLOWS OF THE INVESTMENT WAKALA SUKUK

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Investment Wakala Series issued. Potential investors are referred to the Investment Wakala Conditions (as defined below) and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

The defined terms used in this section are applicable to the Investment Wakala Sukuk only.

### Structure Diagram



### Payments by the Sukukholders and the Trustee

On the issue date of an Investment Wakala Series (the “**Issue Date**”), the Sukukholders will pay the issue price in respect of the Investment Wakala Sukuk (the “**Issue Price**”) to the Trustee.

The Trustee will use the Issue Price of each Investment Wakala Series as follows:

- (a) no more than 49 per cent. of the Issue Price of that Investment Wakala Series, as specified in the applicable Pricing Supplement (the “**Murabaha Investment Amount**”), may be used to purchase *Shariah*-compliant commodities (the “**Commodities**”) from Bursa Suq Al-Sila’ (through Cagamas as the commodity trading participant) and to sell such Commodities to the Obligor (in its capacity as buyer, the “**Buyer**”) on a deferred payment basis for a sale price specified in a letter of offer and acceptance (the “**Deferred Sale Price**”) pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shariah*-compliant commodities by the Trustee to the Obligor and all of the Trustee’s rights and entitlements against the Obligor (in its capacity as buyer) in connection therewith being the “**Commodity Murabaha Investment**”); and
- (b) the remaining portion of the Issue Price, which shall be equal to no less than 51 per cent. of the relevant Issue Price of that Investment Wakala Series, as specified in the applicable Pricing Supplement (the “**Purchase Price**”) (the “**Initial Wakala Investment Amount**”), will be used made available by the Trustee to the Obligor (in its capacity as agent of the Trustee, the “**Wakeel**”) for the Wakeel to invest, on behalf of the Trustee, in Cagamas Berhad’s general *Shari’a* compliant business on an unrestricted basis as a Wakala bil Istithmar in accordance with



the terms of an investment wakala agreement dated 20 December 2022 between the Trustee and the Wakeel (the “**Investment Wakala Agreement**”) and the relevant investment plan (the Trustee’s share in Cagamas Berhad’s general Shari’a compliant business as a result of such investment (and any further investment in accordance with the Wakala Agreement) in respect of each Investment Wakala Series being the “**Investment Wakala Investment Plan**”).

The Wakeel shall:

- (a) ensure that, on the Issue Date of the relevant Investment Wakala Series, and prior to the Commodity Murabaha Investment being entered into, the value of the Wakala Investment as determined by the Wakeel in accordance with its usual business practices and in consultation with the Shari’a adviser (the “**Wakala Investment Value**”) shall be equal to no less than 51 per cent. of the aggregate outstanding face amount of the Investment Wakala Sukuk for that Investment Wakala Series;
- (b) use reasonable endeavours to ensure that at all times after the Commodity Murabaha Investment relating to the relevant Investment Wakala Series has been entered into, the relevant Wakala Investment Value shall be equal to no less than 33 per cent. of the aggregate of the Wakala Investment Value and the outstanding Deferred Sale Price (the “**Investment Wakala Sukuk Asset Value**”) for that Series at the relevant time; and
- (c) use reasonable endeavours to ensure that, at all times, the Investment Wakala Sukuk Asset Value is at least equal to the aggregate face amount of the Investment Wakala Sukuk for that Investment Wakala Series then outstanding.

The Wakala Investment and (if applicable) the Commodity Murabaha Investment of a Series, shall together constitute the assets of the Investment Wakala Sukuk in respect of the relevant Investment Wakala Series (the “**Investment Wakala Sukuk Assets**”).

*The Trustee has, pursuant to the terms of the Investment Wakala Agreement, appointed the Obligor as its agent (in such capacity the “Wakeel”) to perform certain obligations set out in the Investment Wakala Agreement (the “Wakala Services”) in respect of the Wakala Investment of each Series.*

### **Periodic Distribution Payments**

If a Commodity Murabaha Investment has been entered into in respect of an Investment Wakala Series, the Buyer shall on the date falling two business days prior to each Periodic Distribution Date under the relevant Investment Wakala Series ensure that an amount of the relevant Deferred Sale Price equal to the Periodic Distribution Amount due on the relevant Periodic Distribution Date is paid to a book-entry ledger account (the “**Investment Wakala Collection Account**”) maintained by the Wakeel in respect of the relevant Series.

The Wakeel will record: (i) all profits from the Investment Wakala Investment of each Series (the “**Investment Wakala Investment Profits**”); and (ii) all payment of the Deferred Sale Price of each Series in the Investment Wakala Collection Account of the relevant Series. On the business day prior to each Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the Investment Wakala Collection Account to pay to the relevant Transaction Account an amount which is intended to be sufficient to fund the Periodic Distribution Amount (and any prior payments required to be made in accordance with the Conditions) payable by the Trustee under the Investment Wakala Sukuk of the relevant Investment Wakala Series on the Periodic Distribution Date falling one business day after such date (the “**Required Amount**”) and any such amount paid into the relevant Transaction Account shall be applied by the Trustee for that purpose.

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Investment Wakala Collection Account are greater than the relevant Required Amount, such excess

returns shall, after payment of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee (the “**Wakeel Liabilities Amount**”) in performing its obligations under the Investment Wakala Agreement in respect of the relevant Investment Wakala Series, be invested by the Wakeel in Cagamas Berhad’s general Shari’a compliant business to grow the relevant Wakala Investment.

The Deferred Sale Price (if any) in respect of each Investment Wakala Series shall be an amount equal to the aggregate of: (i) the Murabaha Investment Amount of that Investment Wakala Series; (ii) the aggregate amount of all Periodic Distribution Amounts that will be payable under the Investment Wakala Sukuk of that Investment Wakala Series during the period from (and including) the relevant Issue Date to (and including) the relevant Scheduled Dissolution Date; (iii) the amount by which the Aggregate Face Amount of the relevant Investment Wakala Series exceeds the Commodity Purchase Price of that Investment Wakala Series and (iv) any other amount payable in relation to the redemption of the Investment Wakala Sukuk of the relevant Investment Wakala Series as specified in the applicable Pricing Supplement. As such, it is intended that the Deferred Sale Price in respect of an Investment Wakala Series will be sufficient to pay all Periodic Distribution Amounts payable under the Investment Wakala Sukuk of that Investment Wakala Series.

### **Dissolution Payments**

On the date falling two business days prior to the relevant Scheduled Dissolution Date in relation to each Investment Wakala Series, the outstanding Deferred Sale Price in respect of that Series shall be due and payable to the Investment Wakala Collection Account.

On the business day prior to the relevant Scheduled Dissolution Date in relation to each Investment Wakala Series:

- (a) the Wakeel shall liquidate the Investment Wakala Investment of that Investment Wakala Series at its market value (as determined by the Wakeel (acting reasonably)) and credit the proceeds of such liquidation (the “**Wakala Proceeds**”) to the Investment Wakala Collection Account of the relevant Investment Wakala Series; and
- (b) the Wakeel shall use amounts standing to the credit of the Investment Wakala Collection Account to pay to the Transaction Account an amount which is intended to be sufficient to fund the Dissolution Distribution Amount payable by the Trustee under the Investment Wakala Sukuk (and any prior payments required to be made in accordance with the Conditions).

Payment of the outstanding Deferred Sale Price payable by the Buyer under the Investment Wakala Master Murabaha Agreement and the Investment Wakala Proceeds payable by the Wakeel under the Investment Wakala Agreement, in each case to the Investment Wakala Collection Account of the relevant Series, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Investment Wakala Sukuk of the relevant Investment Wakala Series.

The Investment Wakala Sukuk in relation to any Investment Wakala Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) redemption following a Dissolution Event; and
- (b) an early redemption for tax reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Investment Wakala Sukuk in relation to any Investment Wakala Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) if so specified in the applicable Pricing Supplement, at the option of the Sukukholders;
- (b) if so specified in the applicable Pricing Supplement, following a Change of Shareholding; and
- (c) if so specified in the applicable Pricing Supplement, at the option of the Obligor.

Upon the exercise of such right, the Trustee shall redeem the relevant Investment Wakala Sukuk for an amount equal to the sum of the face amounts of such Investment Wakala Sukuk and the Periodic Distribution Amounts on such Investment Wakala Sukuk (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Pricing Supplement. Such redemption of the Investment Wakala Sukuk will be funded in a similar manner to that described above for the payment of Periodic Distribution Amounts and the Dissolution Distribution Amount through: (i) a proportionate amount of the outstanding Deferred Sale Price becoming immediately due and payable; and (ii) a proportionate liquidation of the Wakala Investment of the relevant Investment Wakala Series in accordance with the Investment Wakala Agreement, such that the aggregate amounts received by the Trustee are sufficient to pay the amount payable in respect of the Investment Wakala Sukuk being redeemed.

Following the redemption of the Investment Wakala Sukuk in full, the Wakeel shall be entitled to retain any amounts standing to the credit of the Investment Wakala Collection Account for its own account as an incentive fee for acting as Wakeel.

## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Sukuk should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the “Terms and Conditions of the Management Wakala Sukuk” and “Terms and Conditions of the Investment Wakala Sukuk” sections below or elsewhere in this Offering Circular have the same meanings in this summary.*

Certain Transaction Documents are described in more detail in “*Summary of the Principal Transaction Documents*” below.

<b>Trustee and Purchaser:</b>	Cagamas Global Sukuk Berhad, which has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
<b>Seller, Obligor, Buyer and Wakeel:</b>	Cagamas Berhad
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is RM100,000.00 divided into 100,000 ordinary shares of a face value of RM1.00 each. The Trustee’s entire issued share capital is held by Cagamas.
<b>Trustee LEI Code:</b>	254900I17ALBY977K655
<b>Programme Size:</b>	U.S.\$2,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Trustee and Cagamas may increase the amount of the Programme in accordance with the terms of the Dealer Agreement and subject to the consents of the relevant regulatory authorities and the relevant parties being obtained.
<b>Risk Factors:</b>	Investing in Sukuk issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Trustee and Cagamas to fulfil their respective obligations in respect of the Sukuk are discussed under the section “ <i>Risk Factors</i> ”.
<b>Joint Principal Advisers:</b>	CIMB Investment Bank Berhad (“ <b>CIMB</b> ”) and HSBC Amanah Malaysia Berhad (“ <b>HSBC</b> ”).
<b>Joint Shariah Advisers:</b>	CIMB Islamic Bank Berhad (“ <b>CIMB Islamic</b> ”), HSBC and Amanie Advisors Sdn Bhd (“ <b>Amanie Advisors</b> ”).
<b>Arrangers:</b>	CIMB and HSBC, RHB Investment Bank Berhad (“ <b>RHB</b> ”) and Standard Chartered Bank (“ <b>SCB</b> ”).
<b>Dealers:</b>	AmInvestment Bank Berhad (“ <b>AIBB</b> ”), CIMB, Deutsche Bank AG, Singapore Branch (“ <b>DB</b> ”), The Hongkong and Shanghai Banking Corporation Limited (“ <b>HSBC Limited</b> ”), Malayan Banking Berhad (“ <b>Maybank</b> ”), RHB, SCB, and any other Dealer appointed from time to time by the Trustee and Cagamas either generally in respect of the Programme or in relation to a particular Series of Sukuk.



**Delegate:**

HSBC Limited. Pursuant to the Master Trust Deed, the Trustee shall delegate to the Delegate all of the present and future duties, powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Trustee and the Obligor following a Dissolution Event.

**Principal Paying Agents, Paying Agents, Calculation Agents, Transfer Agents, Registrars:**

HSBC Limited (in respect of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk), the CMU Lodging and Paying Agent (in respect of CMU Sukuk) and the CDP Lodging and Paying Agent (in respect of CDP Sukuk) and/or such other agent(s) as may be appointed from time to time and specified in the applicable Pricing Supplement.

**CMU Lodging and Paying Agent:**

HSBC Limited.

**CDP Lodging and Paying Agent:**

The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch.

**Method of Issue:**

The Sukuk will be issued on a syndicated or non-syndicated basis. The Sukuk will be issued in a Management Wakala Series or an Investment Wakala Series (each a “**Series**”) and the Sukuk of each Series will comprise one tranche that have identical terms on issue and are expressed to have the same series number. The specific terms of each Series will be completed in the applicable Pricing Supplement.

For the avoidance of doubt, Management Wakala Sukuk will not be interchangeable or fungible with any Investment Wakala Sukuk and *vice versa*.

**Clearing Systems:**

Euroclear, Clearstream, CMU, CDP and, in relation to any Series, such other clearing system (including, without limitation, RENTAS) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate.

**Form of Sukuk:**

Each Series of Sukuk will initially be represented by a Global Certificate, as described in “*Form of the Sukuk*”.

**Currencies:**

Sukuk may be denominated in any currency or currencies (other than Ringgit) as may be agreed between the Trustee, Cagamas and the Relevant Dealer, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Sukuk:**

The Sukuk represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsubordinated, unsecured and limited recourse obligations of the Trustee. Each Sukuk shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari*

*passu* and without any preference or priority with all other Sukuk of the relevant Series. The payment obligations of the Obligor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future.

In respect of each Series, the Trustee shall hold the relevant Trust Assets for such Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder of the relevant Series of Sukuk. The “**Trust Assets**” of the relevant Series will comprise: (a) the cash proceeds for the issue of the Sukuk, pending the application thereof in accordance with the terms of the relevant Transaction Documents; (b) the interests rights, title, benefits and entitlements, present and future of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time); (c) the interest, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 16.1 of the Master Trust Deed); (d) all moneys standing to the credit of the Transaction Account from time to time; (e) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement; and (f) all proceeds of the foregoing.

**Limited Recourse:**

The Sukuk represent limited recourse obligations of the Trustee. No payment of any amount whatsoever shall be made in respect of the Sukuk except to the extent that funds are available therefor from the relevant Trust Assets. Sukukholders will otherwise have no recourse to any assets of the Trustee or Cagamas in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished. See Condition 4.2 (*Limited Recourse*).

**Negative Pledge:**

The Sukuk will have the benefit of a negative pledge granted by Cagamas, as described in Condition 6.2 (*Negative Pledge*).

**Issue Price:**

The Sukuk may be issued on a fully-paid basis and at an issue price as specified in the applicable Pricing Supplement.

**Maturities:**

Any maturity as may be agreed between the Trustee, Cagamas and the Relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Scheduled Dissolution:**

Unless the Sukuk are previously redeemed or purchased and cancelled in full, each Sukuk shall be finally redeemed at its Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Pricing Supplement following the payment of all such amounts in full.

**Dissolution Events:**

Upon the occurrence of any Dissolution Event and following delivery of a Dissolution Notice in accordance with Condition 12 (*Dissolution Events*), the Sukuk shall be redeemed in full at the Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Dissolution Event Redemption Date. See Condition 12 (*Dissolution Events*).

**Early Dissolution for Taxation Reasons:**

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Sukuk pursuant to Condition 10 (*Taxation*) or the Obligor has or will become obliged to pay any additional amounts pursuant to the terms of any Transaction Document, in each case as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series of Sukuk, and such obligation cannot be avoided by the Trustee or the Obligor (as the case may be) taking reasonable measures available to it, the Trustee shall on giving not less than 30 nor more than 60 days' notice to Sukukholders (which notice shall be irrevocable) (and in the case of Management Wakala Sukuk, following receipt of a duly completed Exercise Notice from the Obligor pursuant to the Management Wakala Sale Undertaking), redeem the Sukuk in whole but not in part at an amount equal to the relevant Dissolution Distribution Amount on the Early Tax Dissolution Date subject to and in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*), and if the Sukuk to be redeemed are Floating Rate Sukuk, the Early Tax Dissolution Date must be a Periodic Distribution Date. See Condition 8.2 (*Early Dissolution for Taxation Reasons*).

**Dissolution at the Option of the Obligor (Optional Dissolution Right):**

If so specified in the applicable Pricing Supplement, the Obligor may in its sole discretion deliver to the Trustee a notice in accordance with the applicable provisions of the Management Wakala Conditions or, as applicable, the Investment Wakala Conditions and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Sukukholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so provided, some of the Sukuk on any Optional Dissolution Date subject to and in accordance with Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*). Any such redemption of Sukuk shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Sukuk of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

**Dissolution at the Option of the Sukukholders (Sukukholder Put Right):**

If so specified in the applicable Pricing Supplement, the Trustee shall, at the option of the holder of any Sukuk, upon the holder of such Sukuk giving not less than 30 nor more than 60 days' notice to the Trustee (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Sukuk on the Sukukholder Put Right Date(s) at its Dissolution Distribution Amount subject to and in accordance with Condition 8.4 (*Dissolution at the Option of the Sukukholders (Sukukholder Put Right)*).

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

**Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right):**

If a Change of Shareholding occurs, and **provided that** Sukukholders elect to redeem all, but not some only, of their Sukuk in accordance with Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*), the Trustee shall redeem such Sukuk on the Change of Shareholding Put Right Date at the Dissolution Distribution Amount.

**"Change of Shareholding"** occurs when Bank Negara Malaysia or the Government of Malaysia, either through the Minister of Finance (Incorporated) or any other ministry or Government agency or body, ceases to be a shareholder, directly or indirectly, of Cagamas' issued share capital.

**Periodic Distributions:**

Sukukholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Pricing Supplement.

**Denominations:**

Sukuk will be issued in such denominations as may be agreed between the Trustee, Cagamas and the Relevant Dealer(s) and specified in the applicable Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Sukuk having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Sukuk are denominated in a currency other than sterling, the equivalent amount in such currency). See "*Subscription and Sale*".

**Cross Default:**

The Sukuk will contain a cross default provision as further described in Condition 12 (*Dissolution Events*).



**Purchase and Cancellation:**

Pursuant to Condition 8.7 (*Purchases*), each of the Obligor and the Obligor's Subsidiaries may at any time purchase Sukuk in the open market or otherwise at any price and such Sukuk may be held, resold or, at the option of the Obligor, surrendered to the Registrar for cancellation. Pursuant to Condition 8.8 (*Cancellation*), subject to and in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (as defined herein and which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures), as applicable, all Sukuk which are redeemed will forthwith be cancelled. All Sukuk purchased and surrendered for cancellation by or on behalf of the Obligor or any of the Obligor's Subsidiaries may be surrendered for cancellation in accordance with the terms of the Transaction Documents and the Conditions. Any Sukuk cancelled pursuant to Condition 8.8 (*Cancellation*) shall be forwarded to the Registrar and cannot be reissued or resold.

**Wakala Asset Substitution:**

In relation to any Management Wakala Series, Cagamas may substitute Wakala Assets in accordance with the relevant provisions of the Amended and Restated Management Wakala Substitution Undertaking, and the Trustee may substitute Wakala Assets in accordance with the relevant provisions of the Amended and Restated Management Wakala Purchase Undertaking, in each case **provided that** the aggregate value of any new assets is equal to or greater than the aggregate value of the substituted assets.

**Trustee Covenants:**

The Trustee has agreed to certain restrictive covenants as set out in Condition 6.1 (*Trustee Covenants*).

**Withholding Tax:**

All payments in respect of the Sukuk by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Malaysia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental chargers is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Sukukholders after such withholding or deduction of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in Condition 10 (*Taxation*).

The Wakeel has undertaken in the Amended and Restated Management Wakala Agreement and the Investment Wakala Agreement to pay to the Trustee such additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no withholding or deduction had been made. All payments by the Obligor (in any capacity) under the Amended and Restated Management Wakala Purchase Undertaking, the Amended and Restated Management Wakala Sale Undertaking, the Amended and Restated Management Wakala Agreement, the Amended and Restated Management Wakala Master Murabaha Agreement, the

Investment Wakala Agreement and the Investment Wakala Master Murabaha Agreement shall be made without any withholding or deduction for, or on account of, any taxes, levies, imposts, duties, or other charges or withholdings of a similar nature unless such withholding or deduction is required by law. In that event, the Obligor has agreed to pay such additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.

**Listing and Trading:**

Approval-in-principle has been obtained from the Labuan International Financial Exchange Inc. (the “LFX”) for the listing of the Sukuk issued under the Programme and approval-in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the permission to deal in, list and for the quotation of any Sukuk that may be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the LFX and the SGX-ST. Such permission will be granted when the Programme or such Sukuk have been admitted to listing on the LFX and the Official List of the SGX-ST. There is no assurance that an application for the listing of the Sukuk on the Official List of the SGX-ST will be approved. The SGX-ST and the LFX take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the contents of this Offering Circular, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The approval-in-principle for the listing and quotation of any Sukuk to be issued pursuant to the Programme, and the admission of any Sukuk to, the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk. For so long as any Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, such Sukuk will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

However, unlisted Sukuk and Sukuk to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The applicable Pricing Supplement in respect of the issue of any Sukuk will specify whether or not such Sukuk will be listed on the LFX or the SGX-ST or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

The applicable Pricing Supplement will state whether or not the relevant Sukuk are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Rating:**

The Programme has been assigned a rating of A3 by Moody’s. The Sukuk may be rated or unrated. A credit 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 assigning rating agency.

**Transaction Documents:***Management Wakala Sukuk*

The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Amended and Restated Management Wakala Master Purchase Agreement as supplemented by the applicable Management Wakala Supplemental Purchase Agreement, the Amended and Restated Management Wakala Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Amended and Restated Management Wakala Sale Undertaking), the Amended and Restated Management Wakala Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Amended and Restated Management Wakala Purchase Undertaking), the Amended and Restated Management Wakala Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Amended and Restated Management Wakala Substitution Undertaking), the Amended and Restated Management Wakala Agreement and, if applicable to a Series, the Amended and Restated Management Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Management Wakala Series) (each a **“Management Wakala Transaction Document”** and, together, the **“Management Wakala Transaction Documents”**).

*Investment Wakala Sukuk*

The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Investment Wakala Agreement and the Investment Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series) (each a **“Investment Wakala Transaction Document”**, together, the **“Investment Wakala Transaction Documents”** and together with the Management Wakala Transaction Documents, the **“Transaction Documents”**).

**Governing Law:**

The Sukuk and any non-contractual obligations arising out of or in connection with the Sukuk are governed by, and construed in accordance with, English law.

The Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Amended and Restated Management Wakala Purchase Undertaking, the Amended and Restated Management Wakala Sale Undertaking, the Amended and Restated Management Wakala Substitution Undertaking, the Amended and Restated Management Wakala Agreement, the Amended and Restated Management Wakala Master Murabaha Agreement, the Investment Wakala Agreement and the Investment Wakala Master Murabaha Agreement are governed by, and construed in accordance with, English law.

The Amended and Restated Management Wakala Master Purchase Agreement, each Management Wakala Supplemental Purchase

Agreement and each sale agreement to be entered into pursuant to the Amended and Restated Management Wakala Purchase Undertaking, the Amended and Restated Management Wakala Sale Undertaking and/or Amended and Restated the Management Wakala Substitution Undertaking, as applicable, are governed by Malaysian law.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Sukuk and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan, Malaysia, the Republic of Singapore, Hong Kong, the People's Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar (including the Qatar Financial Centre) and such other restrictions as may be required in connection with the offering and sale of a particular Series of Sukuk, see "*Subscription and Sale*".

**United States Selling Restrictions:**

Regulation S, Category 2

**Initial Delivery of Sukuk:**

On or before the Issue Date for each Series, the Global Certificate representing the Sukuk may be deposited with a common depository for Euroclear and Clearstream, with CDP or deposited with a sub-custodian for the CMU or any other clearing system (including, without limitation, RENTAS) or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Trustee, Cagamas, the Registrar and the Relevant Dealers. Sukuk that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

## SUMMARY FINANCIAL INFORMATION OF CAGAMAS

The following tables set forth the summary financial information of Cagamas as at and for the periods indicated.

The summary consolidated financial statements presented below as at and for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 are extracted from the consolidated financial statements of Cagamas as at and for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, which were audited by PricewaterhouseCoopers PLT and should be read in conjunction with such audited consolidated financial statements and the notes thereto which are included elsewhere in this Offering Circular.

The summary consolidated financial statements presented below as at and for the six months ended 30 June 2022 (which include the comparative financial information for the six months ended 30 June 2021) are extracted from Cagamas' consolidated financial statements as at and for the six months ended 30 June 2022, which have not been audited or reviewed by PricewaterhouseCoopers PLT and should be read in conjunction with such unaudited and unreviewed financial statements and the notes thereto which are included elsewhere in this Offering Circular.

The summary unaudited and unreviewed consolidated financial statements presented below as at and for the six months ended 30 June 2022 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Neither the Arrangers nor the Dealers make any representation or warranty, express or implied, regarding the sufficiency of such summary unaudited and unreviewed interim consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the financial condition, operations and results of Cagamas. Such summary unaudited and unreviewed consolidated financial statements should not be taken as an indication of the expected financial condition, results of operations and results of Cagamas for the full financial year ending 31 December 2022. See ***“Risk Factors — Interim financial information of Cagamas contained in this offering circular has not been audited or reviewed”***.

The audited consolidated financial statements as at and for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 are prepared and presented in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Malaysian Companies Act 2016.

The unaudited and unreviewed consolidated financial statements as at and for the six months ended 30 June 2022 (which include the comparative financial information for the six months ended 30 June 2021) are prepared and presented in accordance with Malaysian Financial Reporting Standards 134: Interim Financial Reporting and International Accounting Standards 34: Interim Financial Reporting.

# STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(audited)	(audited)	(audited)	(unaudited)
	RM '000			
ASSETS				
Cash and cash equivalents . . . . .	341,307	109,071	318,943	363,016
Deposits and placements with financial institutions . . . . .	—	102,886	172,021	124,899
Derivative financial instruments . . . . .	58,422	57,904	29,607	76,232
Financial asset at fair value through other comprehensive income (FVOCI) . . . . .	2,308,565	2,383,316	2,792,094	3,511,206
Financial asset at fair value through profit or loss (FVTPL) . . . . .	141,383	193,466	123,132	—
Financial assets at amortised cost . . . . .	—	—	354,353	1,362,966
Amount due from counterparties . . . . .	16,657,154	14,069,195	17,141,175	13,472,229
Islamic financing assets . . . . .	10,842,232	9,662,661	10,273,747	11,508,930
Mortgage assets				
— Conventional . . . . .	4,836,313	4,366,916	3,886,956	3,644,379
— Islamic . . . . .	5,510,428	5,115,509	4,691,424	4,479,839
Hire purchase assets				
— Islamic . . . . .	136	34	62	62
Amount due from related company . . . . .	1,420	1,375	735	615
Other assets . . . . .	8,027	7,431	7,570	6,949
Property and equipment . . . . .	3,923	3,245	2,338	1,687
Intangible assets . . . . .	21,380	20,344	18,357	16,608
Right-of-use asset . . . . .	3,980	3,043	11,592	10,488
Tax recoverable . . . . .	—	87,885	64,194	25,882
TOTAL ASSETS . . . . .	40,734,670	36,184,281	39,888,300	38,605,987
LIABILITIES				
Unsecured bearer bonds and notes . . . . .	20,661,027	17,482,979	19,956,954	16,982,671
Sukuk . . . . .	15,849,883	14,063,392	15,082,028	16,477,482
Short-term borrowings . . . . .	—	125,145	302,367	622,926
Derivative financial instruments . . . . .	152,309	45,963	28,595	9,611
Provision for taxation . . . . .	18,170	41	—	—
Deferred taxation . . . . .	560	170,080	181,935	160,663
Lease liabilities . . . . .	4,791	4,583	13,738	12,570
Other liabilities . . . . .	121,688	133,305	164,019	168,827
TOTAL LIABILITIES . . . . .	36,808,428	32,025,488	35,729,636	34,434,750
Share capital . . . . .	150,000	150,000	150,000	150,000
Reserves . . . . .	3,776,242	4,008,793	4,008,664	4,021,237
SHAREHOLDER'S FUNDS . . . . .	3,926,242	4,158,793	4,158,664	4,171,237
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS . . . . .	40,734,670	36,184,281	39,888,300	38,605,987
NET TANGIBLE ASSETS PER SHARE (RM) . . . . .	26.02	27.59	27.60	27.70



## INCOME STATEMENT

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	RM '000				
Interest income .....	1,248,717	958,480	836,414	413,212	417,134
Interest expense .....	(951,279)	(736,376)	(624,928)	(312,298)	(298,173)
Income from Islamic operations .....	133,658	112,549	115,165	62,587	59,307
Non-interest expense .....	(38,834)	8,766	2,142	5,925	(15,528)
	<b>392,262</b>	<b>343,419</b>	<b>328,793</b>	<b>169,426</b>	<b>162,740</b>
Administration and general expenses .....	(24,930)	(25,684)	(22,811)	(14,736)	(13,372)
Personnel costs .....	(31,308)	(31,298)	(29,416)	(15,439)	(15,627)
<b>OPERATING PROFIT .....</b>	<b>336,024</b>	<b>286,437</b>	<b>276,566</b>	<b>139,251</b>	<b>133,741</b>
(Allowance)/write-back for impairment losses .....	(18,026)	14,954	4,608	(1,517)	1,849
<b>PROFIT BEFORE TAXATION AND ZAKAT ..</b>	<b>317,998</b>	<b>301,391</b>	<b>281,174</b>	<b>137,734</b>	<b>135,590</b>
Zakat .....	(926)	(1,255)	(5,094)	—	—
Taxation .....	(76,672)	(76,214)	(67,205)	(33,120)	(32,566)
<b>PROFIT FOR THE FINANCIAL YEAR/PERIOD .....</b>	<b>240,400</b>	<b>223,922</b>	<b>208,875</b>	<b>104,614</b>	<b>103,024</b>
<b>EARNINGS PER SHARE (SEN) .....</b>	<b>160.27</b>	<b>149.28</b>	<b>139.25</b>	<b>69.74</b>	<b>68.68</b>
<b>DIVIDEND PER SHARE (SEN) .....</b>	<b>20.00</b>	<b>20.00</b>	<b>86.67</b>	<b>15.00</b>	<b>15.00</b>

# STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	RM '000				
Profit for the financial year/period . . . . .	240,400	223,922	208,875	104,614	103,024
Other comprehensive (loss)/income:					
<b>Items that may be subsequently reclassified to profit or loss</b>					
Financial asset at FVOCI					
— Net gain/(loss) on fair value changes before taxation . . . . .	46,874	45,811	(95,276)	(59,105)	(77,803)
— Deferred taxation . . . . .	(11,250)	(10,976)	22,921	14,260	18,696
Cash flow hedge					
— Net gain/(loss) on cash flow hedge before taxation . .	56,550	4,992	(8,749)	(7,565)	(11,421)
— Deferred taxation . . . . .	(13,572)	(1,198)	2,100	1,816	2,577
Other comprehensive income/(loss) for the financial year/period, net of taxation . . . . .	78,602	38,629	(79,004)	(50,594)	(67,951)
<b>Total comprehensive income for the financial year/period . . . . .</b>	<b>319,002</b>	<b>262,551</b>	<b>129,871</b>	<b>54,020</b>	<b>35,073</b>

## RISK FACTORS

*Each of the Trustee and Cagamas believes that the following factors may affect its ability to fulfil its obligations in respect of the Sukuk issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Trustee nor Cagamas is in a position to express a view on the likelihood of any such contingency occurring. References herein to the “Trustee” shall mean Cagamas Global Sukuk Berhad acting in any capacity, except where the context does not permit.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Sukuk issued under the Programme are also described below.*

*Each of the Trustee and Cagamas believes that the factors described below represent all the principal risks inherent in investing in the Sukuk issued under the Programme, but the inability of the Trustee or Cagamas to pay periodic distribution amounts, face or other amounts on or in connection with any Sukuk may occur for other reasons which may not be considered significant risks by the Trustee and Cagamas based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### RISKS RELATING TO THE TRUSTEE

**The Trustee has no operating history and will depend on receipt of payments from Cagamas to make payments**

The Trustee was established as a public limited company incorporated in Malaysia on 5 May 2014 and is deemed incorporated under the Malaysian Companies Act 2016. Since its incorporation and as of the date of this Offering Circular, the Trustee has conducted limited activities.

The Trustee will not engage in any business activity other than the issuance of Sukuk under the Programme, the issuance of shares in its capital and the other activities described herein or incidental or related to the foregoing as required under the Transaction Documents.

The ability of the Trustee to pay amounts due on any Sukuk will be dependent upon receipt by it from Cagamas of all amounts due under the Transaction Documents to which it is a party which, in the aggregate, may not be sufficient to meet all claims under the relevant Sukuk and the Transaction Documents. As a result, the Trustee is subject to all the risks to which Cagamas is subject, to the extent such risks could limit Cagamas’ ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents to which it is a party. See “— *Risks relating to the operation of Cagamas and its Business*” below for a further description of these risks.

### RISKS RELATING TO THE OPERATIONS OF CAGAMAS AND ITS BUSINESS

#### **Volatility in the capital markets**

Cagamas depends on accessing debt capital markets as one of its key funding avenues to fund the purchase of financial assets in the secondary market. Global markets have experienced, and may continue to experience, significant turbulence due to economic and political instability in several areas of the world. These global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into the areas in which Cagamas operates. While Cagamas has several alternative funding sources to complement its existing funding from the bonds and sukuk markets to meet its funding needs, if the capital markets experience continuous volatility and the availability of funds is limited, it is possible that Cagamas’ ability to access the capital markets may be limited by this or other factors at a time when Cagamas would like, or needs, to do so, and its business, financial condition, results of operations and prospects would be adversely affected.

Further, geopolitical risks have continued to emerge globally in relation to the Ukraine-Russia conflict, the increased nuclear capabilities of Iran and North Korea, the maritime claims in the South and East China Seas, and China-Taiwan tensions. Any of these risks could result in a global economic slowdown, higher inflation, financial and commodity market volatilities and capital flight from emerging markets. Going forward, downside risks to the Malaysia's economy continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions. In addition, the development of significant global macroeconomic events, such as the ongoing Ukraine-Russia conflict, continue to bring uncertainty which could have a significant negative impact on international markets.

#### **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 and, ultimately, the Trustee to satisfy in full and on a timely basis its obligations in respect of a Series of Sukuk. 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.

#### **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. To date, Cagamas has been successful in its ability to attract, source and replace new members to its senior management team and workforce, however, this is no guarantee that Cagamas will be able to successfully recruit, train or retain the necessary qualified and skilled personnel in the future. Any failure to manage Cagamas' personnel needs successfully could have an adverse effect on its business, results of operations and prospects.

#### **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. While Cagamas believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks may have an adverse effect on Cagamas' financial condition, results of operations, prospects and reputation.

Please refer to the sections on credit risk, market risk, liquidity risk, operational risk and reputational risk set out below in "*Description of the Cagamas Group — Risk Management*".

#### **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 Purchase With Recourse ("PWR") and Purchase Without Recourse ("PWOR") schemes. Under the PWR scheme, beneficial ownership of the assets passes to Cagamas and the assets are held on trust by financial institutions and non-financial institutions within Malaysia (collectively referred to as 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, results of operations and financial condition of Cagamas. However, Cagamas can exercise its power of attorney granted by the counterparties to enable it to legally transfer the assets to itself or a third party at any time.

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 loan or financings purchased without recourse for default risk. The assets may also be transferred by way of a business transfer scheme which must be approved by BNM and the Minister of Finance. Upon receiving such approval, the Selling Institution together with Cagamas will make a joint application to the High Court for a vesting order which, *inter alia*, will transfer legal and beneficial title in the assets to Cagamas. Post 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 asset 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, results of operations and financial condition of Cagamas. However, the credit risk of these borrowers/obligors is mitigated as the portfolio of assets purchased by Cagamas must first satisfy Cagamas' stringent eligibility criteria.

An adverse effect on the business, results of operations and financial condition of Cagamas as a result of counterparty risk/underlying borrower/obligor default under the PWR and PWOR schemes, respectively, may ultimately result in Cagamas and the Trustee being unable to meet their obligations in relation to the Sukuk issued under the Programme.

**There is no assurance that the Government of Malaysia ("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 and/or 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, results of operations and financial conditions of Cagamas.

**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 Selling Institutions selling assets to it in the secondary market. Where there is strong competition in the origination of such assets in the primary market, interest margins may tighten, resulting in there being less of an incentive for Selling Institutions to sell their assets to Cagamas. There can be no assurance that Selling Institutions will continue to make

available suitable loan or financing assets for purchase by Cagamas. Any reduction in the sale of assets to Cagamas may adversely affect the business, results of operations and financial condition of Cagamas.

**BNM is a substantial shareholder in the Group but there can be no assurance that it will continue to maintain its shareholding or that the interest of any substantial shareholder will be aligned with the other shareholders of Cagamas Holdings Berhad**

As at 30 June 2022, BNM was the registered holder of 20 per cent. of the issued share capital of Cagamas Holdings Berhad (“**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 Group, or that the 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 by Cagamas Holdings’ shareholders, including the election of Cagamas Holdings’ directors and the approval of significant corporate transactions. There is no assurance that the interests of such substantial shareholders will be aligned with those of Cagamas Holdings’ other shareholders and as they own a significant portion of the shares of Cagamas Holdings, they could 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.

**Cagamas is dependent upon its status as an “Approved Interbank Institution” as determined by BNM**

Cagamas uses its status as an Approved Interbank Institution (“**AII**”) being granted by BNM to assist with its liquidity requirements. This status allows Cagamas direct access to the interbank money market as stipulated in The Malaysian Code of Conduct for Malaysia Wholesale Financial Markets. Whilst the AII status provides Cagamas with a source of instant liquidity; as of 30 June 2022, Cagamas is also able to draw upon RM 4.2 billion of shareholders’ funds and utilise the intraday credit facilities with BNM to satisfy any immediate liquidity needs.

**Interim financial information of Cagamas contained in this Offering Circular has not been audited or reviewed**

None of the summary financial results of Cagamas as at and for the six months ended 30 June 2021 and 2022 included in this Offering Circular have been audited or reviewed by any auditors and such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the financial condition, operations and results of Cagamas.

**RISKS RELATING TO MALAYSIA**

**The Cagamas business model is focused in only one country which may result in a higher level of risk**

As at 30 June 2022, 100 per cent. of the operating revenues of Cagamas were derived from within Malaysia and 100 per cent. 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 under Sukuk issued under the 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 attack, implementation of unfavourable industry regulations and laws by statutory authorities, changes in interest rate environment and legislation on taxation, currency exchange rules and controls, adverse foreign currency fluctuations, expropriation, 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.

**Outbreaks of infectious diseases in Asia and elsewhere could affect the business, financial condition, results of operations or prospects of the Group**

The outbreak of an infectious disease such as Influenza A (H1N1, H5N1), avian influenza, Severe Acute Respiratory Syndrome, or COVID-19 in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy, and business activities in Asia and could thereby impact Cagamas' business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

While the COVID-19 pandemic has not posed significant impact to Cagamas' business and its operations, Cagamas will continue to monitor the national and global development of COVID-19 and will further evaluate and calibrate its operations accordingly during the current transition to the endemic phase of the COVID-19 pandemic. In addition, Cagamas may not be able to foresee or accurately predict such events, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

**Malaysian Ringgit may be subject to exchange rate fluctuations**

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit, and had on 2 September 1998, maintained a fixed exchange rate of RM 3.80 to U.S.\$1.00. Subsequently on 21 July 2005, BNM adopted a managed float system for the Ringgit exchange rate, which benchmarked the Ringgit to a currency basket to ensure that the Ringgit remains close to its fair value. However, since then, Malaysia has adopted a flexible exchange rate where movements in the Ringgit exchange rate are determined by the market. This flexibility in the exchange rate is critical to help the economy withstand external shocks by facilitating adjustments in Malaysia's international transactions. As an open economy that faces large cross-border capital flows, this flexibility can occasionally lead to significant volatility in the Ringgit exchange rate. In this respect, BNM plays an important role in regulating the Ringgit exchange rate market and ensuring that the volatility in the Ringgit exchange rate is not excessive and disruptive. This is to mitigate any negative impact to domestic economic activity as businesses are able to plan and undertake trade and investment transactions with more certainty. In addition, BNM supports the orderly functioning of the domestic foreign exchange market by ensuring sufficient liquidity through two-way foreign exchange interventions during periods of market stress. BNM also deepens the foreign exchange market and promotes access to hedging instruments to enable businesses to better manage their foreign exchange risks. However, there can be no assurance that BNM will, or would be able to continue to intervene in the foreign exchange market in the future or that any such intervention would be effective in achieving the objective of BNM's policy.

**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 Securities).

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 Sukuk and profit and principal paid on the Sukuk from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

### **Inflation 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 2.7 per cent. year-to-date 2022 (2021: 2.5 per cent.), given some demand-driven price pressures amid the high-cost environment. Global supply-side disruptions also led to some upward price pressures, though the impact on consumer prices was relatively contained, as firms absorbed the higher cost.

Under such circumstances, the extent of upward pressures to inflation will remain partly contained by existing price controls, fuel subsidies, and the prevailing spare capacity in the economy. The inflation outlook, however, continues to be subject to domestic policy measures, as well as global commodity price developments arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions. Such inflationary pressures in the Malaysian economy could adversely affect the continued development of the housing market in Malaysia and the appetite of the Malaysian population to continue to take out housing loans and financings and invest in the property market. This could, in turn, adversely affect the business, financial condition and results of operations of Cagamas.

### **Exposure to the Malaysia property market**

Cagamas has significant exposure to the Malaysia property market due to its portfolio of property mortgage loans and financings. The Malaysia property market is cyclical and property prices in general 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 Malaysia property market could adversely affect Cagamas' business, its financial condition and the results of its operations.

The Malaysia property market is expected to continue its recovery trajectory, in line with Malaysia's economic growth. The sector however will continue to face challenges from rising inflation and from global supply chain disruption resulting in high cost of materials. Rising interest rates meanwhile are expected to dampen demand for mortgages and increase default risk of lower-income borrowers. The risk from the sector is however limited by modest growth in property prices in recent years, banks' prudent loan-to-value ratios, and cautious lending to higher risk segment. Nonetheless, rising interest rates could adversely affect Cagamas' business, its financial condition and the results of its operations.

### **Certain foreign judgments may not be enforceable against the Trustee and Cagamas in Malaysia**

Foreign judgments obtained in the superior courts of reciprocating countries as listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958 (the "REJA") (other than a judgment of such a court given on appeal from a court which is not a superior court) in respect of any sum payable by the Trustee or Cagamas can be recognised and enforced in Malaysia if the said foreign judgment is registered with the Malaysian High Court. The judgment creditor under a judgment to which the REJA applies, may apply to the High Court at any time in accordance with the provisions of

the REJA within six years after the date of the judgment or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, to have the judgment registered.

The registration of a foreign judgment dispenses with the need to re-litigate or re-examine the issues in dispute. A foreign judgement shall not be registered, if at the date of application for registration, it has been wholly satisfied or it could not be enforced by execution in the country of the original court.

A registered foreign judgement shall be set aside if:

- the judgement is not a judgement to which the REJA applies or the judgement was registered in contravention of it;
- the courts of the country of the original court had no jurisdiction in the circumstances of the case;
- the judgment debtor being the defendant in the original court, did not (notwithstanding that process may have been duly served on him in accordance with the law of the country of the original court) receive notice of those proceedings in sufficient time to enable it/him to defend the proceedings and did not appear;
- the judgment was obtained by fraud;
- enforcement of the judgment would be contrary to public policy in Malaysia; or
- the rights under the judgement are not vested in the person by whom the application for registration was made.

A registered foreign judgement may be set aside if the registering court is satisfied that the matter in dispute in the proceedings in the original court had previously to the date of the judgement in the original court been the subject of a final and conclusive judgement by a court having jurisdiction in the matter.

A person who has obtained a judgment against the Trustee and/or Cagamas in a court which is not listed in the First Schedule of the REJA will have to rely entirely on the principles of common law to enforce the judgment, that is, by instituting a fresh suit in Malaysia based either on the judgment or on the original cause of action.

### **Accounting and corporate disclosure standards in Malaysia may vary from those in other jurisdictions**

There may be different publicly available information about Malaysian public companies, such as Cagamas, than is regularly made available by public companies in other jurisdictions. These differences include (i) the timing and content of disclosure of beneficial ownership of equity securities of officers, directors and significant shareholders; (ii) officer certification of disclosure and financial statements in periodic public reports; and (iii) disclosure of off-balance sheet transactions in management's discussion of results of operations in periodic public reports.

## **CONSIDERATIONS RELATING TO THE SUKUK**

### **The Sukuk are limited recourse obligations**

The Sukuk are not debt obligations of the Trustee. Instead, each Sukuk represents solely an undivided beneficial ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant

Series are the sole source of payments on the Sukuk of that Series. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12 (*Dissolution Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Sukukholders), will be (subject to Condition 13 (*Realisation of Trust Assets*)) against Cagamas to perform its obligations under the Transaction Documents to which it is a party.

No Sukukholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Sukukholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Sukuk of the relevant Series to the Sukukholders in accordance with the Conditions and the Master Trust Deed, the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, Sukukholders may not take any action against the Trustee, the Delegate or any other person (including the Obligor) to recover any such sum in respect of the Sukuk or the relevant Trust Assets.

After enforcing the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Sukuk shall be satisfied and no Sukukholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. In particular, no Sukukholder shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

#### **No third-party guarantees**

Investors should be aware that no guarantee is or will be given in relation to the Sukuk by the Obligor or any other person.

#### **Ability of defined majorities to bind all Sukukholders**

The Master Trust Deed contains provisions for calling meetings of Sukukholders of a Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders of such a Series including Sukukholders who did not attend and vote at the relevant meeting and Sukukholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Sukukholders of such a Series may be adverse to the interest of the individual Sukukholder.

#### **The Conditions, the Trust Deed and other Transaction Documents may be modified without notice to Sukukholders**

The Master Trust Deed provides that the Delegate may, without the consent of the Sukukholders (i) agree to any modification of any of the provisions of the Trust Deed or the Transaction Documents that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Sukukholders, or (ii)(A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Sukukholders and is other than in respect of a Reserved Matter (as defined in the Conditions) and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of a Series of Sukuk.

**The Delegate may request the Sukukholders to provide an indemnity and/or security and/or prefunding to its satisfaction**

In certain circumstances, including without limitation the giving of a notice pursuant to Condition 12 (*Dissolution Events*) of the Conditions and the taking of action to enforce or realise any relevant Trust Assets or steps against the Trustee or the Obligor under the relevant Transaction Documents pursuant to Condition 13 (*Realisation of Trust Assets*) of the Conditions, the Delegate may (at its sole discretion) request the holders of the relevant Sukuk to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of such Sukuk. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Delegate may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms and conditions governing the relevant Sukuk or the relevant Transaction Documents and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the relevant Sukuk to take such actions directly.

**The Sukuk may not be a suitable investment for all investors**

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk, the merits and risks of investing in the Sukuk and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk and the impact the Sukuk will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk, including where the currency for the face amount or any periodic distribution payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Sukuk and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Sukuk are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Sukuk which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Sukuk will perform under changing conditions, the resulting effects on the value of the Sukuk and the impact this investment will have on the potential investor's overall investment portfolio.

**The Sukuk are unsecured obligations, the payment of which may be jeopardised in certain circumstances**

Because the Sukuk and Cagamas' payment obligations under the Transaction Documents are unsecured obligations, their payment may be compromised if:

- (a) Cagamas enters into bankruptcy, liquidation, reorganisation or other winding-up procedures;

- (b) there is a default in payment under Cagamas' future secured indebtedness or other unsecured indebtedness; or
- (c) there is an acceleration of any of Cagamas' indebtedness.

If any of these events occurs, Cagamas' assets may not be sufficient to pay amounts due under the Transaction Documents which in turn may result in the Trustee having insufficient funds to pay amounts due in respect of any of the Sukuk.

#### **The Sukuk may be subject to early dissolution by the Trustee**

In certain circumstances, the Sukuk may be subject to early dissolution by the Trustee. If the Trustee has or will become liable to pay additional amounts in respect of the Sukuk and/or Cagamas is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in Malaysia or any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Sukuk upon giving notice in accordance with the Conditions.

If the Optional Dissolution Right is specified in the applicable Pricing Supplement, Cagamas may exercise its option under the Management Wakala Sale Undertaking to procure the Trustee to redeem the Sukuk in whole or in part on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Pricing Supplement.

In each case, dissolution will take place in accordance with the Conditions. An early dissolution feature of any Sukuk is likely to limit its market value. During any period when Cagamas may require the Trustee to redeem any Sukuk, the market value of those Sukuk generally may not rise substantially above the dissolution amount payable.

#### **Investors must make their own determination as to Shariah compliance**

The Joint Shariah Advisers have confirmed that, in their opinion, the Sukuk and the Transaction Documents are in compliance with *Shariah* principles. However, there can be no assurance as to the *Shariah* permissibility of the Transaction Documents or any issue and the trading of a Series of Sukuk will be deemed to be *Shariah*-compliant by any other *Shariah* board or *Shariah* scholars. None of the Trustee, Cagamas, the Delegate, the Agents, the Arrangers and the Dealers makes any representation as to the *Shariah* compliance of any Series of Sukuk. Investors are reminded that, as with any *Shariah* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shariah* advice as to whether the structure and the Transaction Documents meet their individual standards of compliance and make their own determination as to the future tradeability of the Sukuk on any secondary market. Questions as to the *Shariah* permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk.

#### **Shariah requirements in relation to interest awarded by a court**

In accordance with applicable *Shariah* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Sukuk and any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Obligor, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Sukukholders will not be entitled to receive any part of such interest.

#### **The Sukuk may be represented by Global Certificates and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System(s)**

Sukuk issued under the Programme may be represented by one or more Global Certificates. Such Global Certificates will be deposited with CDP, a sub-custodian for the CMU or a common depositary



for Euroclear and Clearstream, or with such other clearing system (including, without limitation, RENTAS) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate (each such clearing system, a “**Clearing System**”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Sukuk in definitive form. The relevant Clearing System(s) will maintain records of their direct account holders in relation to the Global Certificates. While the Sukuk are represented by one or more Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System(s) and their participants.

While the Sukuk are represented by one or more Global Certificates, the Trustee or, as the case may be, Cagamas, will discharge its payment obligations under the Sukuk by making payments through the relevant Clearing System(s) for distribution to their account holders, or, in the case of the CMU, to the persons for whose account(s) interests in such Global Certificates are credited as being held in the CMU in accordance with the CMU rules and procedures as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System(s) and its participants to receive payments under the relevant Sukuk.

Neither the Trustee nor Cagamas has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the relevant Sukuk. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) and its participants to appoint appropriate proxies.

#### **Performance of contractual obligations**

The ability of the Trustee or, as the case may be, Cagamas to make payments in respect of the Sukuk may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Principal Paying Agent, the Paying Agents, the Transfer Agent, the Registrar, and/or the Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Trustee, or as the case may be, Cagamas, of its obligations to make payments in respect of the Sukuk, the Trustee, or as the case may be, Cagamas, may not, in such circumstances, be able to fulfil its obligations to the Sukukholders.

#### **The value of the Sukuk could be adversely affected by a change in English law or administrative practice**

The conditions of the Sukuk are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Sukuk affected by it.

#### **The ratings of the Programme may be downgraded or withdrawn**

The Programme has been assigned a rating of A3 by Moody's. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Trustee and Cagamas to perform their respective obligations under the Transaction Documents and credit risks in determining the likelihood that payments will be made when due under the Transaction Documents. A rating is not a recommendation to buy, sell or hold the Sukuk and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Sukuk and the Trustee's or Cagamas' ability to access the debt capital markets.

**The insolvency laws of Malaysia and other local insolvency laws may differ from those of another jurisdiction with which the Sukukholders are familiar**

As the Trustee and Cagamas are incorporated under the laws of Malaysia, any insolvency proceedings relating to the Trustee and Cagamas would likely involve Malaysia insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Sukukholders are familiar.

**Profit may not continue to accumulate on the Investment Wakala Sukuk after the Scheduled Dissolution Date if payment is improperly withheld or refused**

The Transaction Documents in respect of the Investment Wakala Sukuk provide that, on the business day prior to the relevant Dissolution Date in relation to each Investment Wakala Series, (i) the Wakeel shall liquidate the Investment Wakala Investment of that Investment Wakala Series at its market value as determined by the Wakeel (acting reasonably) and credit the proceeds of such liquidation (the “**Investment Wakala Proceeds**”) to the Investment Wakala Collection Account of the relevant Investment Wakala Series; and (ii) the Wakeel shall use amounts standing to the credit of the Investment Wakala Collection Account (including, for the avoidance of doubt, any amounts paid into the Investment Wakala Collection Account in accordance with the Investment Wakala Master Murabaha Agreement which remain to the credit of the Investment Wakala Collection Account) to pay to the Transaction Account an amount which is intended to be sufficient to fund the Dissolution Distribution Amount payable by the Trustee under the Investment Wakala Sukuk (and any prior payments required to be made in accordance with the Conditions). Payment of the outstanding Deferred Sale Price payable by the Buyer under the Investment Wakala Master Murabaha Agreement and the Investment Wakala Proceeds payable by the Wakeel under the Investment Wakala Agreement, in each case to the Investment Wakala Collection Account of the relevant Investment Wakala Series, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Sukuk of the relevant Investment Wakala Series. See “*Structure Diagram and Cashflows of the Investment Wakala Sukuk.*”

Profit shall cease to accumulate in respect of each Investment Wakala Sukuk on the due date for redemption (including, without limitation, the Scheduled Dissolution Date) unless, upon due presentation, payment is improperly withheld or refused, in which event, profit shall only continue to accrue for any period up to the Relevant Date that falls on or prior to the Scheduled Dissolution Date. Profit may continue to accrue thereafter but only to the extent that the Wakala Assets continue to generate a return such that the Investment Wakala Proceeds standing to the credit of the Investment Wakala Collection Account are sufficient to fund such continued accumulation of profit. If and to the extent that the Investment Wakala Assets do not generate such returns, no profit shall continue to accumulate after the Scheduled Dissolution Date, even if payment continues to be improperly withheld or refused.

**RISKS RELATED TO THE MARKET GENERALLY**

**Limited liquidity in the secondary market**

The Sukuk 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 Sukuk 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 Sukuk that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Sukuk generally would have a more limited secondary market and more price volatility than conventional debt securities.

## **Exchange rate risks and exchange controls**

The Trustee will pay principal and profit on the Sukuk and Cagamas will make any payments under the Transaction Documents in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Sukuk; (ii) the Investor's Currency-equivalent value of the principal payable on the Sukuk; and (iii) the Investor's Currency-equivalent market value of the Sukuk.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Trustee or Cagamas to make payments in respect of the Sukuk. As a result, investors may receive less profit or principal than expected, or no profit or principal.

## **The value of fixed rate Sukuk may be adversely affected by movements in market interest rates**

Investment in fixed rate Sukuk involves the risk that if market interest rates subsequently increase above the rate paid on the fixed rate Sukuk, this will adversely affect the value of the fixed rate Sukuk.

## **Credit ratings assigned to the Trustee, Cagamas or any Sukuk may not reflect all the risks associated with an investment in those Sukuk**

One or more independent credit rating agencies may assign credit ratings to the Trustee, Cagamas or the Sukuk. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Sukuk. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

## **The market value of the Sukuk may fluctuate**

Trading prices of the Sukuk are influenced by numerous factors, including the operating results, business and/or financial condition of Cagamas, political, economic, financial and any other factors that can affect the capital markets, the business or Cagamas. Adverse economic developments, acts of war and health hazards in countries in which Cagamas operates could have a material adverse effect on Cagamas' operations, operating results, business, financial position, and performance. Any such developments may result in large and sudden changes in the volume and price at which the Sukuk will trade. There can be no assurance that these developments will not occur in the future.

## **Inflation risk**

Sukukholders may suffer erosion on the return of their investments due to inflation. Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk. An unexpected increase in inflation could reduce the actual returns.

## **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) Sukuk are legal investments for it; (ii) Sukuk can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Sukuk. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Sukuk under any applicable risk-based capital or similar rules.

## **CONSIDERATIONS RELATING TO THE WAKALA ASSETS UNDER THE MANAGEMENT WAKALA SERIES**

### **Ownership of the Wakala Assets**

In order to comply with the requirements of *Shariah*, an interest in the Wakala Assets of each Management Wakala Series will pass to the Trustee under the relevant Amended and Restated Management Wakala Master Purchase Agreement, as supplemented by the Management Wakala Supplemental Purchase Agreement. The Trustee will declare a trust in respect of its ownership interest in such Wakala Assets and the other relevant Trust Assets in favour of the Sukukholders of the relevant Series pursuant to the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed. Accordingly, Sukukholders will have beneficial ownership interests in the relevant Wakala Assets unless transfer of the Wakala Assets is prohibited by, or ineffective under, any applicable law (see “*Transfer of the Wakala Assets*” below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. Only limited representations will be obtained from the Obligor in respect of the Wakala Assets of a Series. In particular, the precise terms of such Wakala Assets or the nature of the assets sold or held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the Obligor to give effect to the transfer of the ownership interest in the Wakala Assets). No steps will be taken to perfect the legal transfer of any ownership interest in any Wakala Assets or otherwise give notice to any obligor in respect thereof. The obligors in respect of such Wakala Assets may have rights of set off or counterclaim against the Obligor in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any relevant Sukukholders on the basis of legal or beneficial ownership of any Wakala Assets, the Obligor has agreed in the Trust Deed to indemnify the Trustee, the Delegate and the Sukukholders against any such liabilities. If the Obligor is unable to meet any such claims then the relevant Sukukholders may suffer losses in excess of the original face amount invested.

### **Transfer of the Wakala Assets**

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if any Management Wakala Supplemental Purchase Agreement will have the effect of transferring an ownership interest in the relevant Wakala Assets. The Amended and Restated Management Wakala Master Purchase Agreement is, and each Management Wakala Supplemental Purchase Agreement will be, governed by Malaysian law and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular assets such as *ijara* or receivables under *murabaha* contracts) can be effectively transferred without notice of the transfer being given to the relevant obligor. Accordingly, no assurance is given that any ownership interest in any Wakala Assets will be transferred to the Trustee.

The Obligor has agreed in the Amended and Restated Management Wakala Purchase Undertaking to indemnify the Trustee for the purposes of redemption in full of the outstanding Sukuk in the event that any transfer of an ownership interest in any Wakala Assets is found to be ineffective. In addition, the Obligor has agreed in the Amended and Restated Management Wakala Purchase Undertaking that, to the extent that the sale and purchase or transfer of any ownership interest in any Wakala Assets is not (or is alleged not to be) effective in any jurisdiction for any reason, it will make payment of an amount equal to the relevant exercise price.

In the event that the Wakala Assets of any Management Wakala Series are not purchased by the Obligor for any reason, the Delegate will seek to enforce the above provisions of the Purchase

Undertaking. To the extent that it obtains an English judgment in its favour, it may seek to enforce that judgment or award in a Malaysian court.

## **RISKS RELATING TO SUKUK DENOMINATED IN RENMINBI**

Sukuk denominated in Renminbi (“**RMB Sukuk**”) may be issued under the Programme. RMB Sukuk contain particular risks for potential investors, including:

### **Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Sukuk**

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Trustee to source Renminbi to finance its obligations under RMB Sukuk.

Each investor should consult its own advisors to obtain a more detailed explanation of how the PRC regulations and rules may affect their investment decisions.

### **There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Sukuk and the Trustee’s ability to source Renminbi outside the PRC to service such RMB Sukuk**

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore, Malaysia and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Malaysia residents, Hong Kong residents and specified business customers. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the “**RMB Clearing Banks**”), including but not limited to Hong Kong, Singapore and Taiwan, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of

transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Sukuk. To the extent the Trustee is required to source Renminbi outside the PRC to service the RMB Sukuk, there is no assurance that the Trustee will be able to source such Renminbi on satisfactory terms, if at all.

#### **Investment in RMB Sukuk is subject to exchange rate risks**

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in RMB Sukuk entails foreign exchange related risks, including possible significant change in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. In August 2015, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. Although the primary obligation of the Trustee is to make all payments/repayments of profit and principal with respect to RMB Sukuk in Renminbi, in the event access to Renminbi deliverable in the Renminbi Settlement Centre becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions) the Trustee is not able to satisfy payments/repayments of principal or profit (in whole or in part) in respect of the RMB Sukuk when due in Renminbi, the terms of the RMB Sukuk allow the Trustee to make payment in U.S. dollars at the prevailing rate of exchange, all as provided in more detail in condition 13 of the Conditions. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

#### **An investment in RMB Sukuk is subject to interest rate risk**

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

RMB Sukuk may carry a fixed profit rate or a floating profit rate. Consequently, the trading price of RMB Sukuk will vary with the fluctuations in the Renminbi interest rates. If holders of RMB Sukuk try to sell any RMB Sukuk before their maturity, they may receive an offer that is less than the amount they have invested.

#### **Payments in respect of RMB Sukuk will only be made to investors in the manner specified in the terms and conditions of the relevant Sukuk**

All Renminbi payments to investors in respect of the RMB Sukuk will be made solely: (i) for so long as the RMB Sukuk are represented by Global Certificates held with CDP, a sub-custodian for the CMU or a common depository for Euroclear and Clearstream, or with such other clearing system (including,



without limitation, RENTAS) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing rules and procedures of the relevant clearing system; or (ii) when the RMB Sukuk are in definitive form, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing rules and regulations. The Trustee cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC). In the case of RMB Sukuk held with RENTAS, it is a requirement for investors resident in Malaysia to have an account with Bank of China (Malaysia) Berhad if they elect to receive Renminbi payments through BNM.

## USE OF PROCEEDS

The proceeds of each Management Wakala Series of Sukuk issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to acquire: (a) Eligible Wakala Assets from Cagamas; and/or (b) acquire Commodities to be sold to Cagamas, in each case as specified in the applicable Pricing Supplement for the relevant Management Wakala Series, with rights under such Management Wakala Sukuk Assets to form part of the Trust Assets (as defined in the Management Wakala Conditions) for the relevant Management Wakala Series.

The proceeds of each Investment Wakala Series of Investment Wakala Sukuk issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to: (aa) fund the Initial Wakala Investment Amount for investment by Cagamas (as Wakeel) in accordance with the Investment Wakala Agreement; and/or (bb) acquire Commodities to be sold to Cagamas, in each case as specified in the applicable Pricing Supplement for the relevant Investment Wakala Series, with rights under such Investment Wakala Sukuk Assets to form part of the Trust Assets (as defined in the Investment Wakala Conditions) for the relevant Investment Wakala Series.

The proceeds of each Series of Sukuk subsequently received by Cagamas in consideration for the transactions entered into with the Trustee as set out above, as applicable, including with respect to (b)/(bb) the proceeds received from the on-sale of the Commodities by Cagamas, will be applied by Cagamas for its *Shariah*-compliant working capital, general corporate purposes and general financing and refinancing requirements.

## FORM OF THE SUKUK

### Initial Issue of Sukuk

Each Series of Sukuk will initially be represented by a global certificate in registered form (each a “**Global Certificate**”). Global Certificates will be delivered on or prior to the issue date of the Series to a common depository (a “**Common Depository**”) on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”) or The Central Depository (Pte) Limited (“**CDP**”) or a sub-custodian for the Central Moneymarkets Unit (the “**CMU**”) operated by the Hong Kong Monetary Authority (the “**HKMA**”) or such other clearing system (including, without limitation, RENTAS) (an “**Alternative Clearing System**”) (or a depository or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate.

Upon the initial deposit of a Global Certificate with a Common Depository or with CDP or with a sub-custodian for the CMU or registration of the Sukuk in the name of (i) any nominee for a Common Depository, (ii) CDP, (iii) the HKMA as operator of the CMU or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System and delivery of the relevant Global Certificate to the Common Depository, CDP, the sub-custodian for the CMU or Alternative Clearing System (or a depository or nominee thereof) (as the case may be), Euroclear or Clearstream, CDP, the CMU or the relevant Alternative Clearing System (as the case may be) will credit each subscriber with a face amount of Sukuk equal to the face amount thereof for which it has subscribed and paid.

Sukuk that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Sukuk that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

### Exchange

The following will apply in respect of transfers of Sukuk held in Euroclear, Clearstream, CDP, the CMU or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Sukuk within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Sukuk may be withdrawn from the relevant clearing system.

Each Global Certificate will be exchangeable in whole (but not in part) for duly authenticated and completed Sukuk in definitive registered form (“**Individual Certificates**”) in accordance with the Trust Deed in the following limited circumstances:

- (a) if the Sukuk represented by a Global Certificate are held on behalf of Euroclear or Clearstream, CDP, the CMU, an Alternative Clearing System or any other relevant clearing system (a “**Back-Up Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays (statutory or otherwise)) or announces an intention permanently to cease business or does in fact do so or, as the case may be, Euroclear, Clearstream, CDP, the relevant account holder in the CMU or the relevant Alternative Clearing System has notified the Trustee that it is unable or unwilling to act as depository for the Sukuk and to continue performing its duties as set out in its terms and conditions for the provision of depository services, supplements thereto and/or restatements thereof from time to time, and no successor or Back-Up Clearing System satisfactory to the Trustee is available; or

- (b) if a Dissolution Event has occurred and (in the case of a Global Certificate held on behalf of CDP) is continuing.

***Terms and Conditions applicable to the Sukuk***

The Global Certificates contain provisions that apply to the Sukuk that they represent, some of which modify the effect of the Conditions set out in this Offering Circular to the extent described under “*Summary of Provisions Relating to the Sukuk while in Global Form*” below.

## TERMS AND CONDITIONS OF THE MANAGEMENT WAKALA SUKUK

*The following is the text of the terms and conditions of the Management Wakala Sukuk (“**Management Wakala Conditions**”) that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will apply to each Global Certificate and shall be applicable to the Management Wakala Sukuk in definitive form (if any) issued in exchange for the Global Certificate representing each Management Wakala Series.*

*Either (i) the full text of these terms and conditions together with the relevant provisions of the applicable Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Sukuk in definitive form. References in these terms and conditions to (i) “**Management Wakala Sukuk**” are to the Sukuk of one Management Wakala Series only, not to all Management Wakala Sukuk that may be issued under the Programme; and (ii) “Sukuk”, “Series”, “Holder” and “Sukukholder” are, unless the context specifies otherwise, to (or with respect to) the Sukuk of a Management Wakala Series only.*

### 1. Introduction

- 1.1 **Programme:** Cagamas Global Sukuk Berhad (in its capacities as issuer and as trustee, the “**Trustee**”) and Cagamas Berhad (in its capacity as obligor, the “**Obligor**”) has established a multicurrency sukuk issuance programme (the “**Programme**”) for the issuance of trust certificates (the “**Sukuk**”) in a maximum aggregate face amount of U.S.\$2,500,000,000 (or the equivalent in other currencies calculated as described in the dealer agreement between the Trustee, the Obligor and the Dealers (as defined and named therein) dated 28 November 2014, as amended and restated on 15 February 2016 and 20 December 2022 (the “**Dealer Agreement**”), or such other maximum aggregate face amount as increased in accordance with the terms of the Dealer Agreement.
- 1.2 **Pricing Supplement:** Sukuk issued under the Programme are issued in Series (as defined below). Each Series is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Management Wakala Conditions**”). The terms and conditions applicable to any particular Series of Management Wakala Sukuk are these Management Wakala Conditions as supplemented, amended and/or replaced by the applicable Pricing Supplement. In the event of any inconsistency between these Management Wakala Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement shall prevail.
- 1.3 **Trust Deed:** The Sukuk are constituted by a master trust deed dated 28 November 2014, as amended and restated on 20 December 2022 between the Trustee, the Obligor, and The Hongkong and Shanghai Banking Corporation Limited in its capacity as donee of certain powers and as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Sukuk (the “**Issue Date**”) in respect of the relevant Series (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”).
- 1.4 **Agency Agreement:** An agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 28 November 2014, as amended and restated on 20 December 2022 has been entered into in relation to the Programme between the Trustee, the Obligor, the Delegate, The Hongkong and Shanghai Banking Corporation Limited as initial principal paying agent, paying agent and calculation agent, registrar and transfer agent (in the case of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk (each as defined below)), The Hongkong and Shanghai Banking Corporation Limited as initial CMU lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CMU Sukuk), The Hongkong and

Shanghai Banking Corporation Limited, Singapore Branch as initial CDP lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CDP Sukuk) and the other agents named in it.

- 1.5 **Other Transaction Documents:** These Management Wakala Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the remaining Management Wakala Transaction Documents (as defined below). The Sukukholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Management Wakala Transaction Documents. Copies of the Management Wakala Transaction Documents are available for inspection, upon prior written notice and satisfactory proof of holding, during normal business hours at the Specified Office of the Principal Paying Agent, the CMU Lodging and Paying Agent and the CDP Lodging and Paying Agent.
- 1.6 **Authorisation:** Each initial Sukukholder, by its acquisition and holding of its interest in a Sukuk, shall be deemed to authorise and direct the Trustee, on behalf of the Sukukholders: (i) to apply the proceeds of the issue of the Sukuk towards the purchase of Eligible Wakala Assets (as defined below) and/or the entry into of a Commodity Murabaha Investment (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Management Wakala Transaction Documents); and (ii) to enter into each Management Wakala Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Management Wakala Conditions.

## 2. Definitions and Interpretation

- 2.1 **Definitions:** Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Management Wakala Conditions, the following expressions have the following meanings:

**“2006 ISDA Definitions”** means, in relation to a Series of Sukuk, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Sukuk of such Series) as published by ISDA (copies of which may be obtained from ISDA at [www.isda.org](http://www.isda.org));

**“2021 ISDA Definitions”** means, in relation to a Series of Sukuk, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Sukuk of such Series, as published by ISDA on its website ([www.isda.org](http://www.isda.org));

**“ACS Agents”** means, in respect of each Series of ACS Sukuk, the ACS Lodging Agent, the ACS Paying Agent, the ACS Calculation Agent, the ACS Registrar and the ACS Transfer Agent or any of them (as applicable);

**“ACS Calculation Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Form”** means any application form, agreement, deed or other document (including, but not limited to, securities lodgement forms (including any RENTAS Securities Lodgement Form)), required to be entered into by the Trustee for the purposes of the acceptance for clearing and settlement of a Series of ACS Sukuk by the relevant Alternative Clearing System;

**“ACS Lodging Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);



**“ACS Paying Agent”** means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent;

**“ACS Registrar”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Sukuk”** means any Sukuk which are cleared through an Alternative Clearing System including, without limitation, RENTAS Sukuk;

**“ACS Transfer Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“Additional Business Centre(s)”** means the city or cities specified as such in the applicable Pricing Supplement;

**“Additional Financial Centre(s)”** means the city or cities specified as such in the applicable Pricing Supplement;

**“Agents”** means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars and the Transfer Agents, any ACS Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Alternative Clearing System”** means any additional or alternative clearing system (other than Euroclear, Clearstream, CDP and the CMU) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate including, without limitation, RENTAS;

**“BCH System”** means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

**“BMIS”** means Bursa Malaysia Islamic Services Sdn Bhd (Registration No. 200901010654 (853675 M)), a company incorporated under the laws of Malaysia, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

**“BNM”** means Bank Negara Malaysia, a body corporate established under the Central Bank of Malaysia Act, 2009, of Jalan Dato’ Onn, 50480 Kuala Lumpur;

**“Broken Amount”** has the meaning given in the applicable Pricing Supplement;

**“Business Day”** means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, any day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments generally in the relevant Renminbi Settlement Centre;

- (c) in relation to any sum payable in Singapore dollars, a day (other than a Saturday or a Sunday or a gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore; and
- (d) in relation to any sum payable in a currency other than euro, Renminbi, and Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**“Business Day Convention”** has the meaning given to it in Condition 7.7 (*Business Day Convention*);

**“Calculation Agent”** means, in relation to any Series of Sukuk, the institution appointed as calculation agent for the purposes of such Sukuk and named as such in the applicable Pricing Supplement, in the case of the Principal Paying Agent, the CMU Lodging and Paying Agent or the CDP Lodging and Paying Agent, pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Dealer Agreement and, in the case of any other institution (including any relevant ACS Calculation Agent) pursuant to a letter of appointment in, or substantially in, the form set out in Schedule 4 of the Agency Agreement and/or any relevant ACS Forms (as applicable) and, in any case, any successor to such institution in its capacity as such;

**“Calculation Amount”** has the meaning given in the applicable Pricing Supplement;

**“Cancellation Notice”** means a cancellation notice given pursuant to the terms of the Management Wakala Sale Undertaking;

**“CDP”** means The Central Depository (Pte) Limited;

**“CDP Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch or any successor appointed as CDP lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with CDP for each Series of CDP Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

**“CDP Sukuk”** means any Sukuk which are cleared through CDP;

**“Change of Shareholding”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Exercise Notice”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Notice”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Period”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Right”** means the right specified in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Right Date”** shall be the fourteenth day after the expiry of the Change of Shareholding Put Period;

“**Clearstream**” means Clearstream Banking, S.A.;

“**CMU Lodging and Paying Agent**” means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as CMU lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with the CMU for each Series of CMU Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

“**CMU**” means the Central Moneymarkets Unit operated by the HKMA;

“**CMU Sukuk**” means any Sukuk which are cleared through the CMU;

“**Commodities**” means any *Shariah*-compliant commodities that are traded on the Market (excluding currency, gold and silver);

“**Commodity Murabaha Investment**” means, in relation to a Management Wakala Series, the sale of certain Commodities by the Trustee to the Obligor (in its capacity as the Buyer (as defined in the Management Wakala Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Management Wakala Sukuk, pursuant to the Management Wakala Master Murabaha Agreement;

“**CSDPAR**” means the Central Securities Depository and Paying Agency Rules, a uniform set of rules and procedures which govern the depository and paying agency services provided by BNM in relation to the securities deposited in RENTAS;

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Sukuk for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), such day count fraction as may be specified in these Management Wakala Conditions or the applicable Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and
  - (ii) where the Calculation Period is longer than one Determination Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**“Determination Date”** means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

- (b) if **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **“30/360”** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**“Y<sub>1</sub>”** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**“Y<sub>2</sub>”** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**“M<sub>1</sub>”** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**“M<sub>2</sub>”** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**“D<sub>1</sub>”** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**“D<sub>2</sub>”** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if **“30E/360”** or **“Eurobond Basis”** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**“Y<sub>1</sub>”** is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if “30E/360 (ISDA)” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February; or (B) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (A) that day is the last day of February but not the Scheduled Dissolution Date or (B) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Deferred Sale Price**” means the deferred sale price payable by the Obligor to the Trustee in respect of the Commodity Murabaha Investment in accordance with the terms of the Management Wakala Master Murabaha Agreement, if applicable to a Series;

**“Delegation”** has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

**“Dissolution Date”** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Sukukholder Put Right Date;
- (e) any Change of Shareholding Put Right Date;
- (f) any Dissolution Event Redemption Date; or
- (g) such other date as specified in the applicable Pricing Supplement for the redemption of Sukuk and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

**“Dissolution Distribution Amount”** means, in relation to a particular Series:

- (a) the sum of:
  - (i) the outstanding face amount of such Series; and
  - (ii) any due and unpaid Periodic Distribution Amounts for such Series; or
- (b) such other amount specified in the applicable Pricing Supplement as being payable upon any Dissolution Date;

**“Dissolution Event”** means a Trustee Event or an Obligor Event;

**“Dissolution Event Redemption Date”** has the meaning given to it in Condition 12.1 (*Dissolution Event*);

**“Dissolution Notice”** has the meaning given to it in Condition 12.1 (*Dissolution Event*);

**“Early Tax Dissolution Date”** has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

**“Eligible Wakala Assets”** has the meaning given to it in the Management Wakala Master Purchase Agreement;

**“Euroclear”** means Euroclear Bank SA/NV;

**“Exercise Notice”** means an exercise notice given pursuant to the terms of the Management Wakala Purchase Undertaking or the Management Wakala Sale Undertaking (as the case may be);

**“Expected Income Revenues Amount”** has the meaning given to it in the Management Wakala Agreement;

**“Extraordinary Resolution”** has the meaning given to it in the Trust Deed;



**“Fixed Amount”** means the amount specified as such in the applicable Pricing Supplement;

**“Fixed Rate Sukuk”** means a Series in respect of which Fixed Periodic Distribution Amounts are specified as applicable in the applicable Pricing Supplement;

**“Floating Rate Sukuk”** means a Series in respect of which Floating Periodic Distribution Amounts are specified as applicable in the applicable Pricing Supplement;

**“Global Certificate”** means a certificate in global form representing Sukuk of the same Series that are registered in the name of: (i) a nominee for a common depository for Euroclear and/or Clearstream; (ii) CDP; (iii) the HKMA as operator of the CMU and lodged with a sub-custodian for the CMU; and/or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System which, for the avoidance of doubt, may be the RENTAS Depository;

**“HKMA”** means the Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong) or its successors;

**“Holder”** has the meaning given in Condition 3.2 (*Title to Sukuk*);

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Individual Certificate”** means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Master Trust Deed in exchange for a Global Certificate;

**“ISDA”** means the International Swaps and Derivatives Association, Inc. (or any successor);

**“ISDA Definitions”** has the meaning given in the relevant Pricing Supplement;

**“Liability”** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **“Liabilities”** shall mean all of these;

**“Local Banking Day”** means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

**“Management Wakala Agreement”** means the amended and restated management wakala agreement dated 20 December 2022 between the Trustee and the Obligor;

**“Management Wakala Master Murabaha Agreement”** means the amended and restated management wakala master murabaha agreement dated 20 December 2022 and made between the Trustee, Cagamas Berhad (as buyer) and Cagamas Berhad (as commodity trading participant);

**“Management Wakala Master Purchase Agreement”** means the amended and restated management wakala master purchase agreement dated 20 December 2022 between the Trustee (as purchaser) and the Obligor (as seller);

**“Management Wakala Purchase Undertaking”** means the amended and restated management wakala purchase undertaking dated 20 December 2022 and granted by the Obligor for the benefit of the Trustee and the Delegate;

**“Management Wakala Sale Undertaking”** means the amended and restated management wakala sale undertaking dated 20 December 2022 and granted by the Trustee for the benefit of the Obligor;

**“Management Wakala Substitution Undertaking”** means the amended and restated management wakala substitution undertaking dated 20 December 2022 and granted by the Trustee for the benefit of the Obligor;

**“Management Wakala Sukuk Assets”** means, in relation to each Management Wakala Series, the Wakala Assets and the Commodity Murabaha Investment (if any) in respect of that Management Wakala Series;

**“Management Wakala Supplemental Purchase Agreement”** means the supplemental purchase agreement to be dated the Issue Date in relation to each Management Wakala Series between the Trustee and the Obligor for the purchase of certain Eligible Wakala Assets;

**“Management Wakala Transaction Documents”** means, in relation to each Management Wakala Series:

- (a) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;
- (b) the Agency Agreement;
- (c) the Management Wakala Master Purchase Agreement as supplemented by the applicable Management Wakala Supplemental Purchase Agreement;
- (d) the Management Wakala Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Sale Undertaking);
- (e) the Management Wakala Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Purchase Undertaking);
- (f) the Management Wakala Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Substitution Undertaking);

- (g) the Management Wakala Agreement; and
- (h) in relation to a Management Wakala Series, if applicable, the Management Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series);

“**Margin**” has the meaning given in the applicable Pricing Supplement;

“**Market**” means the commodity market operated by BMIS for the trading of commodities;

“**Maximum Optional Dissolution Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Minimum Optional Dissolution Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Obligor Event**” means any of the following events:

- (a) **Non-payment:** the Obligor (acting in any capacity) fails to pay any amount in the nature of principal or profit payable by it pursuant to any Management Wakala Transaction Document to which it is a party on the due date for payment thereof; or
- (b) **Breach of other obligations:** the Obligor (acting in any capacity) defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Management Wakala Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Obligor by the Trustee or the Delegate, has been delivered to the Obligor; or
- (c) **Cross-default:**
  - (i) any Indebtedness or Sukuk Obligation of the Obligor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any Indebtedness or Sukuk Obligation of the Obligor or any Principal Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Obligor or (as the case may be) the relevant Principal Subsidiary or any person entitled to such Indebtedness or Sukuk Obligation; or
  - (iii) the Obligor or any Principal Subsidiary fails to pay when due any amount payable by it under any guarantee, or any indemnity, in respect of any Indebtedness or Sukuk Obligation,

and **provided that** the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

- (d) **Unsatisfied judgment:** one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Obligor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

- (e) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary and such possession or appointment continues for a period of 60 days after the date thereof; or
- (f) **Insolvency etc.:** (i) the Obligor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Obligor or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is appointed; or (iii) the Obligor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or Sukuk Obligations or any guarantee of any Indebtedness or Sukuk Obligation given by it; or
- (g) **Winding up etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Obligor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary (but not including the Trustee if it is a Principal Subsidiary), (i) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (ii) as a result of disposal on arm's length terms or (iii) as approved by an Extraordinary Resolution of the Sukukholders) or the Obligor or any Principal Subsidiary ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Principal Subsidiary (but not including the Trustee if it is a Principal Subsidiary), (x) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (y) as a result of disposal on arm's length terms or (z) as approved by an Extraordinary Resolution of the Sukukholders); or
- (h) **Analogous event:** any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) **Failure to take action, etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Management Wakala Transaction Documents to which it is a party; (ii) to ensure that those obligations are legal, valid, binding and enforceable and; (iii) to make the Sukuk and the Management Wakala Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or
- (j) **Unlawfulness:** it is or will become unlawful for the Obligor to perform or comply with any of its obligations under or in respect of the Sukuk and the Management Wakala Transaction Documents to which it is a party; or
- (k) **Government intervention:** (i) all or any substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national government; or (ii) the Obligor or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

References in this definition to "Indebtedness", "indebtedness" and "debts" shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shariah*, whether entered into directly or indirectly by the Obligor or any of its Principal Subsidiaries, as the case may be;

**“Optional Dissolution Date”** means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if this Sukuk is a Floating Rate Sukuk) be a Periodic Distribution Date;

**“Optional Dissolution Right”** means the right specified in Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);

**“outstanding”** shall have the meaning given to it in the Trust Deed;

**“Paying Agents”** means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, any relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent) and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Payment Business Day”** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, (A) a TARGET Settlement Day; and (B) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Sukuk denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**“Periodic Distribution Amount”** has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

**“Periodic Distribution Date”** means the date or dates specified as such in the applicable Pricing Supplement;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (c) in relation to Renminbi, it means the relevant Renminbi Settlement Centre;

**“Principal Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk collectively in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established. All references in these Management Wakala Conditions to the **“Principal Paying Agent”** shall be deemed to be references to: (i) with respect to CMU Sukuk, the CMU Lodging and Paying Agent; (ii) with respect to CDP Sukuk, the CDP Lodging and Paying Agent; and (iii) if applicable, with respect to ACS Sukuk, the relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent), and (unless the context requires otherwise) all such references shall be construed accordingly;

**“Principal Subsidiary”** means Cagamas Global P.L.C. and any Subsidiary of the Obligor whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Obligor have been prepared, are at least 10 per cent. of the consolidated total assets of the Obligor as shown by such audited consolidated accounts, **provided that** if any such Subsidiary (the **“transferor”**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary of the Obligor (the **“transferee”**) then:

- (i) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary; and
- (ii) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (i) above or which remains or becomes a Principal Subsidiary by virtue of (ii) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Obligor prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary (consolidated (if any) in the case of a company which itself has Subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 10 per cent. of the consolidated total assets of the Obligor, as shown by such audited consolidated accounts;

**“Proceedings”** has the meaning given to it in Condition 21.4 (*Rights of the Delegate and the Sukukholders to take proceedings outside England*);

**“Profit Commencement Date”** means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

**“Profit Period Date”** means each Periodic Distribution Date unless otherwise specified in the applicable Pricing Supplement;



**“Profit Rate”** means the profit rate, either fixed or floating, payable from time to time in respect of the Sukuk and that is either specified in the applicable Pricing Supplement or calculated or determined in accordance with the provisions hereof;

**“Profit Rate Determination Date”** means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or Hong Kong Dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro nor Hong Kong Dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

**“Record Date”** has the meaning given to it in Condition 9.4 (*Record Date*);

**“Reference Banks”** has the meaning given in the applicable Pricing Supplement or, if none, four major banks selected by the Trustee in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the applicable Pricing Supplement;

**“Reference Rate”** means the rate specified as such in the applicable Pricing Supplement;

**“Register”** has the meaning given to it in Condition 3.3 (*Ownership*);

**“Registrar”** means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Registrar (if applicable));

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Sukukholders;

**“Relevant Indebtedness”** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**“Relevant Powers”** has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Time”** has the meaning given in the applicable Pricing Supplement;

**“Renminbi”** means the lawful currency of the People’s Republic of China;

**“Renminbi Settlement Centre”** means, in relation to any sum payable in Renminbi, Hong Kong, Singapore and/or any other relevant financial centre, as specified in the applicable Pricing Supplement;

**“RENTAS”** means the scripless book-entry securities settlement and funds transfer system known as Real Time Electronic Transfer of Funds and Securities operated and managed by BNM as varied, upgraded or substituted from time to time;

**“RENTAS Depository”** means BNM in its capacity as the depository and custodian of any RENTAS Sukuk who carries out its functions, duties and obligations under the CSDPAR as a central securities depository, and includes its successors in title and assigns and any successors appointed in such capacity;

**“RENTAS Depository Procedures”** means the procedures of the RENTAS Depository for transactions in the RENTAS Sukuk and for settlement of all payments to Holders of RENTAS Sukuk as provided in the CSDPAR, the Participation and Operation Rules for Payments and Securities Services, the Operational Procedures for Foreign Currency Settlement in RENTAS and the Operational Procedures for Securities Services, all issued by BNM and as modified or revised or substituted from time to time by BNM, and any other relevant rules, guidelines, codes and directives issued by BNM from time to time;

**“RENTAS Paying Agent”** means BNM who carries out its functions, duties and obligations under the CSDPAR as a paying agent for any RENTAS Sukuk and includes its successors in title and assigns and any successors acting in such capacity;

**“RENTAS Securities Lodgement Form”** means, in respect of each Series of RENTAS Sukuk, the securities lodgement form entered into by, *inter alios*, the Trustee, signifying the parties’ agreement for the depository and payment arrangement for such RENTAS Sukuk to be made pursuant to the RENTAS Depository Procedures and confirming that the parties thereto and the RENTAS Paying Agent shall have the duties as agreed therein;

**“RENTAS Sukuk”** means any Sukuk which are cleared through RENTAS;

**“Reserved Matter”** has the meaning given to it in Condition 16.1 (*Meetings of Sukukholders*);

**“Return Accumulation Period”** means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

**“Scheduled Dissolution Date”** means the date specified as such in the applicable Pricing Supplement;

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**“Series”** means a series of Sukuk comprising one tranche that have identical terms on issue and are expressed to have the same series number;

**“Specified Currency”** means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Sukuk are denominated;

**“Specified Denominations”** means the amount(s) specified as such in the applicable Pricing Supplement;

**“Specified Office”** has the meaning given in the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Subsidiary”** means, in relation to any person (the **“first Person”**) at any particular time, any other person (the **“second Person”**): (a) whose affairs and policies the first Person controls or has the power to control, whether this be through ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated as a subsidiary with those of the first Person;

**“Sukuk Obligation”** means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shariah*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**“Sukukholder”** has the meaning given in Condition 3.2 (*Title to Sukuk*);

**“Sukukholder Put Exercise Notice”** has the meaning given to it in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

**“Sukukholder Put Right”** means the right specified in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

**“Sukukholder Put Right Date”** means, in relation to any exercise of the Sukukholder Put Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if this Sukuk is a Floating Rate Sukuk) be a Periodic Distribution Date;

**“TARGET Business Day”** means a day on which TARGET2 is operating;

**“TARGET Settlement Day”** means any day on which TARGET2 is open for the settlement of payments in euro;

**“TARGET2”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system or any successor thereto;

**“Transaction Account”** means, in relation to a particular Series, the non-interest bearing transaction account established by the Trustee and held with The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of CMU Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (in the case of any transaction account in relation to a Series of CDP Sukuk) or, as applicable, the relevant ACS Agent (in the case of any transaction account in relation to a Series of ACS Sukuk and, in the case of any transaction account in relation to a Series of RENTAS Sukuk, such ACS Agent may be the RENTAS Paying Agent) denominated in the Specified Currency, details of which are set out in the applicable

Pricing Supplement into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Management Wakala Transaction Documents;

“**Transaction Documents**” means the Management Wakala Transaction Documents and the Investment Wakala Transaction Documents and “**Investment Wakala Transaction Document**” has the meaning given to it pursuant to the “*Terms and Conditions of the Investment Wakala Sukuk*” as set out under Schedule 2 of the Master Trust Deed and applicable to Investment Wakala Sukuk thereunder;

“**Transfer Agent**” means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited and, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Transfer Agent (if applicable));

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trust Assets**” has the meaning given to it in Condition 5.1 (*Trust Assets*);

“**Trustee Event**” means any of the following events:

- (a) **Non-payment:** the Trustee fails to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or profit or otherwise) in respect of the Sukuk on the due date for payment thereof; or
- (b) **Breach of other obligations:** the Trustee defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Management Wakala Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Trustee by the Delegate, has been delivered to the Trustee; or
- (c) **Unsatisfied judgment:** one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Trustee and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (d) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Trustee and such possession or appointment continues for a period of 60 days after the date thereof; or
- (e) **Insolvency etc.:** (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Trustee or the whole or a substantial part of the undertaking, assets and revenues of the Trustee is appointed; or (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or Sukuk Obligations or any guarantee of any Indebtedness or Sukuk Obligation given by it; or

- (f) ***Winding up etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee or the Trustee ceases to carry on all or the substantial part of its business (otherwise than as approved by an Extraordinary Resolution of the Sukukholders); or
- (g) ***Analogous event***: any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (c) (*Unsatisfied judgment*) to (f) (*Winding up, etc.*) above; or
- (h) ***Failure to take action, etc.***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Management Wakala Transaction Documents to which it is a party; (ii) to ensure that those obligations are legal, valid, binding and enforceable and; (iii) to make the Sukuk and the Management Wakala Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or
- (i) ***Unlawfulness***: it is or will become unlawful for the Trustee to perform or comply with any of its obligations under or in respect of the Sukuk and the Management Wakala Transaction Documents to which it is a party; or
- (j) ***Government intervention***: (i) all or any substantial part of the undertaking, assets and revenues of the Trustee is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Trustee is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (k) ***Controlling shareholder***: the Trustee ceases to be a Subsidiary which is wholly-owned and controlled, directly or indirectly, by the Obligor.

For the purpose of paragraph (a) (*Non-payment*) above of this definition, all amounts payable in respect of the Sukuk shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5.2 (*Application of Proceeds from Trust Assets*) or otherwise) subject always to Condition 4.2 (*Limited Recourse*);

“**Wakala Asset Obligor**” has the meaning given to it in the Management Wakala Agreement;

“**Wakala Assets**” has the meaning given to it in the Management Wakala Agreement;

“**Wakala Asset Revenues**” has the meaning given to it in the Management Wakala Agreement; and

“**Wakeel**” means the Obligor acting in its capacity as wakeel under the Management Wakala Agreement.

## 2.2 ***Interpretation***: In these Management Wakala Conditions:

- (a) all references to the “face amount” of a Sukuk shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Management Wakala Conditions;

- (b) all references to “Periodic Distribution Amounts” shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Management Wakala Conditions;
- (c) all references to “ISDA” and related terms are only included for the purposes of benchmarking;
- (d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Pricing Supplement, but the applicable Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Sukuk; and
- (e) any reference to any Transaction Document shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Sukuk.

### 3. **Form, Denomination, Title and Transfer**

- 3.1 ***Sukuk***: The Sukuk are issued in registered form in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Pricing Supplement and higher integral multiples of a smaller amount specified in the applicable Pricing Supplement, and, in the case of Sukuk in definitive form, are serially numbered.

These Management Wakala Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Sukuk. In the case of Sukuk in definitive form, an Individual Certificate will be issued to each Sukukholder in respect of its registered holding of Sukuk.

- 3.2 ***Title to Sukuk***: Upon issue, the Sukuk will be represented by a Global Certificate which will be deposited with, and registered in the name of: (i) a nominee for a common depository for Euroclear and Clearstream; (ii) a central securities depository (or a nominee for such central securities depository, as appropriate) for any relevant Alternative Clearing System (which, for the avoidance of doubt, may be the RENTAS Depository); (iii) CDP; or (iv) the HKMA in its capacity as operator of the CMU and lodged with a sub-custodian for the CMU, as the case may be. For so long as any of the Sukuk is represented by a Global Certificate held on behalf of Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU, ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU (as applicable) and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Sukuk (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Obligor, the Delegate and the Agents as the holder of such face amount of such Sukuk for all purposes other than with respect to payment in respect of such Sukuk, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Obligor, the Delegate and any Agent as the holder of such face amount of such Sukuk in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Holder**” and “**Sukukholder**” in relation to any Sukuk and related expressions shall be construed accordingly.

- 3.3 ***Ownership***: The Registrar will maintain a register of Sukukholders outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). The Trustee, the



Obligor, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Sukuk is for the time being registered (as set out in the Register) as the Holder of such Sukuk or of a particular face amount of the Sukuk for all purposes (whether or not such Sukuk or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Obligor, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Sukuk or face amount.

No person shall have any right to enforce any term or condition of any Sukuk under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Sukuk will be recognised by the Trustee as entitled to his Sukuk free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Sukuk.

### 3.4 ***Transfers of Sukuk:***

Subject to Conditions 3.7 (*Closed periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

- (a) ***Transfers of beneficial interests in the Global Certificate:*** Transfers of beneficial interests in the Global Certificate will be effected by Euroclear, Clearstream, any relevant Alternative Clearing System, CDP and/or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Sukuk in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.
- (b) ***Transfers of Sukuk in definitive form:*** Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Sukuk in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, the Obligor, the Delegate and the Registrar may from time to time prescribe.

Subject as provided above, the Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within five business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the

Trustee, deliver at its Specified Office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Sukuk (or the relevant part of the Sukuk) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Sukuk not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

- 3.5 ***Exercise of Options or Partial Dissolution in Respect of Sukuk:*** In the case of an exercise of the Obligor's or a Sukukholder's option in respect of, or a partial redemption of, a holding of Sukuk, the Registrar will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar or any Transfer Agent. In respect of any Series of RENTAS Sukuk, this Condition 3.5 shall at all times be subject to, and the obligations set out in this Condition 3.5 shall be performed in compliance with, the RENTAS Depository Procedures.
- 3.6 ***No Charge:*** The transfer of a Sukuk, exercise of an option or partial dissolution will be effected without charge by or on behalf of the Trustee or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Sukukholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).
- 3.7 ***Closed Periods:*** Sukukholders may not require transfers to be registered:
- (a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or any other date on which any payment of the face amount in respect of the relevant Sukuk falls due;
  - (b) during the period of 15 days ending on (and including) any date on which the relevant Sukuk may be called for redemption by the Trustee or the Obligor at its option pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*) or Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);
  - (c) after a Sukukholder Put Exercise Notice has been delivered in respect of the relevant Sukuk(s) in accordance with Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);
  - (d) after a Change of Shareholding Exercise Notice has been delivered in respect of the relevant Sukuk in accordance with Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*); or
  - (e) during the period of seven days ending on (and including) any Record Date.
- 3.8 ***Regulations Concerning Transfers and Registration:*** All transfers of Sukuk and entries on the Register are subject to the detailed regulations concerning the transfer of Sukuk scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, **provided that** any such change is not materially prejudicial to the interests of the Sukukholders. A copy of the current regulations will be mailed (free of charge to the Sukukholder by uninsured first class mail (airmail if overseas)) by the Registrar to any Sukukholder who requests in writing a copy of such regulations.

#### 4. Status and Limited Recourse

- 4.1 **Status of the Sukuk:** The Sukuk represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsecured and limited recourse obligations of the Trustee. Each Sukuk shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Sukuk of the relevant Series. The payment obligations of the Obligor (in any capacity) under the Management Wakala Transaction Documents shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future.
- 4.2 **Limited Recourse:** Save as provided in this Condition 4.2, the Sukuk do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Sukuk of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Sukuk. Subject to Condition 12 (*Dissolution Events*), Sukukholders, by subscribing for or acquiring the Sukuk, acknowledge that notwithstanding anything to the contrary contained in these Management Wakala Conditions or any Management Wakala Transaction Document:
- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Management Wakala Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Management Wakala Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
  - (b) the Trustee may not sell, transfer, assign or otherwise dispose of the Management Wakala Sukuk Assets or any part thereof (save as permitted pursuant to the Management Wakala Sale Undertaking, the Management Wakala Purchase Undertaking and the Management Wakala Substitution Undertaking and the sale of any Commodities under the Management Wakala Master Murabaha Agreement) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Management Wakala Sukuk Assets in the manner expressly provided in the Management Wakala Transaction Documents;
  - (c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Sukuk, Sukukholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;
  - (d) no Sukukholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

- (e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Management Wakala Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or Delegate and any and all personal liability of every such shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee and the Delegate under the Management Wakala Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents or directors of the Trustee or the Delegate (in their capacity as such), save in the case of their gross negligence, wilful default or fraud. Reference in these Management Wakala Conditions to gross negligence, wilful default or fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party;
- (f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Sukuk. No collateral is or will be given for the payment obligations under the Sukuk (without prejudice to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)); and
- (g) the Management Wakala Agreement provides that the Expected Income Revenues Amount is an indicative amount only, and that neither the Wakeel nor any other party gives any guarantee of (a) any payment by a Wakala Asset Obligor or (b) the Wakala Asset Revenues that will be received in respect of the Wakala Assets, save that it is also acknowledged that if there is a shortfall between the Wakala Asset Revenues and the Periodic Distribution Amount payable on the immediately following Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the reserve account established pursuant to the Management Wakala Agreement, and the Wakeel may provide *Shariah*-compliant funding in an amount equal to the shortfall to the Trustee pursuant to the Management Wakala Agreement to fund any further shortfall.

Pursuant to the terms of the Management Wakala Transaction Documents, the Obligor is obliged to make payments under the relevant Management Wakala Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Management Wakala Transaction Documents notwithstanding any other provision of this Condition 4.2. Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) constitute an unsecured claim against the Obligor. None of the Sukukholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5. The Trust

5.1 **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder. The term “**Trust Assets**” in respect of each Series means the following:

- (a) the cash proceeds of the issue of the Sukuk, pending the application thereof in accordance with the terms of the Management Wakala Transaction Documents;

- (b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Management Wakala Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Management Wakala Sukuk Assets from time to time);
- (c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Management Wakala Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Management Wakala Transaction Documents or the covenant given to the Trustee pursuant to Clause 16.1 of the Master Trust Deed);
- (d) all moneys standing to the credit of the Transaction Account from time to time;
- (e) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement; and
- (f) all proceeds of the foregoing.

5.2 ***Application of Proceeds from Trust Assets:*** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) ***first***, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Management Wakala Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;
- (b) ***second***, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all properly incurred and documented (each in the sole opinion of the Delegate) amounts payable to it under the Management Wakala Transaction Documents in its capacity as Trustee; and (ii) each Agent in respect of all amounts payable to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Management Wakala Transaction Documents in its capacity as Agent;
- (c) ***third***, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (d) ***fourth***, only if such payment is due on a Dissolution Date, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
- (e) ***fifth***, only on the Scheduled Dissolution Date (or any earlier date on which the Sukuk are redeemed in full) and **provided that** all amounts required to be paid on the Sukuk hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Wakeel as an incentive fee for its performance under the Management Wakala Agreement.

5.3 **Transaction Account:** The Trustee will establish a Transaction Account in respect of each Management Wakala Series by no later than the fifth Local Banking Day following the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Sukukholders into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Management Wakala Transaction Documents.

## 6. Covenants

6.1 **Trustee Covenants:** The Trustee covenants that for so long as any Sukuk are outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any Indebtedness (including any Sukuk Obligation) in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shariah* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets (in respect of a Management Wakala Series) except pursuant to any of the Management Wakala Transaction Documents;
- (d) except as provided in Condition 16 (*Meetings of Sukukholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust (in respect of a Management Wakala Series and/or an Investment Wakala Series) or in respect of any parties other than the Sukukholders (in relation to a Management Wakala Series and/or an Investment Wakala Series);
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Sukuk for any purpose other than as stated in the Management Wakala Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or



- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

6.2 **Negative Pledge:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Sukuk Obligation, without: (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Management Wakala Transaction Documents to which it is party (in whatever capacity); or (b) providing such other security or other arrangement for those obligations as may be approved by an Extraordinary Resolution of the Sukukholders, **save that** the Obligor, or any of its Subsidiaries, may create or permit to subsist a Security Interest over any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Sukuk Obligation or guarantee, or indemnity, in respect of Relevant Indebtedness or Sukuk Obligation (without the obligation to provide to any person either an equal and rateable interest in the same or such other security or other arrangement as aforesaid), where:

- (a) such Security Interest is created upon any assets or receivables pursuant to any securitisation, asset-backed financing, limited recourse financing or like arrangement under which payment obligations secured by such Security Interest, or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues to be generated from such assets or receivables; or
- (b) (i) such Security Interest is created pursuant to and to secure only Relevant Indebtedness in the form of asset-backed bonds issued by the Obligor or any of its Subsidiaries as “covered bonds” in compliance with all laws, rules and regulations (if any) in Malaysia and any other jurisdiction and any conditions of any licences or consents by any regulatory authority which may be applicable to it; (ii) the proceeds of such covered bonds are utilised only to purchase the assets which are backing such covered bonds (“**Supporting Assets**”); and (iii) the Supporting Assets shall not comprise any of the assets of the Obligor or any of its Subsidiaries existing as of the date of establishment of the Programme.

6.3 **Use of Proceeds:** The Obligor also undertakes that it will only use the proceeds of issue of the Sukuk for *Shariah*-compliant purposes.

6.4 **Information Covenant:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall make available to the Sukukholders for inspection at the Specified Office of the Principal Paying Agent, within nine months of the expiration of each financial year (ending on 31 December of each year), the annual audited accounts of the Obligor for that financial year.

## 7. Periodic Distribution Amounts

### 7.1 Fixed Rate Sukuk Provisions

- (a) **Application:** This Condition 7.1 is applicable to the Sukuk only if the Fixed Rate Sukuk Provisions are specified in the applicable Pricing Supplement as being applicable.
- (b) **Periodic Distribution Dates:** Each Fixed Rate Sukuk bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Management Wakala Conditions as a “**Periodic Distribution Amount**”. Periodic Distribution Amounts shall be distributed to Sukukholders by the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

### 7.2 Floating Rate Sukuk Provisions

- (a) **Application:** This Condition 7.2 is applicable to the Sukuk only if the Floating Rate Sukuk Provisions are specified in the applicable Pricing Supplement as being applicable.
- (b) **Periodic Distribution Dates:** Each Floating Rate Sukuk bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Management Wakala Conditions as a “**Periodic Distribution Amount**”. Such Periodic Distribution Date(s) is/are either shown in the applicable Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Pricing Supplement, Periodic Distribution Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Return Accumulation Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Sukukholders by the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).
- (c) **Profit Rate for Floating Rate Sukuk:** The Profit Rate in respect of Floating Rate Sukuk for each Return Accumulation Period shall be determined in the manner specified in the applicable Pricing Supplement as being applicable and the provisions herein relating to either Screen Rate Determination or ISDA Determination shall apply (depending upon which is specified in the applicable Pricing Supplement as being applicable).
- (d) **Screen Rate Determination:** If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the

Profit Rate applicable to the Sukuk for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable:
  - (A) the Trustee will request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in an amount that is representative for a single transaction in that market at that time, and such rate shall be notified in writing to the Calculation Agent; and
  - (B) the Calculation Agent shall determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided to the Trustee as requested, the Calculation Agent will determine the arithmetic mean of the rates of one or more major banks selected by and quoted to the Trustee and notified in writing to the Calculation Agent in (in the case where the Reference Rate is not CNH HIBOR (as defined below)) the Principal Financial Centre of the Specified Currency or (in the case where the Reference Rate is CNH HIBOR) in Hong Kong, (in the case where the Reference Rate is not CNH HIBOR) at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) or (in the case where the Reference Rate is CNH HIBOR) at approximately 11.15 a.m. (Hong Kong time) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Profit Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Profit Rate applicable to the Sukuk during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Sukuk in respect of a preceding Return Accumulation Period.

- (e) **ISDA Determination:** If ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Sukuk for each Return Accumulation Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Return Accumulation Period means a rate equal to the Floating Rate (as defined in the applicable ISDA Definitions) that would be determined by the Calculation Agent under a Swap

Transaction (as defined in the ISDA Definitions) if the Calculation Agent were acting as Calculation Agent (as defined in the applicable ISDA Definitions) for that Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) if the Pricing Supplement specify either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
  - (A) the Floating Rate Option (as defined in the applicable ISDA Definitions) is as specified in the applicable Pricing Supplement;
  - (B) the Designated Maturity (as defined in the applicable ISDA Definitions) is a period specified in the applicable Pricing Supplement; and
  - (C) the relevant Reset Date (as defined in the applicable ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on, (w) the Eurozone inter-bank offered rate (“**EURIBOR**”), (x) the Hong Kong inter-bank offered rate (“**HIBOR**”) or (y) the CNH Hong Kong inter-bank offered rate (“**CNH HIBOR**”) for a currency, the first day of that Return Accumulation Period; or (B) in any other case, as specified in the applicable Pricing Supplement.
- (ii) references in the ISDA Definitions to:
  - (A) “**Confirmation**” shall be references to the relevant Pricing Supplement;
  - (B) “**Calculation Period**” shall be references to the relevant Return Accumulation Period;
  - (C) “**Termination Date**” shall be references to the Scheduled Dissolution Date;
  - (D) “**Effective Date**” shall be references to the Profit Commencement Date; and
- (iii) if the Pricing Supplement specify “**2021 ISDA Definitions**” as being applicable:
  - (A) “**Administrator/Benchmark Event**” shall be disapplied; and
  - (B) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be “Temporary Non-Publication Fallback — Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication Fallback — Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback — Previous Day’s Rate”.
- (iv) Unless otherwise defined capitalised terms used in this Condition 7.2(e) shall have the meaning ascribed to them in the ISDA Definitions.
- (f) **Maximum or Minimum Profit Rate:** If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Pricing Supplement, then the Profit Rate shall in no event be greater than the maximum or be less than the minimum so specified.

(g) **Benchmark Discontinuation:**

(aa) Independent Adviser

If a Benchmark Event occurs in relation to the Reference Rate when the Profit Rate(s) (or any component part thereof) for any Return Accumulation Period remains to be determined by reference to such Reference Rate, then the Obligor shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(g)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(g)(cc)) and any Benchmark Amendments (in accordance with Condition 7(g)(dd)).

In making such determination, an Independent Adviser appointed pursuant to this Condition 7(g) as an expert shall act in good faith and in a commercially reasonable manner (in consultation with the Obligor). In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Obligor, the Trustee, the Delegate or the Sukukholders for any determination made by it pursuant to this Condition 7(g) and the Delegate will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

If (i) the Obligor is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by the Obligor fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(g) prior to the relevant Profit Rate Determination Date, the Obligor (acting in good faith and in a commercially reasonable manner) may determine the Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(g) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(g)(cc)) and any Benchmark Amendments (in accordance with Condition 7(dd)).

If the Obligor is unable to determine the Successor Rate or, failing which, an Alternative Rate prior to the relevant Profit Rate Determination Date, the Reference Rate applicable to the immediate following Return Accumulation Period shall be the Reference Rate applicable as at the last preceding Profit Rate Determination Date. If there has not been a first Profit Rate Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Return Accumulation Period. Where a different Margin or Maximum or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum or Minimum Profit Rate relating to the relevant Return Accumulation Period shall be substituted in place of the Margin or Maximum or Minimum Profit Rate relating to that last preceding Return Accumulation Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(g)(aa) shall apply to the immediately following Return Accumulation Period only. Any subsequent Return Accumulation Period may be subject to the subsequent operation of this Condition 7(g).

(bb) Successor Rate / Alternative Rate

If the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g) (aa)) determines in its discretion that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(g)(cc)) subsequently be used in

place of the Reference Rate to determine the Rate of Interest for the immediately following Return Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7(g) in the event of a further Benchmark Event affecting the Successor Rate; or

- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(g)(cc)) subsequently be used in place of the Reference Rate to determine the Profit Rate for the immediately following Return Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7(g) in the event of a further Benchmark Event affecting the Alternative Rate.

(cc) Adjustment Spread

If the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(dd) Benchmark Amendments

If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(g) and the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines in its discretion (i) that amendments to these Management Wakala Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Trustee shall, subject to giving notice thereof in accordance with Condition 7(g)(ee), without any requirement for the consent or approval of relevant Sukukholders, vary these Management Wakala Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Delegate shall, at the direction and expense of the Trustee, consent to and effect such consequential amendments to the Master Trust Deed and these Management Wakala Conditions as may be required in order to give effect to this Condition 7(g)) **provided that** the Delegate shall not be obliged so to concur if in the opinion of the Delegate doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to Delegate in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

(ee) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(g) will be notified in writing promptly by the Trustee to the Delegate, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the



Sukukholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any. Further, none of the Delegate, the Principal Paying Agent, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable to any person for any determinations or certifications made by the Trustee or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

No later than notifying the Delegate of the same, the Trustee shall deliver to the Delegate a certificate signed by two authorised signatories of the Trustee:

- (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(g); and
  - (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
- (ff) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Trustee, the Delegate, the Calculation Agent, the other Agents and the Sukukholders.
- (gg) As used in this Condition 7(g):

**“Adjustment Spread”** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be), determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (C) (if no such determination has been made, or in the case of an Alternative Rate) the Independent Adviser (in consultation with the Obligor) or the

Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

- (D) (if the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines that no such industry standard is recognised or acknowledged) the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Sukukholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

**“Alternative Rate”** means an alternative benchmark or screen rate which the Independent Adviser (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa)) (as the case may be) determines in accordance with this Condition 7(g) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

**“Benchmark Event”** means:

- (A) the relevant Reference Rate ceasing to be published on the Relevant Screen Page for a period of at least five Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the relevant Reference Rate that it has ceased or will, by a specified date within the following six months, cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) , unless such cessation is reasonably expected by the Obligor to not occur prior to the Dissolution Date; or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date within the following six months, be permanently or indefinitely discontinued, unless such discontinuation is reasonably expected by the Obligor to not occur prior to the Dissolution Date; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that as a consequence of which such Reference Rate has been prohibited from being used or that its use will be subject to restrictions or adverse consequences, or that it will be prohibited from being used or that its use will be subject to restrictions or adverse consequences within the following six months, either generally or in respect of the Sukuk, unless such prohibition is reasonably expected by the Obligor to not occur prior to the Dissolution Date; or
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that such Reference Rate is no longer

representative or will, by a specified date within the following six months, be deemed to be no longer representative; or

- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Sukukholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable),

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraph (B) and (C) above, on the date of the cessation of publication of the relevant Reference Rate or the discontinuation of the relevant Reference Rate, as the case may be, (b) in the case of sub-paragraph (D) above, on the date of the prohibition or restriction of use of the relevant Reference Rate and (c) in the case of paragraph (E) above, on the date with effect from which the relevant Reference Rate will no longer be (or will be deemed to no longer be) representative and which is specified in the relevant public statement, and in each case, not the date of the relevant public statement.

**“Benchmark Amendments”** has the meaning given to it in Condition 7(g)(dd).

**“Independent Adviser”** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Trustee at its own expense under Condition 7(g).

**“Relevant Nominating Body”** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

**“Successor Rate”** means the rate that the Independent Advisor (in consultation with the Obligor) or the Obligor (in the circumstances set out in Condition 7(g)(aa) (as the case may be) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

**7.3 Calculation of Periodic Distribution Amount:** The Periodic Distribution Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Sukuk divided by the Calculation Amount. For this purpose a

“sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- 7.4 ***Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts:*** The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Sukukholders, any other Calculation Agent appointed in respect of the Sukuk that is to make a further calculation upon receipt of such information and, if the Sukuk are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination **but in no event later than** (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.7 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Sukuk become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Sukuk shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- 7.5 ***Determination or Calculation by the Delegate:*** Subject to Condition 7.8 (*Calculation Agent*), if the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Periodic Distribution Amount or Dissolution Distribution Amount, the Delegate shall do so or shall appoint an agent on behalf of the Trustee to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- 7.6 ***Cessation of Entitlement to Profit:*** Profit shall cease to accumulate in respect of each Sukuk on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit may, subject to the terms of the Management Wakala Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.

7.7 **Business Day Convention:** If any date referred to in these Management Wakala Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Pricing Supplement is:

- (a) the “**Following Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day;
- (b) the “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- (c) the “**Preceding Business Day Convention**”, the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) the “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**”, each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Pricing Supplement as the Return Accumulation Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “**No Adjustment**”, the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.8 **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Sukuk is outstanding. Where more than one Calculation Agent is appointed in respect of the Sukuk, references in these Management Wakala Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 8. Redemption and Dissolution of the Trust

- 8.1 ***Dissolution on the Scheduled Dissolution Date***: Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Sukuk shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Pricing Supplement following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Management Wakala Purchase Undertaking.
- 8.2 ***Early Dissolution for Taxation Reasons***: The Sukuk shall be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (if the Sukuk are Floating Rate Sukuk) or at any time (if the Sukuk are Fixed Rate Sukuk) (such dissolution date being an “**Early Tax Dissolution Date**”), on giving not less than 30 nor more than 60 days’ notice to the Sukukholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:
- (a) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
  - (b) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

**provided, however, that** no such notice of dissolution shall be given to Sukukholders:

- (A) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor pursuant to the Management Wakala Sale Undertaking; and
- (B) where the Sukuk may be redeemed at any time, earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Sukuk (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due; or
- (C) where the Sukuk may be redeemed only on a Periodic Distribution Date, earlier than 60 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Sukuk (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

- (1) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or the Obligor (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such



redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) have occurred; and

- (2) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing, to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Sukukholders.

Upon expiry of any such notice given in accordance with this Condition 8.2, payment in full of the Dissolution Distribution Amount to Sukukholders and execution of a sale agreement pursuant to the Management Wakala Sale Undertaking, the Trustee shall be bound to dissolve the Trust.

- 8.3 ***Dissolution at the Option of the Obligor (Optional Dissolution Right)***: If the Optional Dissolution Right is specified in the applicable Pricing Supplement, the Obligor may in its sole discretion deliver to the Trustee a duly completed notice in accordance with the provisions of the Management Wakala Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Sukukholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so specified in the relevant Exercise Notice, some of the Sukuk on any Optional Dissolution Date. Any such redemption of Sukuk shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Sukuk of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Sukuk in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Sukuk are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Management Wakala Sale Undertaking, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to Sukukholders shall also specify the face amount of Sukuk drawn and the holder(s) of such Sukuk to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If the Sukuk are to be redeemed in part only on any date in accordance with this Condition 8.3 then each Sukuk shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Sukuk to be redeemed on the relevant Optional Dissolution Date bears to the aggregate principal amount of outstanding Sukuk on such date.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.4 ***Dissolution at the Option of Sukukholders (Sukukholder Put Right)***: If the Sukukholder Put Right is specified in the applicable Pricing Supplement, the Trustee shall, at the option of the Holder of any Sukuk, upon the Holder of such Sukuk giving not less than 30 nor more than

60 days' notice to the Trustee (or such other notice period as may be specified in the applicable Pricing Supplement), redeem such Sukuk on the Sukukholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Management Wakala Purchase Undertaking. If all (and not some only) of the Sukuk are to be redeemed on any Sukukholder Put Right Date in accordance with this Condition 8.4 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Management Wakala Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.4 the relevant Holder must, within the notice period, give notice to the Principal Paying Agent of such exercise (a **"Sukukholder Put Exercise Notice"**) in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures) in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Sukukholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Sukukholder Put Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.4.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.5 ***Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right):*** The Obligor has agreed in the Management Wakala Purchase Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Shareholding and to provide a description of the Change of Shareholding. The Trustee, upon receipt of such notice from the Obligor or otherwise by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Shareholding, shall give notice (a **"Change of Shareholding Notice"**) of the occurrence of a Change of Shareholding to the Sukukholders in accordance with these Management Wakala Conditions. The Change of Shareholding Notice shall provide a description of the Change of Shareholding, and specify the procedure for exercise by the Sukukholders of their rights to require redemption of the Sukuk pursuant to this Condition 8.5, and shall require Sukukholders to elect within 30 days of the date on which the Change of Shareholding Notice is given (the **"Change of Shareholding Put Period"**) if they wish all, but not some only, of their Sukuk to be redeemed.

If a Change of Shareholding occurs, and **provided that** Sukukholders elect to redeem their Sukuk in accordance with this Condition 8.5, the Trustee shall redeem such Sukuk on the Change of Shareholding Put Right Date at the Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Management Wakala Purchase Undertaking. If all (and not some only) of the Sukuk are to be redeemed on any Change of Shareholding Put Right Date in accordance with this Condition 8.5 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Management Wakala Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.5 the relevant Holder must, within the Change of Shareholding Put Period, give notice to the Principal Paying Agent of such exercise (a “**Change of Shareholding Exercise Notice**”) in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures) in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Change of Shareholding Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Change of Shareholding Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.5.

A “**Change of Shareholding**” occurs when Bank Negara Malaysia or the Government of Malaysia, either through the Minister of Finance (Incorporated) or any other ministry or Government agency or body, ceases to be a shareholder, directly or indirectly, of the Obligor’s issued share capital.

- 8.6 ***Dissolution following a Dissolution Event:*** Upon the occurrence of a Dissolution Event, the Sukuk may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trustee may be required to dissolve the Trust, in each case as more particularly described in Condition 12 (*Dissolution Events*).
- 8.7 ***Purchases:*** Each of the Obligor and the Obligor’s Subsidiaries may at any time purchase Sukuk in the open market or otherwise and at any price and such Sukuk may be held, resold or, at the option of the Obligor, surrendered to the Registrar for cancellation.
- 8.8 ***Cancellation:*** Subject to and in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures), as applicable, all Sukuk which are redeemed will forthwith be cancelled. All Sukuk purchased and surrendered for cancellation by or on behalf of the Obligor or any of the Obligor’s Subsidiaries shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Sukuk to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Management Wakala Sale Undertaking. If all (and not some only) of the Sukuk are cancelled in accordance with this Condition 8.8, and upon execution of a sale agreement pursuant to the Management Wakala Sale Undertaking, the Trustee shall be bound to dissolve the Trust. All Sukuk cancelled pursuant to this Condition 8.8 shall be forwarded to the Registrar and cannot be reissued or resold.
- 8.9 ***No other Dissolution:*** The Trustee shall not be entitled to redeem the Sukuk or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Sukuk of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## 9. Payments

9.1 **Method of Payment:** Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Sukuk at the specified office of any of the Paying Agents. Each Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date:

- (a) in the case of Sukuk other than RENTAS Sukuk denominated in a currency other than Renminbi, upon application by the Holder of such Sukuk to the Specified Office of the Registrar, the other Transfer Agents or any Paying Agent before the Record Date, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency;
- (b) in the case of Sukuk other than RENTAS Sukuk denominated in Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency; and
- (c) in the case of any RENTAS Sukuk denominated in any currency, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

9.2 **Payments on Business Days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated:

- (a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Sukuk is surrendered (or, in the case of part payment only, presented and endorsed) at the Specified Office of a Paying Agent; and
- (b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Sukuk shall not be entitled to any additional distributions or other payment in respect of any delay in payment resulting from: the due date for a payment not being a Payment Business Day.

9.3 **Partial Payments:** If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9.4 **Record Date:** Each payment in respect of Sukuk will be made:

- (a) where the Sukuk is represented by a Global Certificate, to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business; or
- (b) where the Sukuk is in definitive form, to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office (in the case of Sukuk denominated in a Specified Currency other than Renminbi) on the fifteenth day before the due date for such payment or (in the case of Sukuk denominated in Renminbi) on the fifth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the “**Record Date**”).

- 9.5 **Payments subject to Laws:** All payments in respect of the Sukuk will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- 9.6 **Commissions or expenses:** No commissions or expenses shall be charged to the Sukukholders in respect of such payments.
- 9.7 **Payment of U.S. Dollar Equivalent:** Notwithstanding anything in these Management Wakala Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Trustee is not able to satisfy payments of any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk when due in Renminbi in the relevant Renminbi Settlement Centre, the Trustee may, on giving not less than five nor more than 30 calendar days’ irrevocable notice to the Sukukholders prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk shall be made, upon application by the holder of the Sukuk to the Specified Office of the Registrar or any Transfer Agent before the Record Date, by transfer to a U.S. dollar denominated account maintained by the payee with a bank in New York City.

In this Condition 9.7:

“**Determination Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the relevant Renminbi Settlement Centre, London and in New York City;

“**Determination Date**” means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Management Wakala Conditions;

“**Governmental Authority**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant Renminbi Settlement Centre;

“**Illiquidity**” means where the general Renminbi exchange market in the relevant Renminbi Settlement Centre becomes illiquid and, as a result of which the Trustee cannot obtain sufficient Renminbi in order to satisfy its obligation to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) (in whole or in part) in respect of the Sukuk as determined by the Trustee in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

“**Inconvertibility**” means the occurrence of any event that makes it impossible for the Trustee to convert any amount due in respect of the Sukuk in the general Renminbi exchange market in the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental



Authority (unless such law, rule or regulation is enacted after the pricing date of the relevant Series of Sukuk and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

**“Non-transferability”** means the occurrence of any event that makes it impossible for the Trustee to transfer Renminbi between accounts inside the relevant Renminbi Settlement Centre or from an account inside the relevant Renminbi Settlement Centre to an account outside the relevant Renminbi Settlement Centre or from an account outside the relevant Renminbi Settlement Centre to an account inside the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date for the relevant Series of Sukuk and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

**“Renminbi Dealer”** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the relevant Renminbi Settlement Centre;

**“Spot Rate”** means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in the relevant Renminbi Settlement Centre for settlement in two Determination Business Days, as determined by the Obligor at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9.7 by the Calculation Agent, will (in the absence of wilful default or fraud) be binding on the Trustee, the Obligor, the Paying Agents and all Sukukholders; and

**“U.S. Dollar Equivalent”** means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

## 10. Taxation

All payments in respect of the Sukuk by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Malaysia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Sukukholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Sukuk:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Sukuk by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Sukuk; or



- (b) where the relevant Sukuk is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Sukuk would have been entitled to such additional amounts on presenting or surrendering such Sukuk for payment on the last day of such period of 30 days.

If the Trustee becomes subject at any time to any taxing jurisdiction other than or in addition to Malaysia, references in these Management Wakala Conditions to Malaysia shall be construed as references to Malaysia and/or such other jurisdiction.

Notwithstanding anything herein to the contrary, in no event will the Trustee (or any successor of the Trustee) pay any additional amounts in respect of any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

*The Management Wakala Transaction Documents each provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.*

*Further, the Obligor has undertaken in the Management Wakala Agreement to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Sukuk to the Sukukholders is received by the Trustee for the purposes of payment to the Sukukholders in accordance with and subject to the provisions of this Condition 10.*

## 11. Prescription

Claims against the Trustee for payment in respect of the Sukuk shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12. Dissolution Events

### 12.1 **Dissolution Event:** Upon the occurrence of a Dissolution Event:

- (a) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming actually aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Sukukholders in accordance with Condition 18 (*Notices*) with a request to Sukukholders to indicate to the Trustee and the Delegate if they wish the Sukuk to be redeemed and the Trust to be dissolved; and
- (b) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Sukuk outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Sukukholders in accordance

with Condition 18 (*Notices*) that the Sukuk are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Sukukholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate) shall (x) deliver an Exercise Notice to the Obligor under the Management Wakala Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Wakala Assets and (y) if applicable to a Series, notify the Obligor that the outstanding Deferred Sale Price is immediately due and payable under the terms of the Management Wakala Master Murabaha Agreement. The Trustee (failing which the Delegate) shall use the proceeds thereof to redeem the Sukuk at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Sukuk has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

**12.2 Enforcement and Exercise of Rights:** Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Sukuk of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 12.1 (*Dissolution Event*)), the Delegate may (acting for the benefit of the Sukukholders), and shall if so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk or if so directed by an Extraordinary Resolution (and, in each case, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, render itself liable or which it may in its opinion incur by so doing), take one or more of the following steps:

- (a) enforce the provisions of the Management Wakala Purchase Undertaking and, if applicable to a Series, the Management Wakala Master Murabaha Agreement against the Obligor; and/or
- (b) start or join in legal proceedings against the Obligor or the Trustee to recover from the Obligor or the Trustee any amounts owed to the Sukukholders; and/or
- (c) start or join in any other legal proceedings or take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders.

### **13. Realisation of Trust Assets**

**13.1** The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

**13.2** No Sukukholder shall be entitled to proceed directly against the Trustee or the Obligor under any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or

other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Management Wakala Transaction Documents) and the sole right of the Delegate and the Sukukholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Management Wakala Transaction Documents to which they are a party.

- 13.3 Conditions 12.2, 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Sukuk of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Trust Deed, the obligations of the Trustee and the Delegate in respect of the Sukuk of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Sukukholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including the Obligor (to the extent that it fulfils all of its obligations under the Management Wakala Transaction Documents)) to recover any further sums in respect of the Sukuk of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Sukukholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

#### 14. Replacement of Sukuk

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Sukuk are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee or any relevant Agent may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

#### 15. Agents

In acting under the Agency Agreement and/or any relevant ACS Forms (as applicable) and in connection with the Sukuk, the Agents act solely as agents of the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Sukukholders.

The Agents and their Specified Offices are set out in the Agency Agreement and/or any relevant ACS Forms (as applicable). In respect of each Series of Sukuk, the relevant Agents are specified in the applicable Pricing Supplement. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; **provided, however, that:**

- (a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;
- (b) if a Calculation Agent is specified in the applicable Pricing Supplement, the Trustee shall at all times maintain a Calculation Agent;
- (c) the Trustee shall at all times maintain a CMU Lodging and Paying Agent in respect of CMU Sukuk;
- (d) the Trustee shall at all times maintain a CDP Lodging and Paying Agent in respect of CDP Sukuk;

- (e) the Trustee shall, so long as any ACS Sukuk are outstanding, maintain the relevant ACS Agents in relation to such ACS Sukuk; and
- (f) if and for so long as the Sukuk are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Trustee shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Trustee to the Sukukholders.

## 16. Meetings of Sukukholders, Modification and Waiver

16.1 **Meetings of Sukukholders:** The Trust Deed contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Management Wakala Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Obligor or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Sukukholders holding not less than 10 per cent. in aggregate face amount of the Sukuk of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Sukuk for the time being outstanding, or at any adjourned meeting two or more Persons being or representing Sukukholders whatever the aggregate face amount of the Sukuk held or represented, unless the business of such meeting includes consideration of proposals to (each a “**Reserved Matter**”):

- (a) amend any Dissolution Date in respect of the Sukuk or any date for payment of Periodic Distribution Amounts on the Sukuk;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Sukuk;
- (c) to reduce the rate or rates of profit in respect of the Sukuk or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Sukuk;
- (d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Pricing Supplement, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;
- (e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;
- (f) vary the currency of payment or denomination of the Sukuk;
- (g) modify the provisions concerning the quorum required at any meeting of Sukukholders or the majority required to pass an Extraordinary Resolution;
- (h) modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Management Wakala Transaction Documents and/or the Sukuk (as the case may be);

- (i) amend any of the Obligor's covenants included in the Management Wakala Purchase Undertaking;
- (j) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or
- (k) amend this definition,

in which case the necessary quorum shall be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate face amount of the Sukuk for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Sukukholders (whether or not they were present at the meeting at which such resolution was passed).

Any such meeting of the Sukukholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Delegate may approve in accordance with the provisions of the Trust Deed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Sukuk outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Sukukholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Sukukholders.

The consent or approval of the Sukukholders shall not be required in the case of amendments to these Conditions pursuant to Condition 7.2(g) (*Benchmark Discontinuation*) to vary the method or basis of calculating the Reference Rate or the basis for calculating any Profit Rate(s) in respect of the Sukuk or for any other variation of these Conditions and/or the Trust Deed and/or the Agency Agreement and/or the Transaction Documents required to be made in the circumstances described in Condition 7.2(g) (*Benchmark Discontinuation*), where the requirements of Condition 7.2(g) (*Benchmark Discontinuation*) have been satisfied (including the provision of a certificate to the Delegate, where applicable)..

16.2 **Modification:** The Delegate may (but shall not be obliged to), without the consent of the Sukukholders: (i) agree to any modification of any of the provisions of the Trust Deed or the Management Wakala Transaction Documents that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Sukukholders; or (ii) (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Management Wakala Transaction Documents or (B) determine that any Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Sukukholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. Any such modification, authorisation, determination or waiver shall be binding on all Sukukholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee to the Sukukholders in accordance with Condition 18 (*Notices*) as soon as practicable.

16.3 **Entitlement of the Delegate:** In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the general interests of the Sukukholders as a class and shall not have regard to the consequences of such exercise for individual Sukukholders and the Delegate shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Sukukholders.

## 17. Delegate

17.1 **Delegation of powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Sukukholders and the power to make any determinations to be made under the Management Wakala Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Management Wakala Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation and **provided further that** in no circumstances will such Delegation result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Sukukholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

17.2 **Indemnification:** The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Management Wakala Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Conditions 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

17.3 **No liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Management Wakala Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Sukukholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Management Wakala Conditions or in the Trust Deed.

17.4 **Reliance on certificates and/or reports:** The Delegate may rely, without liability to any Sukukholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Trust Deed or the other Management Wakala Transaction Documents and such certificate



or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

**17.5 *Proper performance of duties:*** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Trust Deed.

**17.6 *Notice of events:*** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event or Change of Shareholding has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Sukukholders or any other person for so doing).

## **18. Notices**

**18.1 *Notices to the Holders:*** Notices to the Holders of Sukuk shall be sent to them by uninsured first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after the date of mailing.

**18.2 *Listing authorities and clearing systems:*** The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Sukuk are for the time being listed.

So long as the Sukuk are held by: (i) Euroclear or Clearstream, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Management Wakala Conditions; (ii) the CMU, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU) issued by the HKMA on the business day preceding the date of despatch of such notice as holding interests in the relevant Sukuk; (iii) CDP, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in the records of CDP on the second business day preceding the date of despatch of such notice as holding interests in the relevant Sukuk; and (iv) any relevant Alternative Clearing System, notices to the Holders of Sukuk of that Series may be given in accordance with the rules and regulations of such Alternative Clearing System.

## **19. Currency Indemnity**

If any sum due from the Trustee in respect of the Sukuk or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Management Wakala Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of: (a) making or filing a claim or

proof against the Trustee; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Sukuk, the Trustee shall indemnify each Sukukholder, on the written demand of such Sukukholder addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Sukukholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 19.

## 20. **Rounding**

For the purposes of any calculations referred to in these Management Wakala Conditions (unless otherwise specified in these Management Wakala Conditions or the applicable Pricing Supplement): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 21. **Governing Law and Jurisdiction**

- 21.1 **Governing law:** The Trust Deed, the Agency Agreement and the Sukuk (including these Management Wakala Conditions) and any non-contractual obligations arising out of or in connection with the same are governed by English law.
- 21.2 **English courts:** The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Agency Agreement and the Sukuk (including these Management Wakala Conditions) (including a dispute relating to the existence, validity or termination of the Sukuk or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity (a “**Dispute**”).
- 21.3 **Appropriate forum:** The Trustee agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 21.4 **Rights of the Delegate and the Sukukholders to take proceedings outside England:** Condition 21.2 (*English courts*) is for the benefit of the Delegate and the Sukukholders only. As a result, nothing in this Condition 21 prevents the Delegate or any Sukukholder (only where permitted so to do in accordance with the terms of the Master Trust Deed) from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and/or the Sukukholders may take concurrent Proceedings in any number of jurisdictions.
- 21.5 **Process agent:** The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom. If such person is not or ceases to be

effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall, on the written demand of the Delegate or any Sukukholder addressed and delivered to the Trustee or to the Specified Office of the Principal Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate or any Sukukholder shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition 21.5 shall affect the right of the Delegate or any Sukukholder to serve process in any other manner permitted by law.

**21.6 *Waiver of immunity:*** To the extent that the Trustee has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Trustee irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the Trust Deed, the Agency Agreement or the Sukuk.

**21.7 *Waiver of Interest:***

- (a) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (b) For the avoidance of doubt, nothing in this Condition 21.7 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Management Wakala Sukuk, Deferred Sale Prices payable under the Management Wakala Master Murabaha Agreement (if applicable to a Management Wakala Series), Wakala Asset Revenues, exercise prices (howsoever defined) payable under the Management Wakala Purchase Undertaking or Management Wakala Sale Undertaking or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Management Wakala Transaction Documents and/or the Management Wakala Conditions, howsoever such amounts may be described or re-characterised by any court.

## TERMS AND CONDITIONS OF THE INVESTMENT WAKALA SUKUK

*The following is the text of the terms and conditions of the Investment Wakala Sukuk (“**Investment Wakala Conditions**”) that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will apply to each Global Certificate and shall be applicable to the Investment Wakala Sukuk in definitive form (if any) issued in exchange for the Global Certificate representing each Investment Wakala Series.*

*Either (i) the full text of these terms and conditions together with the relevant provisions of the applicable Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Sukuk in definitive form. References in these terms and conditions to (i) “**Investment Wakala Sukuk**” are to the Sukuk of one Investment Wakala Series only, not to all Investment Wakala Sukuk that may be issued under the Programme; and (ii) “Sukuk”, “Series”, “Holder” and “Sukukholder” are, unless the context specifies otherwise, to (or with respect to) the Sukuk of an Investment Wakala Series only.*

### 1. Introduction

- 1.1 **Programme:** Cagamas Global Sukuk Berhad (in its capacities as issuer and as trustee, the “**Trustee**”) and Cagamas Berhad (in its capacity as obligor, the “**Obligor**”) has established a multicurrency sukuk issuance programme (the “**Programme**”) for the issuance of trust certificates (the “**Sukuk**”) in a maximum aggregate face amount of U.S.\$2,500,000,000 (or the equivalent in other currencies calculated as described in the dealer agreement between the Trustee, the Obligor and the Dealers (as defined and named therein) dated 28 November 2014, as amended and restated on 15 February 2016 and 20 December 2022 (the “**Dealer Agreement**”), or such other maximum aggregate face amount as increased in accordance with the terms of the Dealer Agreement.
- 1.2 **Pricing Supplement:** Sukuk issued under the Programme are issued in Series (as defined below). Each Series is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Investment Wakala Conditions**”). The terms and conditions applicable to any particular Series of Investment Wakala Sukuk are these Investment Wakala Conditions as supplemented, amended and/or replaced by the applicable Pricing Supplement. In the event of any inconsistency between these Investment Wakala Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement shall prevail.
- 1.3 **Trust Deed:** The Sukuk are constituted by a master trust deed dated 28 November 2014, as amended and restated on 20 December 2022 between the Trustee, the Obligor, and The Hongkong and Shanghai Banking Corporation Limited in its capacity as donee of certain powers and as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Sukuk (the “**Issue Date**”) in respect of the relevant Series (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”).
- 1.4 **Agency Agreement:** An agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 28 November 2014 as amended and restated on 20 December 2022 has been entered into in relation to the Programme between the Trustee, the Obligor, the Delegate, The Hongkong and Shanghai Banking Corporation Limited as initial principal paying agent, paying agent and calculation agent, registrar and transfer agent (in the case of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk (each as defined below)), The Hongkong and Shanghai Banking Corporation Limited as initial CMU lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CMU Sukuk), The Hongkong and

Shanghai Banking Corporation Limited, Singapore Branch as initial CDP lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CDP Sukuk) and the other agents named in it.

- 1.5 **Other Transaction Documents:** These Investment Wakala Conditions include summaries of and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the remaining Investment Wakala Transaction Documents (as defined below). The Sukukholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Investment Wakala Transaction Documents. Copies of the Investment Wakala Transaction Documents are available for inspection, upon prior written request and satisfactory proof of holding, during normal business hours at the Specified Office of the Principal Paying Agent, the CMU Lodging and Paying Agent and the CDP Lodging and Paying Agent.
- 1.6 **Authorisation:** Each initial Sukukholder, by its acquisition and holding of its interest in a Sukuk, shall be deemed to authorise and direct the Trustee, on behalf of the Sukukholders: (i) to apply the proceeds of the issue of the Sukuk towards funding of the Initial Wakala Investment Amount (as defined below) and/or the entry into of a Commodity Murabaha Investment (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Investment Wakala Transaction Documents); and (ii) to enter into each Investment Wakala Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Investment Wakala Conditions.

## 2. Definitions and Interpretation

- 2.1 **Definitions:** Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Investment Wakala Conditions, the following expressions have the following meanings:

**“ACS Agents”** means, in respect of each Series of ACS Sukuk, the ACS Lodging Agent, the ACS Paying Agent, the ACS Calculation Agent, the ACS Registrar and the ACS Transfer Agent or any of them (as applicable);

**“ACS Calculation Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Form”** means any application form, agreement, deed or other document (including, but not limited to, securities lodgement forms (including any RENTAS Securities Lodgement Form)), required to be entered into by the Trustee for the purposes of the acceptance for clearing and settlement of a Series of ACS Sukuk by the relevant Alternative Clearing System;

**“ACS Lodging Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Paying Agent”** means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent;

**“ACS Registrar”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Sukuk”** means any Sukuk which are cleared through an Alternative Clearing System including, without limitation, RENTAS Sukuk;

**“ACS Transfer Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“Additional Business Centre(s)”** means the city or cities specified as such in the applicable Pricing Supplement;

**“Additional Financial Centre(s)”** means the city or cities specified as such in the applicable Pricing Supplement;

**“Agents”** means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars and the Transfer Agents, any ACS Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Alternative Clearing System”** means any additional or alternative clearing system (other than Euroclear, Clearstream, CDP and the CMU) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate including, without limitation, RENTAS;

**“BCH System”** means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

**“BMIS”** means Bursa Malaysia Islamic Services Sdn Bhd (Registration No. 200901010654 (853675 M)), a company incorporated under the laws of Malaysia, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

**“BNM”** means Bank Negara Malaysia, a body corporate established under the Central Bank of Malaysia Act, 2009, of Jalan Dato’ Onn, 50480 Kuala Lumpur;

**“Broken Amount”** has the meaning given in the applicable Pricing Supplement;

**“Business Day”** means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, any day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments generally in the relevant Renminbi Settlement Centre;
- (c) in relation to any sum payable in Singapore dollars, a day (other than a Saturday or a Sunday or a gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore; and
- (d) in relation to any sum payable in a currency other than euro, Renminbi, and Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;



**“Business Day Convention”** has the meaning given to it in Condition 7.7 (*Business Day Convention*);

**“Calculation Agent”** means, in relation to any Series of Sukuk, the institution appointed as calculation agent for the purposes of such Sukuk and named as such in the applicable Pricing Supplement, in the case of the Principal Paying Agent, the CMU Lodging and Paying Agent or the CDP Lodging and Paying Agent, pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Dealer Agreement and, in the case of any other institution (including any relevant ACS Calculation Agent) pursuant to a letter of appointment in, or substantially in, the form set out in Schedule 4 of the Agency Agreement and/or any relevant ACS Forms (as applicable) and, in any case, any successor to such institution in its capacity as such;

**“Calculation Amount”** has the meaning given in the applicable Pricing Supplement;

**“Cancellation Notice”** means a cancellation notice given pursuant to the terms of the Master Trust Deed;

**“CDP”** means The Central Depository (Pte) Limited;

**“CDP Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch or any successor appointed as CDP lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with CDP for each Series of CDP Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

**“CDP Sukuk”** means any Sukuk which are cleared through CDP;

**“Change of Shareholding”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Exercise Notice”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Notice”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Period”** has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Right”** means the right specified in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

**“Change of Shareholding Put Right Date”** shall be the fourteenth day after the expiry of the Change of Shareholding Put Period;

**“Clearstream”** means Clearstream Banking, S.A.;

**“CMU Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as CMU lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with the CMU for each Series of CMU Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

**“CMU”** means the Central Moneymarkets Unit operated by the HKMA;

“**CMU Sukuk**” means any Sukuk which are cleared through the CMU;

“**Commodities**” means any *Shariah*-compliant commodities that are traded on the Market (excluding currency, gold and silver);

“**Commodity Murabaha Investment**” means, in relation to an Investment Wakala Series, the sale of certain Commodities by the Trustee to the Obligor (in its capacity as the Buyer (as defined in the Investment Wakala Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Investment Wakala Sukuk, pursuant to the Investment Wakala Master Murabaha Agreement;

“**CSDPAR**” means the Central Securities Depository and Paying Agency Rules, a uniform set of rules and procedures which govern the depository and paying agency services provided by BNM in relation to the securities deposited in RENTAS;

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Sukuk for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), such day count fraction as may be specified in these Investment Wakala Conditions or the applicable Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and
  - (ii) where the Calculation Period is longer than one Determination Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year;

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if “30E/360 (ISDA)” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2-Y_1)]+[30x(M_2-M_1)]+(D_2-D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February; or (B) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (A) that day is the last day of February but not the Scheduled Dissolution Date or (B) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Deferred Sale Price**” means the deferred sale price payable by the Obligor to the Trustee in respect of the Commodity Murabaha Investment in accordance with the terms of the Investment Wakala Master Murabaha Agreement, if applicable to a Series;

“**Delegation**” has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

“**Dissolution Date**” means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;

- (d) any Sukukholder Put Right Date;
- (e) any Change of Shareholding Put Right Date;
- (f) any Dissolution Event Redemption Date; or
- (g) such other date as specified in the applicable Pricing Supplement for the redemption of Sukuk and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

**“Dissolution Distribution Amount”** means, in relation to a particular Series:

- (a) the sum of:
  - (i) the outstanding face amount of such Series; and
  - (ii) any due and unpaid Periodic Distribution Amounts for such Series; or
- (b) such other amount specified in the applicable Pricing Supplement as being payable upon any Dissolution Date;

**“Dissolution Event”** means a Trustee Event or an Obligor Event;

**“Dissolution Event Redemption Date”** has the meaning given to it in Condition 12.1 (*Dissolution Event*);

**“Dissolution Notice”** has the meaning given to it in Condition 12.1 (*Dissolution Event*);

**“Early Tax Dissolution Date”** has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

**“Euroclear”** means Euroclear Bank SA/NV;

**“Extraordinary Resolution”** has the meaning given to it in the Trust Deed;

**“Fixed Amount”** means the amount specified as such in the applicable Pricing Supplement;

**“Fixed Rate Sukuk”** means a Series in respect of which Fixed Periodic Distribution Amounts are specified as applicable in the applicable Pricing Supplement;

**“Global Certificate”** means a certificate in global form representing Sukuk of the same Series that are registered in the name of: (i) a nominee for a common depository for Euroclear and/or Clearstream; (ii) CDP; (iii) the HKMA as operator of the CMU and lodged with a sub-custodian for the CMU; and/or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System which, for the avoidance of doubt, may be the RENTAS Depository;

**“HKMA”** means the Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong) or its successors;

**“Holder”** has the meaning given in Condition 3.2 (*Title to Sukuk*);

**“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;

**“Indebtedness”** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Individual Certificate”** means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Master Trust Deed in exchange for a Global Certificate;

**“Initial Wakala Investment Amount”** has the meaning given to it in the Investment Wakala Agreement;

**“Investment Wakala Agreement”** means the investment wakala agreement dated 20 December 2022 between the Trustee and the Obligor;

**“Investment Wakala Collection Account”** has the meaning given to it in the Investment Wakala Agreement;

**“Investment Wakala Master Murabaha Agreement”** means the investment wakala master murabaha agreement dated 20 December 2022 and made between the Trustee, Cagamas Berhad (as buyer) and Cagamas Berhad (as commodity trading participant);

**“Investment Wakala Sukuk Assets”** means the Wakala Investment and the Commodity Murabaha Investment (if any) in respect of a Series;

**“Investment Wakala Transaction Documents”** means, in relation to each Investment Wakala Series:

- (a) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;
- (b) the Agency Agreement;
- (c) the Investment Wakala Agreement; and
- (d) if applicable to an Investment Wakala Series, the Investment Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series);



**“Liability”** means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to **“Liabilities”** shall mean all of these;

**“Local Banking Day”** means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

**“Market”** means the commodity market operated by BMIS for the trading of commodities;

**“Maximum Optional Dissolution Amount”** means the amount specified as such in the applicable Pricing Supplement;

**“Minimum Optional Dissolution Amount”** means the amount specified as such in the applicable Pricing Supplement;

**“Obligor Event”** means any of the following events:

- (a) ***Non-payment:*** the Obligor (acting in any capacity) fails to pay any amount in the nature of principal or profit payable by it pursuant to any Investment Wakala Transaction Document to which it is a party (which shall include, for the avoidance of doubt, any payments from the relevant Investment Wakala Collection Account to the Transaction Account) on the due date for payment; or
- (b) ***Breach of other obligations:*** the Obligor (acting in any capacity) defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Investment Wakala Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Obligor by the Trustee or the Delegate, has been delivered to the Obligor; or
- (c) ***Cross-default:***
  - (i) any Indebtedness or Sukuk Obligation of the Obligor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any Indebtedness or Sukuk Obligation of the Obligor or any Principal Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Obligor or (as the case may be) the relevant Principal Subsidiary or any person entitled to such Indebtedness or Sukuk Obligation; or
  - (iii) the Obligor or any Principal Subsidiary fails to pay when due any amount payable by it under any guarantee, or any indemnity, in respect of any Indebtedness or Sukuk Obligation,

and **provided that** the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$25,000,000 (or its equivalent in any other currency or currencies); or

- (d) ***Unsatisfied judgment:*** one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Obligor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) ***Security enforced:*** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary and such possession or appointment continues for a period of 60 days after the date thereof; or
- (f) ***Insolvency etc.:*** (i) the Obligor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Obligor or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is appointed; or (iii) the Obligor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or Sukuk Obligations or any guarantee of any Indebtedness or Sukuk Obligation given by it; or
- (g) ***Winding up etc.:*** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Obligor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary (but not including the Trustee if it is a Principal Subsidiary), (i) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (ii) as a result of disposal on arm's length terms or (iii) as approved by an Extraordinary Resolution of the Sukukholders) or the Obligor or any Principal Subsidiary ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Principal Subsidiary (but not including the Trustee if it is a Principal Subsidiary), (x) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (y) as a result of disposal on arm's length terms or (z) as approved by an Extraordinary Resolution of the Sukukholders); or
- (h) ***Analogous event:*** any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) ***Failure to take action, etc.:*** any action, condition or thing at any time required to be taken, fulfilled or done in order: (i) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Investment Wakala Transaction Documents to which it is a party; (ii) to ensure that those obligations are legal, valid, binding and enforceable and; (iii) to make the Sukuk and the Investment Wakala Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or
- (j) ***Unlawfulness:*** it is or will become unlawful for the Obligor to perform or comply with any of its obligations under or in respect of the Sukuk and the Investment Wakala Transaction Documents to which it is a party; or
- (k) ***Government intervention:*** (i) all or any substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national government; or (ii) the Obligor or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues.

References in this definition to “Indebtedness”, “indebtedness” and “debts” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shariah*, whether entered into directly or indirectly by the Obligor or any of its Principal Subsidiaries, as the case may be;

“**Optional Dissolution Date**” means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Pricing Supplement;

“**Optional Dissolution Right**” means the right specified in Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);

“**outstanding**” shall have the meaning given to it in the Trust Deed;

“**Paying Agents**” means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, any relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent) and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

“**Payment Business Day**” means:

- (a) if the currency of payment is euro, any day which is:
  - (i) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, (A) a TARGET Settlement Day; and (B) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
  - (i) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Sukuk denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Periodic Distribution Amount**” has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

“**Periodic Distribution Date**” means the date or dates specified as such in the applicable Pricing Supplement;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (c) in relation to Renminbi, it means the relevant Renminbi Settlement Centre;

**“Principal Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk collectively in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established. All references in these Investment Wakala Conditions to the **“Principal Paying Agent”** shall be deemed to be references to: (i) with respect to CMU Sukuk, the CMU Lodging and Paying Agent; (ii) with respect to CDP Sukuk, the CDP Lodging and Paying Agent; and (iii) if applicable, with respect to ACS Sukuk, the relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent), and (unless the context requires otherwise) all such references shall be construed accordingly;

**“Principal Subsidiary”** means Cagamas Global P.L.C. and any Subsidiary of the Obligor whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Obligor have been prepared, are at least 10 per cent. of the consolidated total assets of the Obligor as shown by such audited consolidated accounts, **provided that** if any such Subsidiary (the **“transferor”**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary of the Obligor (the **“transferee”**) then:

- (i) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary; and
- (ii) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (i) above or which remains or becomes a Principal Subsidiary by virtue of (ii) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Obligor prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary (consolidated (if any) in the case of a company which itself has Subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 10 per cent. of the consolidated total assets of the Obligor, as shown by such audited consolidated accounts;

**“Proceedings”** has the meaning given to it in Condition 21.4 (*Rights of the Delegate and the Sukukholders to take proceedings outside England*);

**“Profit Commencement Date”** means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

**“Profit Period Date”** means each Periodic Distribution Date unless otherwise specified in the applicable Pricing Supplement;

**“Profit Rate”** means the profit rate payable from time to time in respect of the Sukuk and that is either specified in the applicable Pricing Supplement or calculated or determined in accordance with the provisions hereof;

**“Profit Rate Determination Date”** means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or Hong Kong Dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro nor Hong Kong Dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

**“Record Date”** has the meaning given to it in Condition 9.4 (*Record Date*);

**“Register”** has the meaning given to it in Condition 3.3 (*Ownership*);

**“Registrar”** means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Registrar (if applicable));

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Sukukholders;

**“Relevant Indebtedness”** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**“Relevant Powers”** has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

**“Renminbi”** means the lawful currency of the People’s Republic of China;

**“Renminbi Settlement Centre”** means, in relation to any sum payable in Renminbi, Hong Kong, Singapore and/or any other relevant financial centre, as specified in the applicable Pricing Supplement;

**“RENTAS”** means the scripless book-entry securities settlement and funds transfer system known as Real Time Electronic Transfer of Funds and Securities operated and managed by BNM as varied, upgraded or substituted from time to time;

**“RENTAS Depository”** means BNM in its capacity as the depository and custodian of any RENTAS Sukuk who carries out its functions, duties and obligations under the CSDPAR as a central securities depository, and includes its successors in title and assigns and any successors appointed in such capacity;

**“RENTAS Depository Procedures”** means the procedures of the RENTAS Depository for transactions in the RENTAS Sukuk and for settlement of all payments to Holders of RENTAS Sukuk as provided in the CSDPAR, the Participation and Operation Rules for Payments and Securities Services, the Operational Procedures for Foreign Currency Settlement in RENTAS and the Operational Procedures for Securities Services, all issued by BNM and as modified or revised or substituted from time to time by BNM, and any other relevant rules, guidelines, codes and directives issued by BNM from time to time;

**“RENTAS Paying Agent”** means BNM who carries out its functions, duties and obligations under the CSDPAR as a paying agent for any RENTAS Sukuk and includes its successors in title and assigns and any successors acting in such capacity;

**“RENTAS Securities Lodgement Form”** means, in respect of each Series of RENTAS Sukuk, the securities lodgement form entered into by, *inter alios*, the Trustee, signifying the parties’ agreement for the depository and payment arrangement for such RENTAS Sukuk to be made pursuant to the RENTAS Depository Procedures and confirming that the parties thereto and the RENTAS Paying Agent shall have the duties as agreed therein;

**“RENTAS Sukuk”** means any Sukuk which are cleared through RENTAS;

**“Reserved Matter”** has the meaning given to it in Condition 16.1 (*Meetings of Sukukholders*);

**“Return Accumulation Period”** means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

**“Scheduled Dissolution Date”** means the date specified as such in the applicable Pricing Supplement;

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**“Series”** means a series of Sukuk comprising one tranche that have identical terms on issue and are expressed to have the same series number;

**“Specified Currency”** means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Sukuk are denominated;

**“Specified Denominations”** means the amount(s) specified as such in the applicable Pricing Supplement;

**“Specified Office”** has the meaning given in the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Subsidiary”** means, in relation to any person (the **“first Person”**) at any particular time, any other person (the **“second Person”**): (a) whose affairs and policies the first Person controls or has



the power to control, whether this be through ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated as a subsidiary with those of the first Person;

**“Sukuk Obligation”** means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shariah*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**“Sukukholder”** has the meaning given in Condition 3.2 (*Title to Sukuk*);

**“Sukukholder Put Exercise Notice”** has the meaning given to it in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

**“Sukukholder Put Right”** means the right specified in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

**“Sukukholder Put Right Date”** means, in relation to any exercise of the Sukukholder Put Right, the date(s) specified as such in the applicable Pricing Supplement;

**“TARGET Business Day”** means a day on which TARGET2 is operating;

**“TARGET Settlement Day”** means any day on which TARGET2 is open for the settlement of payments in euro;

**“TARGET2”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system or any successor thereto;

**“Transaction Account”** means, in relation to a particular Series, the non-interest bearing transaction account established by the Trustee and held with The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of CMU Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (in the case of any transaction account in relation to a Series of CDP Sukuk) or, as applicable, the relevant ACS Agent (in the case of any transaction account in relation to a Series of ACS Sukuk and, in the case of any transaction account in relation to a Series of RENTAS Sukuk, such ACS Agent may be the RENTAS Paying Agent) denominated in the Specified Currency, details of which are set out in the applicable Pricing Supplement into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Investment Wakala Transaction Documents;

**“Transaction Documents”** means the Management Wakala Transaction Documents and the Investment Wakala Transaction Documents and **“Management Wakala Transaction Document”** has the meaning given to it pursuant to the *“Terms and Conditions of the Management Wakala Sukuk”* as set out under Schedule 3 of the Master Trust Deed and applicable to Management Wakala Sukuk thereunder;

**“Transfer Agent”** means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited and, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking

Corporation Limited, Singapore Branch, or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Transfer Agent (if applicable));

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trust Assets**” has the meaning given to it in Condition 5.1 (*Trust Assets*);

“**Trustee Event**” means any of the following events:

- (a) **Non-payment**: the Trustee fails to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or profit or otherwise) in respect of the Sukuk on the due date for payment thereof; or
- (b) **Breach of other obligations**: the Trustee defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Investment Wakala Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Trustee by the Delegate, has been delivered to the Trustee; or
- (c) **Unsatisfied judgment**: one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Trustee and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (d) **Security enforced**: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Trustee and such possession or appointment continues for a period of 60 days after the date thereof; or
- (e) **Insolvency etc.**: (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Trustee or the whole or a substantial part of the undertaking, assets and revenues of the Trustee is appointed; or (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or Sukuk Obligations or any guarantee of any Indebtedness or Sukuk Obligation given by it; or
- (f) **Winding up etc.**: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee or the Trustee ceases to carry on all or the substantial part of its business (otherwise than as approved by an Extraordinary Resolution of the Sukukholders); or
- (g) **Analogous event**: any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (c) (*Unsatisfied judgment*) to (f) (*Winding up, etc.*) above; or
- (h) **Failure to take action, etc.**: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Investment Wakala Transaction Documents to which it is a party; (ii) to ensure

that those obligations are legal, valid, binding and enforceable and; (iii) to make the Sukuk and the Investment Wakala Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or

- (i) **Unlawfulness:** it is or will become unlawful for the Trustee to perform or comply with any of its obligations under or in respect of the Sukuk and the Investment Wakala Transaction Documents to which it is a party; or
- (j) **Government intervention:** (i) all or any substantial part of the undertaking, assets and revenues of the Trustee is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Trustee is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (k) **Controlling shareholder:** the Trustee ceases to be a Subsidiary which is wholly-owned and controlled, directly or indirectly, by the Obligor.

For the purpose of paragraph (a) (*Non-payment*) above of this definition, all amounts payable in respect of the Sukuk shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5.2 (*Application of Proceeds from Trust Assets*) or otherwise) subject always to Condition 4.2 (*Limited Recourse*);

“**Wakala Investment**” has the meaning given to it in the Investment Wakala Agreement; and

“**Wakeel**” means the Obligor acting in its capacity as wakeel under the Investment Wakala Agreement.

## 2.2 **Interpretation:** In these Investment Wakala Conditions:

- (a) all references to the “face amount” of a Sukuk shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Investment Wakala Conditions;
- (b) all references to “Periodic Distribution Amounts” shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Investment Wakala Conditions;
- (c) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Pricing Supplement, but the applicable Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Sukuk; and
- (d) any reference to any Transaction Document shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Sukuk.

### 3. **Form, Denomination, Title and Transfer**

- 3.1 ***Sukuk***: The Sukuk are issued in registered form in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Pricing Supplement and higher integral multiples of a smaller amount specified in the applicable Pricing Supplement, and, in the case of Sukuk in definitive form, are serially numbered.

These Investment Wakala Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Sukuk. In the case of Sukuk in definitive form, an Individual Certificate will be issued to each Sukukholder in respect of its registered holding of Sukuk.

- 3.2 ***Title to Sukuk***: Upon issue, the Sukuk will be represented by a Global Certificate which will be deposited with, and registered in the name of: (i) a nominee for a common depository for Euroclear and Clearstream; (ii) a central securities depository (or a nominee for such central securities depository, as appropriate) for any relevant Alternative Clearing System (which, for the avoidance of doubt, may be the RENTAS Depository); (iii) CDP; or (iv) the HKMA in its capacity as operator of the CMU and lodged with a sub-custodian for the CMU, as the case may be. For so long as any of the Sukuk is represented by a Global Certificate held on behalf of Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU, ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU (as applicable) and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Sukuk (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Obligor, the Delegate and the Agents as the holder of such face amount of such Sukuk for all purposes other than with respect to payment in respect of such Sukuk, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Obligor, the Delegate and any Agent as the holder of such face amount of such Sukuk in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Holder**” and “**Sukukholder**” in relation to any Sukuk and related expressions shall be construed accordingly.

- 3.3 ***Ownership***: The Registrar will maintain a register of Sukukholders outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). The Trustee, the Obligor, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Sukuk is for the time being registered (as set out in the Register) as the Holder of such Sukuk or of a particular face amount of the Sukuk for all purposes (whether or not such Sukuk or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Obligor, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Sukuk or face amount.

No person shall have any right to enforce any term or condition of any Sukuk under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Sukuk will be recognised by the Trustee as entitled to his Sukuk free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Sukuk.

3.4 **Transfers of Sukuk:** Subject to Conditions 3.7 (*Closed periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

- (a) **Transfers of beneficial interests in the Global Certificate:** Transfers of beneficial interests in the Global Certificate will be effected by Euroclear, Clearstream, any relevant Alternative Clearing System, CDP and/or the CMU, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Sukuk in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, the relevant Alternative Clearing System, CDP and/or the CMU, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.
- (b) **Transfers of Sukuk in definitive form:** Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Sukuk in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, the Obligor, the Delegate and the Registrar may from time to time prescribe.

Subject as provided above, the Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within five business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the Trustee, deliver at its Specified Office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Sukuk (or the relevant part of the Sukuk) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Sukuk not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

3.5 **Exercise of Options or Partial Dissolution in Respect of Sukuk:** In the case of an exercise of the Obligor's or a Sukukholder's option in respect of, or a partial redemption of, a holding of Sukuk, the Registrar will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar or any Transfer Agent. In respect of any Series of RENTAS Sukuk, this Condition 3.5 shall at all times be subject to, and the obligations set out in this Condition 3.5 shall be performed in compliance with, the RENTAS Depository Procedures.

3.6 **No Charge:** The transfer of a Sukuk, exercise of an option or partial dissolution will be effected without charge by or on behalf of the Trustee or the Registrar or any Transfer Agent but against

such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Sukukholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).

**3.7 Closed Periods:** Sukukholders may not require transfers to be registered:

- (a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or any other date on which any payment of the face amount in respect of the relevant Sukuk falls due;
- (b) during the period of 15 days ending on (and including) any date on which the relevant Sukuk may be called for redemption by the Trustee or the Obligor at its option pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*) or Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);
- (c) after a Sukukholder Put Exercise Notice has been delivered in respect of the relevant Sukuk(s) in accordance with Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);
- (d) after a Change of Shareholding Exercise Notice has been delivered in respect of the relevant Sukuk in accordance with Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*); or
- (e) during the period of seven days ending on (and including) any Record Date.

**3.8 Regulations Concerning Transfers and Registration:** All transfers of Sukuk and entries on the Register are subject to the detailed regulations concerning the transfer of Sukuk scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, **provided that** any such change is not materially prejudicial to the interests of the Sukukholders. A copy of the current regulations will be mailed (free of charge to the Sukukholder by uninsured first class mail (airmail if overseas)) by the Registrar to any Sukukholder who requests in writing a copy of such regulations.

**4. Status and Limited Recourse**

- 4.1 Status of the Sukuk:** The Sukuk represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsecured and limited recourse obligations of the Trustee. Each Sukuk shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Sukuk of the relevant Series. The payment obligations of the Obligor (in any capacity) under the Investment Wakala Transaction Documents shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future.
- 4.2 Limited Recourse:** Save as provided in this Condition 4.2, the Sukuk do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Sukuk of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Sukuk.



Subject to Condition 12 (*Dissolution Events*), Sukukholders, by subscribing for or acquiring the Sukuk, acknowledge that notwithstanding anything to the contrary contained in these Investment Wakala Conditions or any Investment Wakala Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Investment Wakala Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Investment Wakala Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) the Trustee may not sell, transfer, assign or otherwise dispose of the Investment Wakala Sukuk Assets or any part thereof (save for any liquidation permitted pursuant to the Investment Wakala Agreement and the sale of any Commodities under the Investment Wakala Master Murabaha Agreement) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Investment Wakala Sukuk Assets in the manner expressly provided in the Investment Wakala Transaction Documents;
- (c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Sukuk, Sukukholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;
- (d) no Sukukholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Investment Wakala Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or Delegate and any and all personal liability of every such shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee and the Delegate under the Investment Wakala Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents or directors of the Trustee or the Delegate (in their capacity as such), save in the case of their gross negligence, wilful default or fraud. Reference in these Investment Wakala Conditions to gross negligence, wilful default or fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction,

in respect of such Sukuk. No collateral is or will be given for the payment obligations under the Sukuk (without prejudice to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)).

Pursuant to the terms of the Investment Wakala Transaction Documents, the Obligor is obliged to make payments under the relevant Investment Wakala Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Investment Wakala Transaction Documents notwithstanding any other provision of this Condition 4.2. Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) constitute an unsecured claim against the Obligor. None of the Sukukholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5. The Trust

5.1 **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder. The term “**Trust Assets**” in respect of each Series means the following:

- (a) the cash proceeds of the issue of the Sukuk, pending the application thereof in accordance with the terms of the Investment Wakala Transaction Documents;
- (b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Investment Wakala Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Investment Wakala Sukuk Assets from time to time);
- (c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Investment Wakala Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Investment Wakala Transaction Documents or the covenant given to the Trustee pursuant to Clause 16.1 of the Master Trust Deed);
- (d) all moneys standing to the credit of the Transaction Account from time to time;
- (e) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement; and
- (f) all proceeds of the foregoing.

5.2 **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Investment Wakala Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;

- (b) **second**, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all properly incurred and documented (each in the sole opinion of the Delegate) amounts payable to it under the Investment Wakala Transaction Documents in its capacity as Trustee; and (ii) each Agent in respect of all amounts payable to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Investment Wakala Transaction Documents in its capacity as Agent;
- (c) **third**, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (d) **fourth**, only if such payment is due on a Dissolution Date, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
- (e) **fifth**, only on the Scheduled Dissolution Date (or any earlier date on which the Sukuk are redeemed in full) and **provided that** all amounts required to be paid on the Sukuk hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Wakeel as an incentive fee for its performance under the Investment Wakala Agreement.

5.3 **Transaction Account**: The Trustee will establish a Transaction Account in respect of each Investment Wakala Series by no later than the fifth Local Banking Day following the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Sukukholders into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Investment Wakala Transaction Documents.

## 6. Covenants

6.1 **Trustee Covenants**: The Trustee covenants that for so long as any Sukuk are outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any Indebtedness (including any Sukuk Obligation) in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shariah* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets (in respect of an Investment Wakala Series) except pursuant to any of the Investment Wakala Transaction Documents;

- (d) except as provided in Condition 16 (*Meetings of Sukukholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust (in respect of a Management Wakala Series and/or an Investment Wakala Series) or in respect of any parties other than the Sukukholders (in relation to a Management Wakala Series and/or an Investment Wakala Series);
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Sukuk for any purpose other than as stated in the Investment Wakala Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

6.2 **Negative Pledge:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Sukuk Obligation, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Sukuk Obligation, without: (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Investment Wakala Transaction Documents to which it is party (in whatever capacity); or (b) providing such other security or other arrangement for those obligations as may be approved by an Extraordinary Resolution of the Sukukholders, **save that** the Obligor, or any of its Subsidiaries, may create or permit to subsist a Security Interest over any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Sukuk Obligation or guarantee, or indemnity, in respect of Relevant Indebtedness or Sukuk Obligation (without the obligation to provide to any person either an equal and rateable interest in the same or such other security or other arrangement as aforesaid), where:

- (a) such Security Interest is created upon any assets or receivables pursuant to any securitisation, asset-backed financing, limited recourse financing or like arrangement under which payment obligations secured by such Security Interest, or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues to be generated from such assets or receivables; or
- (b) (i) such Security Interest is created pursuant to and to secure only Relevant Indebtedness in the form of asset-backed bonds issued by the Obligor or any of its Subsidiaries as

“covered bonds” in compliance with all laws, rules and regulations (if any) in Malaysia and any other jurisdiction and any conditions of any licences or consents by any regulatory authority which may be applicable to it; (ii) the proceeds of such covered bonds are utilised only to purchase the assets which are backing such covered bonds (“**Supporting Assets**”); and (iii) the Supporting Assets shall not comprise any of the assets of the Obligor or any of its Subsidiaries existing as of the date of establishment of the Programme.

6.3 **Use of Proceeds:** The Obligor also undertakes that it will only use the proceeds of issue of the Sukuk for *Shariah*-compliant purposes.

6.4 **Information Covenant:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall make available to the Sukukholders for inspection at the Specified Office of the Principal Paying Agent, within nine months of the expiration of each financial year (ending on 31 December of each year), the annual audited accounts of the Obligor for that financial year.

## 7. Periodic Distribution Amounts

### 7.1 Fixed Rate Sukuk Provisions

(a) **Application:** This Condition 7.1 is applicable to the Sukuk only if the Fixed Rate Sukuk Provisions are specified in the applicable Pricing Supplement as being applicable.

(b) **Periodic Distribution Dates:** Each Fixed Rate Sukuk bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Investment Wakala Conditions as a “**Periodic Distribution Amount**”. Periodic Distribution Amounts shall be distributed to Sukukholders by the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

### 7.2 [Intentionally left blank]

7.3 **Calculation of Periodic Distribution Amount:** The Periodic Distribution Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Sukuk divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7.4 **Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant

Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Sukukholders, any other Calculation Agent appointed in respect of the Sukuk that is to make a further calculation upon receipt of such information and, if the Sukuk are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination **but in no event later than** (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.7 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Sukuk become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Sukuk shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- 7.5 ***Determination or Calculation by the Delegate:*** Subject to Condition 7.8 (*Calculation Agent*), if the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Periodic Distribution Amount or Dissolution Distribution Amount, the Delegate shall do so or shall appoint an agent on behalf of the Trustee to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- 7.6 ***Cessation of Entitlement to Profit:*** Profit shall cease to accumulate in respect of each Sukuk on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit may, subject to the terms of the Investment Wakala Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date. *See “Risk Factors — Considerations Relating to the Sukuk — Profit may not continue to accumulate on the Investment Wakala Sukuk after the Scheduled Dissolution Date if payment is improperly withheld or refused”.*
- 7.7 ***Business Day Convention:*** If any date referred to in these Investment Wakala Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Pricing Supplement is:
- (a) the “**Following Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day;
  - (b) the “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;



- (c) the “**Preceding Business Day Convention**”, the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- (d) “**No Adjustment**”, the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.8 **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Sukuk is outstanding. Where more than one Calculation Agent is appointed in respect of the Sukuk, references in these Investment Wakala Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 8. **Redemption and Dissolution of the Trust**

8.1 **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Sukuk shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Pricing Supplement following the payment of all such amounts in full.

8.2 **Early Dissolution for Taxation Reasons:** The Sukuk shall be redeemed by the Trustee in whole, but not in part, at any time (such dissolution date being an “**Early Tax Dissolution Date**”), on giving not less than 30 nor more than 60 days’ notice to the Sukukholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

- (a) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

**provided, however, that** no such notice of dissolution shall be given to Sukukholders where the Sukuk may be redeemed at any time, earlier than 90 days prior to the earliest date on which the

Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Sukuk (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

- (1) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or the Obligor (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) have occurred; and
- (2) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing, to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Sukukholders.

Upon expiry of any such notice given in accordance with this Condition 8.2 and payment in full of the Dissolution Distribution Amount to Sukukholders, the Trustee shall be bound to dissolve the Trust.

**8.3 *Dissolution at the Option of the Obligor (Optional Dissolution Right):*** If the Optional Dissolution Right is specified in the applicable Pricing Supplement, the Obligor may in its sole discretion deliver to the Trustee a duly completed notice in accordance with the provisions of this Condition 8.3 and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Sukukholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so specified in the relevant notice from the Obligor, some of the Sukuk on any Optional Dissolution Date. Any such redemption of Sukuk shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Sukuk of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Sukuk in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Sukuk are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to Sukukholders shall also specify the face amount of Sukuk drawn and the holder(s) of such Sukuk to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If the Sukuk are to be redeemed in part only on any date in accordance with this Condition 8.3, each Sukuk shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Sukuk to be redeemed on the relevant Optional Dissolution Date bears to the aggregate principal amount of outstanding Sukuk on such date.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.4 ***Dissolution at the Option of Sukukholders (Sukukholder Put Right)***: If the Sukukholder Put Right is specified in the applicable Pricing Supplement, the Trustee shall, at the option of the Holder of any Sukuk, upon the Holder of such Sukuk giving not less than 30 nor more than 60 days' notice to the Trustee (or such other notice period as may be specified in the applicable Pricing Supplement), redeem such Sukuk on the Sukukholder Put Right Date at its Dissolution Distribution Amount. If all (and not some only) of the Sukuk are to be redeemed on any Sukukholder Put Right Date in accordance with this Condition 8.4 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.4 the relevant Holder must, within the notice period, give notice to the Principal Paying Agent of such exercise (a **"Sukukholder Put Exercise Notice"**) in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures) in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Sukukholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Sukukholder Put Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.4.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.5 ***Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)***: The Obligor has agreed in the Investment Wakala Master Murabaha Agreement to notify the Delegate and the Trustee in writing of a Change of Shareholding, promptly upon becoming aware of its occurrence. The Trustee, upon receipt of such notice from the Obligor or otherwise by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Shareholding, shall give notice (a **"Change of Shareholding Notice"**) of the occurrence of a Change of Shareholding to the Sukukholders in accordance with these Investment Wakala Conditions. The Change of Shareholding Notice shall provide a description of the Change of Shareholding, and specify the procedure for exercise by the Sukukholders of their rights to require redemption of the Sukuk pursuant to this Condition 8.5, and shall require Sukukholders to elect within 30 days of the date on which the Change of Shareholding Notice is given (the **"Change of Shareholding Put Period"**) if they wish all, but not some only, of their Sukuk to be redeemed.

If a Change of Shareholding occurs, and **provided that** Sukukholders elect to redeem their Sukuk in accordance with this Condition 8.5, the Trustee shall redeem such Sukuk on the Change of Shareholding Put Right Date at the Dissolution Distribution Amount. If all (and not some only) of the Sukuk are to be redeemed on any Change of Shareholding Put Right Date in accordance with this Condition 8.5 then upon payment in full of the Dissolution Distribution Amount to all Sukukholders, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.5 the relevant Holder must, within the Change of Shareholding Put Period, give notice to the Principal Paying Agent of such exercise (a “**Change of Shareholding Exercise Notice**”) in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures) in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Change of Shareholding Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Change of Shareholding Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.5.

A “**Change of Shareholding**” occurs when Bank Negara Malaysia or the Government of Malaysia, either through the Minister of Finance (Incorporated) or any other ministry or Government agency or body, ceases to be a shareholder, directly or indirectly, of the Obligor’s issued share capital.

- 8.6 ***Dissolution following a Dissolution Event:*** Upon the occurrence of a Dissolution Event, the Sukuk may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trustee may be required to dissolve the Trust, in each case as more particularly described in Condition 12 (*Dissolution Events*).
- 8.7 ***Purchases:*** Each of the Obligor and the Obligor’s Subsidiaries may at any time purchase Sukuk in the open market or otherwise and at any price and such Sukuk may be held, resold or, at the option of the Obligor, surrendered to the Registrar for cancellation.
- 8.8 ***Cancellation:*** Subject to and in accordance with the standard procedures of Euroclear and Clearstream, CDP, the CMU and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures), as applicable, all Sukuk which are redeemed will forthwith be cancelled. All Sukuk purchased and surrendered for cancellation by or on behalf of the Obligor or any of the Obligor’s Subsidiaries shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Sukuk to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Master Trust Deed. If all (and not some only) of the Sukuk are cancelled in accordance with this Condition 8.8 then the Trustee shall be bound to dissolve the Trust. All Sukuk cancelled pursuant to this Condition 8.8 shall be forwarded to the Registrar and cannot be reissued or resold.
- 8.9 ***No other Dissolution:*** The Trustee shall not be entitled to redeem the Sukuk or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Sukuk of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## 9. **Payments**

- 9.1 ***Method of Payment:*** Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Sukuk at the specified office of any of the Paying Agents. Each

Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date:

- (a) in the case of Sukuk other than RENTAS Sukuk denominated in a currency other than Renminbi, upon application by the Holder of such Sukuk to the Specified Office of the Registrar, the other Transfer Agents or any Paying Agent before the Record Date, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency;
- (b) in the case of Sukuk other than RENTAS Sukuk denominated in Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency; and
- (c) in the case of any RENTAS Sukuk denominated in any currency, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

9.2 **Payments on Business Days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated.

- (a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Sukuk is surrendered (or, in the case of part payment only, presented and endorsed) at the Specified Office of a Paying Agent; and
- (b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Sukuk shall not be entitled to any additional distributions or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

9.3 **Partial Payments:** If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9.4 **Record Date:** Each payment in respect of Sukuk will be made:

- (a) where the Sukuk is represented by a Global Certificate, to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business; or
- (b) where the Sukuk is in definitive form, to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office (in the case of Sukuk denominated in a Specified Currency other than Renminbi) on the fifteenth day before the due date for such payment or (in the case of Sukuk denominated in Renminbi) on the fifth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the “**Record Date**”).

9.5 **Payments subject to Laws:** All payments in respect of the Sukuk will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without



prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto.

- 9.6 **Commissions or expenses:** No commissions or expenses shall be charged to the Sukukholders in respect of such payments.
- 9.7 **Payment of U.S. Dollar Equivalent:** Notwithstanding anything in these Investment Wakala Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Trustee is not able to satisfy payments of any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk when due in Renminbi in the relevant Renminbi Settlement Centre, the Trustee may, on giving not less than five nor more than 30 calendar days’ irrevocable notice to the Sukukholders prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk shall be made, upon application by the holder of the Sukuk to the Specified Office of the Registrar or any Transfer Agent before the Record Date, by transfer to a U.S. dollar denominated account maintained by the payee with a bank in New York City.

In this Condition 9.7:

“**Determination Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the relevant Renminbi Settlement Centre, London and in New York City;

“**Determination Date**” means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Investment Wakala Conditions;

“**Governmental Authority**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant Renminbi Settlement Centre;

“**Illiquidity**” means where the general Renminbi exchange market in the relevant Renminbi Settlement Centre becomes illiquid and, as a result of which the Trustee cannot obtain sufficient Renminbi in order to satisfy its obligation to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) (in whole or in part) in respect of the Sukuk as determined by the Trustee in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

“**Inconvertibility**” means the occurrence of any event that makes it impossible for the Trustee to convert any amount due in respect of the Sukuk in the general Renminbi exchange market in the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date of the relevant Series of Sukuk and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);



**“Non-transferability”** means the occurrence of any event that makes it impossible for the Trustee to transfer Renminbi between accounts inside the relevant Renminbi Settlement Centre or from an account inside the relevant Renminbi Settlement Centre to an account outside the relevant Renminbi Settlement Centre or from an account outside the relevant Renminbi Settlement Centre to an account inside the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date for the relevant Series of Sukuk and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

**“Renminbi Dealer”** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the relevant Renminbi Settlement Centre;

**“Spot Rate”** means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in the relevant Renminbi Settlement Centre for settlement in two Determination Business Days, as determined by the Obligor at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 9.7 by the Calculation Agent, will (in the absence of wilful default or fraud) be binding on the Trustee, the Obligor, the Paying Agents and all Sukukholders; and

**“U.S. Dollar Equivalent”** means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

## 10. **Taxation**

All payments in respect of the Sukuk by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Malaysia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Sukukholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Sukuk:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Sukuk by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Sukuk; or
- (b) where the relevant Sukuk is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Sukuk would have been

entitled to such additional amounts on presenting or surrendering such Sukuk for payment on the last day of such period of 30 days.

If the Trustee becomes subject at any time to any taxing jurisdiction other than or in addition to Malaysia, references in these Investment Wakala Conditions to Malaysia shall be construed as references to Malaysia and/or such other jurisdiction.

Notwithstanding anything herein to the contrary, in no event will the Trustee (or any successor of the Trustee) pay any additional amounts in respect of any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

*The Investment Wakala Transaction Documents each provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.*

*Further, the Obligor has undertaken in the Investment Wakala Agreement to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Sukuk to the Sukukholders is received by the Trustee for the purposes of payment to the Sukukholders in accordance with and subject to the provisions of this Condition 10.*

## 11. **Prescription**

Claims against the Trustee for payment in respect of the Sukuk shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12. **Dissolution Events**

### 12.1 **Dissolution Event:** Upon the occurrence of a Dissolution Event:

- (a) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming actually aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Sukukholders in accordance with Condition 18 (*Notices*) with a request to Sukukholders to indicate to the Trustee and the Delegate if they wish the Sukuk to be redeemed and the Trust to be dissolved; and
- (b) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Sukuk outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Sukukholders in accordance with Condition 18 (*Notices*) that the Sukuk are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Sukukholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate) shall notify the Obligor that the Dissolution Distribution Amount is immediately due and payable from the relevant Investment Wakala Collection Account under the terms of the Investment Wakala Agreement. The Trustee (failing which the Delegate) shall use the proceeds thereof to redeem the Sukuk at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Sukuk has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

**12.2 Enforcement and Exercise of Rights:** Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Sukuk of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 12.1 (*Dissolution Event*)), the Delegate may (acting for the benefit of the Sukukholders), and shall if so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk or if so directed by an Extraordinary Resolution (and, in each case, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, render itself liable or which it may in its opinion incur by so doing), take one or more of the following steps:

- (a) enforce the provisions of the Investment Wakala Agreement and, if applicable to a Series, the Investment Wakala Master Murabaha Agreement against the Obligor; and/or
- (b) start or join in legal proceedings against the Obligor or the Trustee to recover from the Obligor or the Trustee any amounts owed to the Sukukholders; and/or
- (c) start or join in any other legal proceedings or take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders.

### **13. Realisation of Trust Assets**

**13.1** The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

**13.2** No Sukukholder shall be entitled to proceed directly against the Trustee or the Obligor under any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Investment Wakala Transaction Documents) and the sole right of the Delegate and the Sukukholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Investment Wakala Transaction Documents to which they are a party.

**13.3** Conditions 12.2, 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Sukuk of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and

the Trust Deed, the obligations of the Trustee and the Delegate in respect of the Sukuk of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Sukukholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including the Obligor (to the extent that it fulfils all of its obligations under the Investment Wakala Transaction Documents)) to recover any further sums in respect of the Sukuk of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Sukukholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

#### 14. **Replacement of Sukuk**

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Sukuk are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee or any relevant Agent may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

#### 15. **Agents**

In acting under the Agency Agreement and/or any relevant ACS Forms (as applicable) and in connection with the Sukuk, the Agents act solely as agents of the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Sukukholders.

The Agents and their Specified Offices are set out in the Agency Agreement and/or any relevant ACS Forms (as applicable). In respect of each Series of Sukuk, the relevant Agents are specified in the applicable Pricing Supplement. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; **provided, however, that:**

- (a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;
- (b) if a Calculation Agent is specified in the applicable Pricing Supplement, the Trustee shall at all times maintain a Calculation Agent;
- (c) the Trustee shall at all times maintain a CMU Lodging and Paying Agent in respect of CMU Sukuk;
- (d) the Trustee shall at all times maintain a CDP Lodging and Paying Agent in respect of CDP Sukuk;
- (e) the Trustee shall, so long as any ACS Sukuk are outstanding, maintain the relevant ACS Agents in relation to such ACS Sukuk; and
- (f) if and for so long as the Sukuk are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the

Trustee shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given by the Trustee to the Sukukholders.

## 16. Meetings of Sukukholders, Modification and Waiver

16.1 **Meetings of Sukukholders:** The Trust Deed contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Investment Wakala Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Obligor or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Sukukholders holding not less than 10 per cent. in aggregate face amount of the Sukuk of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Sukuk for the time being outstanding, or at any adjourned meeting two or more Persons being or representing Sukukholders whatever the aggregate face amount of the Sukuk held or represented, unless the business of such meeting includes consideration of proposals to (each a “**Reserved Matter**”):

- (a) amend any Dissolution Date in respect of the Sukuk or any date for payment of Periodic Distribution Amounts on the Sukuk;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Sukuk;
- (c) to reduce the rate or rates of profit in respect of the Sukuk or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Sukuk;
- (d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Pricing Supplement, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;
- (e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;
- (f) vary the currency of payment or denomination of the Sukuk;
- (g) modify the provisions concerning the quorum required at any meeting of Sukukholders or the majority required to pass an Extraordinary Resolution;
- (h) modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Investment Wakala Transaction Documents and/or the Sukuk (as the case may be);
- (i) amend any of the Obligor’s covenants included in the Investment Wakala Master Murabaha Agreement;
- (j) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or
- (k) amend this definition,

in which case the necessary quorum shall be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate face amount of the Sukuk for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Sukukholders (whether or not they were present at the meeting at which such resolution was passed).

Any such meeting of the Sukukholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Delegate may approve in accordance with the provisions of the Trust Deed.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Sukuk outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Sukukholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Sukukholders.

16.2 **Modification:** The Delegate may (but shall not be obliged to), without the consent of the Sukukholders: (i) agree to any modification of any of the provisions of the Trust Deed or the Investment Wakala Transaction Documents that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Sukukholders; or (ii) (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Investment Wakala Transaction Documents or (B) determine that any Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Sukukholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. Any such modification, authorisation, determination or waiver shall be binding on all Sukukholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee to the Sukukholders in accordance with Condition 18 (*Notices*) as soon as practicable.

16.3 **Entitlement of the Delegate:** In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the general interests of the Sukukholders as a class and shall not have regard to the consequences of such exercise for individual Sukukholders and the Delegate shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Sukukholders.

## 17. Delegate

17.1 **Delegation of powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Sukukholders and the power to make any determinations to be made under the Investment Wakala Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Investment Wakala Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders and make such distributions from the relevant Trust Assets as the Trustee is bound to make in



accordance with the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation and **provided further that** in no circumstances will such Delegation result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Sukukholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

- 17.2 **Indemnification:** The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Investment Wakala Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Conditions 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.
- 17.3 **No liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Investment Wakala Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Sukukholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Investment Wakala Conditions or in the Trust Deed.
- 17.4 **Reliance on certificates and/or reports:** The Delegate may rely, without liability to any Sukukholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Trust Deed or the other Investment Wakala Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- 17.5 **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Trust Deed and to the Relevant

Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Trust Deed.

- 17.6 **Notice of events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event or Change of Shareholding has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Sukukholders or any other person for so doing).

## 18. Notices

- 18.1 **Notices to the Holders:** Notices to the Holders of Sukuk shall be sent to them by uninsured first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after the date of mailing.

- 18.2 **Listing authorities and clearing systems:** The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Sukuk are for the time being listed.

So long as the Sukuk are held by: (i) Euroclear or Clearstream, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Investment Wakala Conditions; (ii) the CMU, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU) issued by the HKMA on the business day preceding the date of despatch of such notice as holding interests in the relevant Sukuk; (iii) CDP, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in the records of CDP on the second business day preceding the date of despatch of such notice as holding interests in the relevant Sukuk; and (iv) any relevant Alternative Clearing System, notices to the Holders of Sukuk of that Series may be given in accordance with the rules and regulations of such Alternative Clearing System.

## 19. Currency Indemnity

If any sum due from the Trustee in respect of the Sukuk or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Investment Wakala Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of: (a) making or filing a claim or proof against the Trustee; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Sukuk, the Trustee shall indemnify each Sukukholder, on the written demand of such Sukukholder addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Sukukholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 19.

## 20. Rounding

For the purposes of any calculations referred to in these Investment Wakala Conditions (unless otherwise specified in these Investment Wakala Conditions or the applicable Pricing Supplement): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 21. Governing Law and Jurisdiction

21.1 **Governing law:** The Trust Deed, the Agency Agreement and the Sukuk (including these Investment Wakala Conditions) and any non-contractual obligations arising out of or in connection with the same are governed by English law.

21.2 **English courts:** The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Agency Agreement and the Sukuk (including these Investment Wakala Conditions) (including a dispute relating to the existence, validity or termination of the Sukuk or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity (a “**Dispute**”).

21.3 **Appropriate forum:** The Trustee agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

21.4 **Rights of the Delegate and the Sukukholders to take proceedings outside England:** Condition 21.2 (*English courts*) is for the benefit of the Delegate and the Sukukholders only. As a result, nothing in this Condition 21 prevents the Delegate or any Sukukholder (only where permitted so to do in accordance with the terms of the Master Trust Deed) from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and/or the Sukukholders may take concurrent Proceedings in any number of jurisdictions.

21.5 **Process agent:** The Trustee agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall, on the written demand of the Delegate or any Sukukholder addressed and delivered to the Trustee or to the Specified Office of the Principal Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate or any Sukukholder shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition 21.5 shall affect the right of the Delegate or any Sukukholder to serve process in any other manner permitted by law.

21.6 **Waiver of immunity:** To the extent that the Trustee has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property,

the Trustee irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the Trust Deed, the Agency Agreement or the Sukuk.

**21.7 *Waiver of Interest:***

- (a) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (b) For the avoidance of doubt, nothing in this Condition 21.7 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Investment Wakala Sukuk, Deferred Sale Prices payable under the Investment Wakala Master Murabaha Agreement (if applicable to an Investment Wakala Series), any amounts payable from any Investment Wakala Collection Account or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Investment Wakala Transaction Documents and/or the Investment Wakala Conditions, howsoever such amounts may be described or re-characterised by any court.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Series of Sukuk will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Sukuk and their issue.*

### Pricing Supplement dated [●]

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS —** The Sukuk are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**EU Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**EU PRIIPs Regulation**”) for offering or selling the Sukuk or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Sukuk or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS —** The Sukuk are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the “**FSMA**”) to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Sukuk or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Sukuk or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[EU MIFID II product governance / Professional investors and ECPs only target market —** Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Sukuk has led to the conclusion that: (i) the target market for the Sukuk is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**EU MiFID II**”)] [EU MiFID II]; and (ii) all channels for distribution of the Sukuk to eligible counterparties and professional clients are appropriate. [Consider any negative target market.] Any [person subsequently offering, selling or recommending the Sukuk (a “**distributor**”)] should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Sukuk (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR product governance / Professional investors and ECPs only target market —** Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Sukuk has led to the conclusion that: (i) the target market for the Sukuk is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Sukuk to eligible counterparties and professional clients are appropriate. [Consider

*any negative target market*]. Any person subsequently offering, selling or recommending the Sukuk (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Sukuk (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[Singapore Securities and Futures Act Product Classification** — Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001, as amended or modified from time to time (the “SFA”), the [Trustee] has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Sukuk are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]<sup>1</sup>

**[Malaysian Selling Restrictions/ Sophisticated investors and excluded offers or invitations only target market** — the Sukuk are not intended to be offered, and may not be offered for subscription or sale, or sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to the persons, or other than in relation to an offer or invitation, falling within paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA, Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA, at issuance, and after issuance, paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA, Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of Bank Negara Malaysia, the Securities Commission and/or any other regulatory authority from time to time. The issuance of, offer for subscription or purchase of or invitation to subscribe for the Sukuk would also fall within paragraph 12, Schedule 8 (or Section 257 (1)) of the CMSA, on the basis that the Programme has received an international rating of A3 from Moody’s Investors Services Singapore Pte. Ltd.

In addition, no approval from the Labuan Financial Services Authority (the “**LFSA**”) has been or will be obtained for the offering of the Sukuk on the basis that the offer to purchase or invitation to subscribe for the Sukuk will fall within the categories of excluded offers or invitations set out in section 8(5) of the Labuan Financial Services and Securities Act 2010 (the “**LFSSA**”). The Offering Circular has not been nor will it be registered with the LFSA on the basis that any offer to purchase or invitation to subscribe for the Sukuk will be an excluded offer or invitation for the purposes of the LFSSA.]

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<sup>1</sup> For any Sukuk to be offered to Singapore investors, Trustee to provide product classification notification pursuant to Section 309B of the SFA prior to the launch of the offer.



**Cagamas Global Sukuk Berhad**  
**Issue of [●] [*Title of Sukuk*]**  
**under the U.S.\$2,500,000,000 Multicurrency Sukuk Issuance Programme**  
**LEI Number: 254900I17ALBY977K655**

This document constitutes the Pricing Supplement relating to the issue of Sukuk described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Sukuk and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1. (i) Trustee and Purchaser: Cagamas Global Sukuk Berhad  
(ii) Seller, Obligor, Buyer and Wakeel: Cagamas Berhad  
[(ii)]/[(iii)] Delegate: The Hongkong and Shanghai Banking Corporation Limited  
(iii) Principal Paying Agent: [●]  
(iv) Transfer Agent: [●]  
(v) Registrar: [●]
2. Sukuk Series: [Investment Wakala Series/Management Wakala Series]
3. Series Number: [●]
4. Trade Date: [●]
5. Specified Currency or Currencies<sup>2</sup>: [●]
6. Aggregate Face Amount: [●]
7. (i) Issue Price: 100 per cent. of the Aggregate Face Amount  
(ii) [Murabaha Investment Amount]: [●]/[Not Applicable]  
(iii) [Purchase Price for Initial Wakala Assets / Initial Wakala Investment Amount]: [●]

<sup>2</sup> This currency excludes Ringgit.

8. (i) Specified Denominations<sup>34</sup>: [●]  
(ii) Calculation Amount: [●]
9. (i) Issue Date: [●]  
(ii) Profit Commencement Date: [Specify/Issue Date/Not Applicable]  
[(iii) Profit Period Dates: [Each Periodic Distribution Date]/[●]]
10. Scheduled Dissolution Date: [Specify date or (for Floating Rate Management Wakala Sukuk) Periodic Distribution Date falling in or nearest to the relevant month and year]<sup>5</sup>
11. Periodic Distribution Amount Basis: [[●] per cent. Fixed Periodic Distribution Amount]  
[[CNH HIBOR / EURIBOR] +/-[●] per cent. Floating Periodic Distribution Amount]  
(further particulars specified below)
12. Dissolution Basis: Dissolution at par
13. Change of Periodic Distribution Basis: [Specify details of any provision for convertibility of Sukuk into another periodic distribution basis]
14. Put/Call Options: [Not Applicable] [Optional Dissolution Right]  
[Sukukholder Put Right]  
Change of Shareholding Put Right  
(For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series)  
[(further particulars specified below)]
15. Status of the Sukuk: Senior
16. Listing: [Labuan International Financial Exchange Inc./ Singapore Exchange Securities Trading Limited/Other (specify)/None] (For Sukuk to be listed on the [Singapore Exchange Securities Trading Limited], insert the expected effective listing date of the Sukuk)

<sup>3</sup> Sukuk (including Sukuk denominated in sterling) in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year, must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued to a limited class of professional investors.

<sup>4</sup> If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Sukuk in definitive form will be issued with a denomination above €199,000.

<sup>5</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Sukuk where Periodic Distribution Dates are subject to modification it will be necessary to use the second option here.

## Provisions Relating to Periodic Distribution Amounts Payable

17. Fixed Rate Sukuk Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Profit Rate: [●] per cent. Per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Periodic Distribution Date(s): [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Amount[(s)]: [●] per Calculation Amount<sup>6</sup>
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]]/[Not Applicable]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Profit Rate Determination Dates: [●] in each year
- (insert regular periodic distribution dates, ignoring issue date or scheduled dissolution date in the case of a long or short first or last Return Accumulation Period)*
- (N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal duration. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating Periodic Distribution Amounts for Fixed Rate Sukuk: [Not Applicable/give details]
18. Floating Rate Sukuk Provisions: [Applicable/Not Applicable]
- (If not applicable (or for Investment Wakala Sukuk), delete the remaining sub-paragraphs of this paragraph)*
- (i) Return Accumulation Period: [●]/[Not Applicable]
- (Return Accumulation Period and Specified Periodic Distribution Dates are alternatives. A Return Accumulation Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*

<sup>6</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Sukuk where the Periodic Distribution Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Amount shall be calculated by multiplying the product of the Profit Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Sukuk, to the nearest CNY0.01, CNY0.005 being rounded upwards, or, in the case of Hong Kong dollar denominated Fixed Rate Sukuk, to the nearest HK\$0.01, HK\$0.005 being rounded upwards."

- (ii) Specified Periodic Distribution Dates: ☐/[Not Applicable]
- (Return Accumulation Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) Business Day Convention: ☐Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other *(give details)*
- (iv) Additional Business Centre(s): ☐[Not Applicable/give details]
- (v) Manner in which the Profit Rate(s) is/are to be determined: ☐Screen Rate Determination/ISDA Determination/ other *(give details)*
- (vi) Calculation Agent (party responsible for calculating the Profit Rate(s) and/or Periodic Distribution Amount(s)): ☐[Name]
- (vii) Screen Rate Determination:
- Reference Rate: ☐[CNH HIBOR / EURIBOR]
  - Profit Rate Determination Date(s): ☐
  - Relevant Screen Page: ☐ *(For example, Reuters EURIBOR 01)*
  - Relevant Time: ☐ *(For example, 11.00 a.m. London time/Brussels time)*
  - Renminbi Settlement Centre: ☐/[Not Applicable]
- (viii) ISDA Determination:
- ISDA Definitions: ☐[2006 ISDA Definitions / 2021 ISDA Definitions]
  - Floating Rate Option: ☐
  - Designated Maturity: ☐
  - Reset Date: ☐
- (ix) Margin(s): ☐[+/-] ☐ per cent. per annum
- (x) Minimum Profit Rate: ☐ per cent. per annum
- (xi) Maximum Profit Rate: ☐ per cent. per annum
- (xii) Day Count Fraction: ☐

- (xiii) Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating profit on Floating Rate Sukuk, if different from those set out in the Conditions: [●]

### Provision Relating to Dissolution

19. Optional Dissolution right: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Dissolution Date(s): [●]/[Any Periodic Distribution Date]
- (ii) Dissolution Distribution Amount(s) of each Sukuk and method, if any of calculation of such amount(s): [●] per Calculation Amount
- (Note: This must be no less than par)*
- (iii) If redeemable in part:
- (a) Minimum Optional Dissolution Amount: [●] per Calculation Amount
- (b) Maximum Optional Dissolution Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
20. Sukukholder Put Right: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Sukukholder Put Right Date(s): [●]
- (ii) Dissolution Distribution Amount(s) of each Sukuk and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (Note: This must be no less than par)*
- (iii) Notice period: [●]
21. Change of Shareholding Put Right:
- (i) Dissolution Distribution Amount(s) of each Sukuk and method, if any, of calculation of such amount(s): [●] per Calculation Amount *(Note: This must be no less than par)*
- (ii) Any other provisions relating to the Change of Shareholding Put Right: [Not Applicable/give details]
- (iii) Notice period: [●]

22. Dissolution Distribution Amount on Scheduled Dissolution Date: [●] per Calculation Amount  
(Note: This must be no less than par)
23. Dissolution Distribution Amount of each Sukuk payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●] per Calculation Amount  
(Note: This must be no less than par)

#### General Provisions Applicable to the Sukuk

24. Form of Sukuk: Global Certificate exchangeable for Individual Certificates in the limited circumstances specified in the Global Certificate
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details] (Note that this paragraph relates to the date and place of payment)
26. Other terms or special conditions: [Not Applicable/give details]

#### Provisions in respect of the Trust Assets

27. Initial Wakala Assets on the Issue Date:<sup>7</sup> [The Initial Wakala Assets as set out in the Management Wakala Supplemental Purchase Agreement specified below, a copy of which is set out in Annex 1 hereto, [and a Commodity Murabaha Investment with a Deferred Sale Price of [●]]/[Not Applicable]
28. Wakala Investment on the Issue Date:<sup>8</sup> [The Wakala Investment for an amount equal to the Initial Wakala Investment Amount as set out in the Wakala Investment Plan scheduled to the Supplemental Trust Deed] [and a Commodity Murabaha Investment with a Deferred Sale Price of [●]]/[Not Applicable]
29. Trust Assets on the Issue Date: [Condition 5.1 (Trust Assets) applies] [specify other]
30. Other Transaction Document information:
- (i) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between (among others) the Trustee, Cagamas and the Delegate
- (ii) [Management Wakala Supplemental Purchase Agreement:] [Management Wakala Supplemental Purchase Agreement dated [●] between the Trustee (as Purchaser) and Cagamas (as Seller). A copy of the list of assets under the Management Wakala Supplemental Purchase Agreement is appended as Annex 1]

#### Distribution

31. Method of distribution: [Syndicated/Non-syndicated]

<sup>7</sup> For Management Wakala Sukuk only

<sup>8</sup> For Investment Wakala Sukuk only



32. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
33. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
34. Total commission and concession: [●] per cent. of the Aggregate Face Amount
35. U.S. Selling Restrictions: Reg. S Category 2
- TEFRA not applicable
36. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Sukuk clearly do not constitute “packaged” products or the Sukuk do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Sukuk may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
37. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Sukuk clearly do not constitute “packaged” products or the Sukuk do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Sukuk may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
38. Additional selling restrictions: [Not Applicable/*give details*]
39. Hong Kong SFC Code of Conduct:
- (i) Rebates: [A rebate of [●] bps is being offered by the Trustee to all private banks for orders they place (other than in relation to Sukuk subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Sukuk distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
- (ii) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: [Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent — OCs to provide]/[Not Applicable]

- (iii) Marketing and Investor Targeting Strategy:

[if different from the programme OC]

### Operational Information

40. ISIN Code: [●]
41. Common Code: [●]
42. Clearing System: [Euroclear/Clearstream] [CMU] [CDP] [Alternative Clearing System]
43. Alternative Clearing System (any clearing system(s) other than Euroclear/Clearstream, the CMU and CDP and the relevant identification number(s)):
- [Not Applicable/give name(s) and number-(s)]
- (i) ACS Lodging Agent: [●]
- (ii) ACS Paying Agent: [●]
- (iii) ACS Calculation Agent: [●]
- (iv) ACS Transfer Agent: [●]
- (v) ACS Registrar: [●]
44. CMU Instrument Number: [●] [Not Applicable]
45. Delivery: Delivery [against/free of] payment
46. Additional Paying Agent(s) (if any): [Not Applicable/give name and address]

### General

47. [Ratings: The Sukuk to be issued have been rated:
- [S&P: [●]]
- [Moody's: [●]]
- [Other: [●]]

*(The above disclosure should reflect the rating allocated to Sukuk of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

### Use of Proceeds

[Please specify]

### [Stabilising

In connection with this issue, [insert name of Stabilising Manager(s)] (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Sukuk or effect transactions

with a view to supporting the market price of the Sukuk at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Sukuk is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Sukuk and 60 days after the date of the allotment of the Sukuk. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

### **Purpose of Pricing Supplement**

[This Pricing Supplement comprises the final terms required for issue and admission to trading on [the SGX-ST]/[the LFX] of the Sukuk described herein pursuant to the U.S.\$2,500,000,000 Multicurrency Sukuk Issuance Programme.]

### **Responsibility**

[The Labuan International Financial Exchange Inc (the LFX) takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Pricing Supplement. The admission of the Sukuk to the LFX is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.]

[The Singapore Exchange Securities Limited (the SGX-ST) takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The admission of the Sukuk to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.]

The Trustee and Cagamas accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Cagamas Global Sukuk Berhad

By: \_\_\_\_\_  
Duly authorised

Signed on behalf of Cagamas Berhad By:

By: \_\_\_\_\_  
Duly authorised

**[ANNEX 1  
LIST OF ASSETS UNDER MANAGEMENT WAKALA SUPPLEMENTAL  
PURCHASE AGREEMENT]**

*[To be inserted upon completion of Pricing Supplement]*

## SUMMARY OF PROVISIONS RELATING TO THE SUKUK WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Series of Sukuk represented by a Global Certificate, references in the Conditions to “**Sukukholder**” are references to the person in whose name such Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is deposited with CDP or a common depositary (a “**Common Depositary**”) for Euroclear, Clearstream, a subcustodian for the CMU operated by the HKMA and/or any relevant Alternative Clearing System, will be CDP or its nominee or a Common Depositary, or a nominee for such Common Depositary, the relevant sub-custodian or a central securities depository (or a nominee for such central securities depository) for the relevant Alternative Clearing System, as the case may be.

Each of the persons shown in the records of CDP, Euroclear, Clearstream or any relevant Alternative Clearing System as the holder of the Sukuk represented by a Global Certificate must look solely to CDP, Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the holder of the underlying Sukuk and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of CDP, Euroclear, Clearstream, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Sukuk for so long as the Sukuk are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the holder of the underlying Sukuk, as the case may be, in respect of each amount so paid.

If a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Certificate are credited as being held in the CMU in accordance with the rules of the CMU as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled to receive payments in respect of Sukuk represented by such Global Certificate and the Trustee will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the holder of a particular face amount of Sukuk represented by such Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Trustee in respect of such Global Certificate, and the obligations of the Trustee to make each such payment will be discharged upon payment of the same by the CMU Lodging and Paying Agent to each such holder.

### Conditions applicable to Global Certificates

Each Global Certificate contains provisions that apply to the Sukuk that they represent, some of which modify the effect of the terms and conditions of the Sukuk set out in this Offering Circular. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of Sukuk represented by a Global Certificate (except with respect to a Global Certificate held through the CMU) will be made against presentation and, if no further payment falls to be made in respect of the Sukuk, surrender of that Global Certificate to or to the order of the Registrar or such other Paying Agent as shall have been notified to the Sukukholders for such purpose. All payments in respect of Sukuk represented by a Global Certificate (except with respect to a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business (in the relevant clearing system) on the Record Date,

which shall be the Clearing System Business Day immediately before the due date for payment, where **“Clearing System Business Day”** means a day on which each clearing system for which the Global Certificate is being held is open for business.

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Sukuk.

**Prescription:** Claims against the Trustee for payment in respect of the Sukuk shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date (as defined in the Conditions) in respect of them.

**Meetings:** The holder of Sukuk represented by a Global Certificate shall (unless such Global Certificate represents only one Sukuk) be treated as two persons for the purposes of any quorum requirements of a meeting of Sukukholders and as being entitled to one vote in respect of each integral currency unit of the Specified Currency of such Sukuk.

**Cancellation:** Cancellation of any Sukuk represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption) will be effected by reduction in the aggregate face amount of the relevant Series of Sukuk in the Register.

**Optional Dissolution:** In the event that any early dissolution right of the Trustee or Obligor is exercised in respect of some but not all of the Sukuk of any Series represented by a Global Certificate, the rights of accountholders with a clearing system in respect of the Sukuk will be governed by the standard procedures of CDP, Euroclear, Clearstream, the CMU or any relevant Alternative Clearing System (as the case may be).

**Sukukholders’ Dissolution Right:** Any early dissolution right of the Sukukholders provided for in the Conditions of any Sukuk while such Sukuk are represented by a Global Certificate may be exercised by the holder of the Sukuk in accordance with the standard procedures of CDP, Euroclear, Clearstream, CMU or any relevant Alternative Clearing System (as the case may be).

**Notices:** So long as the Sukuk are represented by a Global Certificate and such Global Certificate is held by: (i) Euroclear or Clearstream, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Conditions; (ii) a sub-custodian for the CMU, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU) issued by the HKMA on the business day preceding the date of despatch of such notice as holding interests in the relevant Global Certificate; (iii) CDP, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in the records of CDP on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Certificate; and (iv) any relevant Alternative Clearing System, notices to the Holders of Sukuk of that Series may be given in accordance with the rules and regulations of such Alternative Clearing System except that in the case of (i) to (iv), so long as the Sukuk are listed or quoted on any stock exchange or securities market, notices shall also be published in a manner which complies with the rules and regulations of the relevant listing authority, stock exchange, securities market and/or quotation system, and any such notice shall be deemed to have been given to the Holders of Sukuk of that Series on the business day on which such notice is delivered to the persons referred to above.



## CAPITALISATION AND INDEBTEDNESS

As at 30 June 2022, the issued share capital of Cagamas was RM 150,000,000 divided into 150,000,000 ordinary shares. All of Cagamas' issued share capital comprises fully paid shares.

The following table sets forth the unaudited and unreviewed capitalisation and indebtedness amounts of Cagamas, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad (together, the “**Cagamas Group**”) as at 30 June 2022. This table should be read in conjunction with the financial statements of the Cagamas Group and related notes appearing elsewhere in this Offering Circular.

	<b>30 June 2022</b>	
	<b>(unaudited)</b>	
	<b>RM million</b>	<b>USD million*</b>
<b>Indebtedness</b>		
Unsecured bearer bonds and notes <sup>1</sup>	16,982.7	3,852.3
Sukuk <sup>2</sup>	16,477.5	3,737.7
Short-term borrowings	622.9	141.3
Derivative financial instruments	9.6	2.2
Deferred taxation	160.7	36.5
Lease liability	12.6	2.9
Other liabilities	168.8	38.3
<b>Total indebtedness</b>	<b>34,434.8</b>	<b>7,811.2</b>
<b>Capitalisation</b>		
Share capital	150.0	34.0
Other reserves	4,021.2	912.1
<b>Total capitalisation</b>	<b>4,171.2</b>	<b>946.1</b>
<b>Total capitalisation and indebtedness</b>	<b>38,606.0</b>	<b>8,757.3</b>

\* USD 1 = RM 4.4085 as at 30 June 2022 (Source: Bloomberg)

<sup>1</sup> Since 30 June 2022, the Cagamas Group has issued an additional RM 4,035.5 million in unsecured bearer bonds and notes as set out in the table below:

<b>Unsecured bearer bonds and notes</b>	<b>Type</b>	<b>RM million</b>
July 2022	CMTNs	1,400.0
August 2022	CMTNs	1,085.0
September 2022	CMTNs	100.0
September 2022	EMTNs	1,450.5
<b>Total</b>		<b>4,035.5</b>

<sup>2</sup> Since 30 June 2022, the Cagamas Group has issued an additional RM 1,085 million in Sukuk as set out in the table below:

<b>Sukuk</b>	<b>Type</b>	<b>RM million</b>
August 2022	IMTNs	525.0
September 2022	IMTNs	560.0
<b>Total</b>		<b>1,085.0</b>

(Source: FAST BNM and Bloomberg)

Except as otherwise disclosed above, there has been no material change in the capitalisation and indebtedness of the Cagamas Group since 30 June 2022.

## DESCRIPTION OF THE TRUSTEE

Cagamas Global Sukuk Berhad (Registration No. 201401016049 (1092135-D)) was incorporated on 5 May 2014 in Malaysia and is deemed incorporated under the Malaysian Companies Act 2016 with its registered office at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. The Trustee is a special purpose company and has been formed for the purpose of participating in the transactions contemplated by the Transaction Documents.

The issued and paid-up capital of the Trustee is RM 2.00 and is held by Cagamas. The directors of the Trustee and their designations are set out below:

1. Datuk Chung Chee Leong
2. Abdul Hakim Amir Zainol

Please refer to the biography of Datuk Chung Chee Leong set out below in “*Directors and Senior Management — Board of Directors of Cagamas — Datuk Chung Chee Leong — Chief Executive Officer / President and Executive Director*”.

Please refer to the biography of Abdul Hakim Amir Zainol set out below in “*Directors and Senior Management — Senior Management — Mr. Abdul Hakim Amir Zainol — Senior Vice President, Finance*”.

The Trustee has not engaged since its incorporation, and will not engage, in any material activities other than those relating to or incidental to the issue of Sukuk and the matters contemplated in this Offering Circular and the Transaction Documents.

## DESCRIPTION OF THE CAGAMAS GROUP

### Overview

Cagamas, the National Mortgage Corporation of Malaysia, was incorporated in Malaysia on 2 December 1986, as a public limited company, and is deemed incorporated under the Malaysian Companies Act 2016. 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 Berhad (“**Cagamas MBS**”), Cagamas SME Berhad (“**Cagamas SME**”), BNM Sukuk Berhad (“**BNM Sukuk**”), Cagamas SRP Berhad (“**Cagamas SRP**”) and Cagamas MGP Berhad (“**Cagamas MGP**”) (together with Cagamas Holdings, the “**Cagamas Holdings Group**”). On the other hand, Cagamas is the holding company of Cagamas Global P.L.C. and the Trustee. Cagamas SME has been dormant since October 2012, Cagamas MGP’s business has been undertaken by Cagamas SRP since 1 January 2014 and thereafter has been dormant and BNM Sukuk has been dormant since 1 September 2015.

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 Selling Institutions through its PWR and PWOR schemes. In purchasing housing loans and house financings, Cagamas is able to provide liquidity to financial 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 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 debts. (see *Description of the Cagamas Group — Business Overview — Cagamas* for additional information).

In addition to its PWR and PWOR schemes, the Cagamas Holdings Group:

- (a) provides guarantees to mortgage providers/financiers via Cagamas SRP under the mortgage guarantee programme including the GOM-initiated *Skim Rumah Pertamaku* or “My First Home Scheme” (the “**SRP**”);
- (b) offers risks and capital management solutions to financial institutions via subscription of subordinated debt issuance;
- (c) 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 mortgage-backed securities by Cagamas MBS; and
- (d) provides loan and financing through its reverse mortgage programme, *Skim Saraan Bercagar*, that allows retired homeowners to convert their residential property into a source of fixed monthly income throughout their lifetime.

Since its incorporation in 1986 up to 30 June 2022, Cagamas has issued, in aggregate, RM 366.3 billion bonds and Sukuk out of a total of RM 376.5 billion of bonds and Sukuk issued by the Cagamas Holdings Group since October 1987 up to 30 June 2022. Cagamas is the second largest issuer of bonds and sukuk in Malaysia after the GOM as of 30 June 2022, based on cumulative total nominal value issued as calculated by Bond Pricing Agency Malaysia.

The Cagamas Group has received numerous awards as issuer of bonds and Sukuk, including Islamic Issuer of the Year — Quasi-Sovereign at the Asset Triple A Islamic Finance Awards 2022, Industry Leadership Award at the Asset Triple A Islamic Finance Awards 2022, Best Quasi-Sovereign Sukuk (1.5 billion Ringgit Triple-Tranche commodity Murabaha Sukuk) Award at the Asset Triple A Islamic Finance Awards 2022, GIFA Market Leadership Award (Islamic Securitisation) at the Global Islamic Finance Awards 2022.

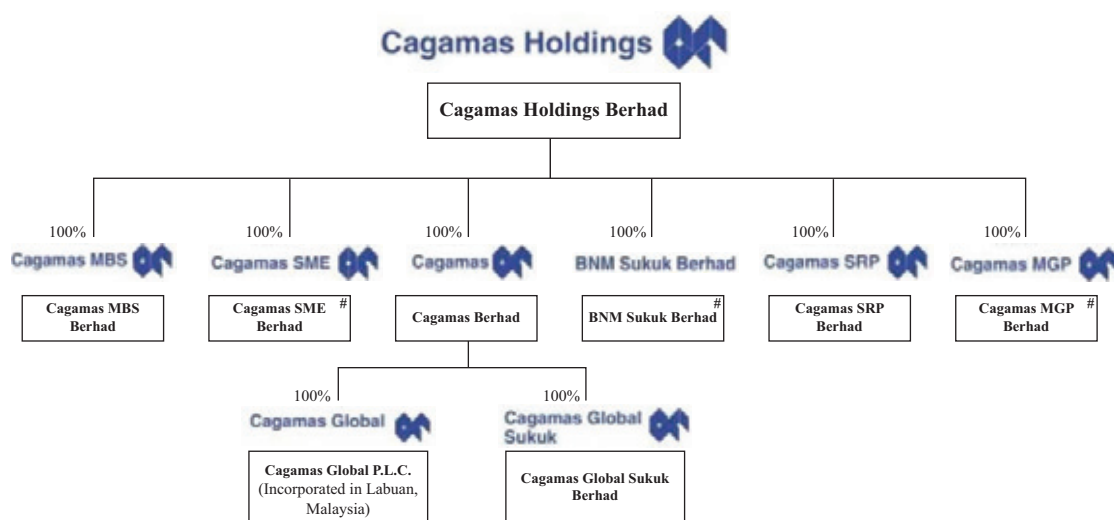
Islamic Issuer of the Year — Quasi-Sovereign at the Asset Triple A Islamic Finance Awards 2021, Best ASEAN Sustainability SRI Sukuk — Quasi-Sovereign (Best Deals by Country) 100 million Ringgit Sustainability SRI Commodity Murabahah Sukuk at the Asset Triple A Islamic Finance Awards 2021, Best ASEAN Sustainability SRI Sukuk — Quasi-Sovereign (Best in Sustainable Finance) 100 million Ringgit Sustainability SRI Commodity Murabahah Sukuk at the Asset Triple A Islamic Finance Awards 2021, GIFA Market Leadership Award (Islamic Securitization) at the Global Islamic Finance Awards 2021, Top Issuance — Conventional at the BPAM Bond Market Awards 2021.

Top Traded Amount (Conventional) at the BPAM Bond Market Awards 2020, Islamic Issuer of the Year — Quasi-Sovereign at the Asset Triple A Islamic Finance Awards 2020, Best Quasi-Sovereign Sukuk 500 Million Ringgit Commodity Murabahah Sukuk at the Asset Triple A Islamic Finance Awards 2020, GIFA Excellence Award (Islamic Securitisation) at the Global Islamic Finance Awards 2020, GIFA Special Awards (Islamic Financial Advocacy) at the Global Islamic Finance Awards 2020.

In addition to the recent awards, the Cagamas Holdings Group has consistently been recognised as a pioneer within the Malaysian capital markets arena and beyond, having achieved prominence for being the first issuer to undertake several innovative transactions and structures. Such transactions include the first Tiger Emas Bond (a renminbi bond issuance from Malaysia) and the first by a mortgage corporation, the first and largest residential mortgage backed securities transaction in Malaysia with a value of RM 1.56 billion (2004), the first rated Sukuk Musharakah residential mortgage backed securities transaction in the world (2005), the largest debt programme in the ASEAN region with a programme limit of RM 60 billion (2007), the first Sukuk al-Amanah Li al-Istithmar transaction in the world (2010), Cagamas Global P.L.C. issuance of its inaugural USD bond with a benchmark issue size of USD 500 million (2014), the first ASEAN Sustainability SRI Sukuk for affordable housing (2020) and the issuance of the first floating rate bonds based on Malaysia overnight rate (“MYOR”) reference (2022).

## Cagamas Holdings Group Structure

The diagram below sets out the structure of the Cagamas Holdings Group of companies:



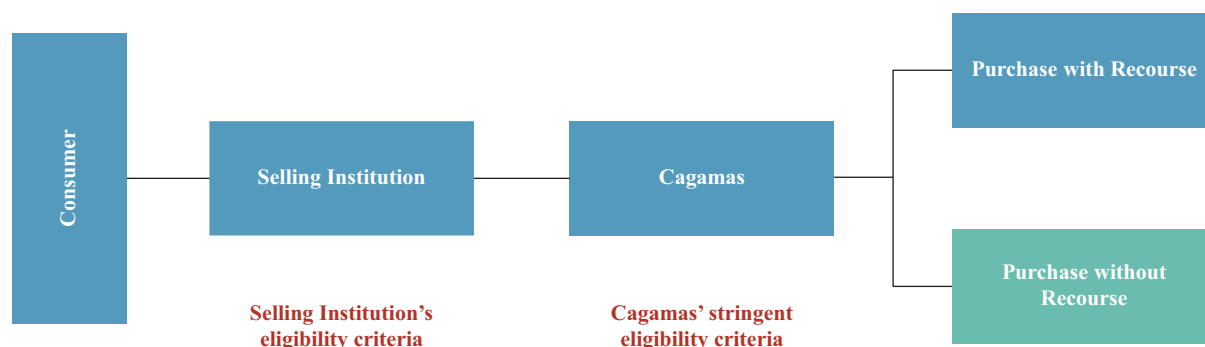
# indicates a dormant company.

## Key Strengths

Cagamas considers that its key strengths include the following:

### *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 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 PWOR scheme. The key criteria for individual products under each of the respective PWR and PWOR schemes can be found below in "*Business Overview — Cagamas*".

### *Strong Shareholding Structure*

Cagamas is wholly owned by Cagamas Holdings. Cagamas Holdings benefits from a strong, stable shareholding structure, demonstrated by the infrequent disposals of shares by shareholders of Cagamas Holdings (which disposals were mainly as a result of the merger of two or more shareholders) since its incorporation in 2007. The largest shareholder of Cagamas Holdings is BNM with whom the Cagamas Holdings Group maintains close ties. The Chairmen of Cagamas Holdings and Cagamas are appointed by their respective Board of Directors, in consultation with BNM. Although the Cagamas Holdings 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.

### *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 bonds and Sukuk. Since its incorporation up to 30 June 2022, Cagamas has issued conventional bonds and sukuk of RM 366.3 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 would continue to receive the support of its shareholders during periods of stress in the financial markets.

## **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 and, as at 31 December 2021, 84 per cent. of Cagamas' counterparties under the PWR scheme carried at least AA domestic ratings and, as at 30 June 2022, 80 per cent. of Cagamas' counterparties under the PWR scheme carried at least AA domestic rating and, as at 30 June 2022, there had been zero impairment losses for PWR assets.

The ratio of PWOR loans and financings in Cagamas' portfolio that are 90 days past their due date was 0.61 per cent. as at 31 December 2020, 0.54 per cent. as at 31 December 2021, and 0.45 per cent. as at 30 June 2022. This figure is lower than the Malaysian banking system's gross impaired loan ratio of 1.6, 1.4 and 1.7 per cent. for 31 December 2020, 31 December 2021 and 30 June 2022 respectively (Source: BNM Monthly Highlights and Statistics).

As at 31 December 2021, Cagamas had RM 39.9 billion of total assets, of which RM 27.4 billion representing 69 per cent. of total assets was under the PWR scheme and RM 8.6 billion representing 22 per cent. of total assets was under the PWOR scheme. As at 30 June 2022, Cagamas had RM 38.6 billion of total assets, of which RM 25.0 billion representing 65 per cent. of total assets was under the PWR scheme and RM 8.1 billion representing 21 per cent. of total assets was under the PWOR scheme.

## ***Strong Risk Management Framework***

Cagamas has a well-defined risk management strategy based on the Cagamas Holdings 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 and Compliance Division to assess exposures and co-ordination 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.

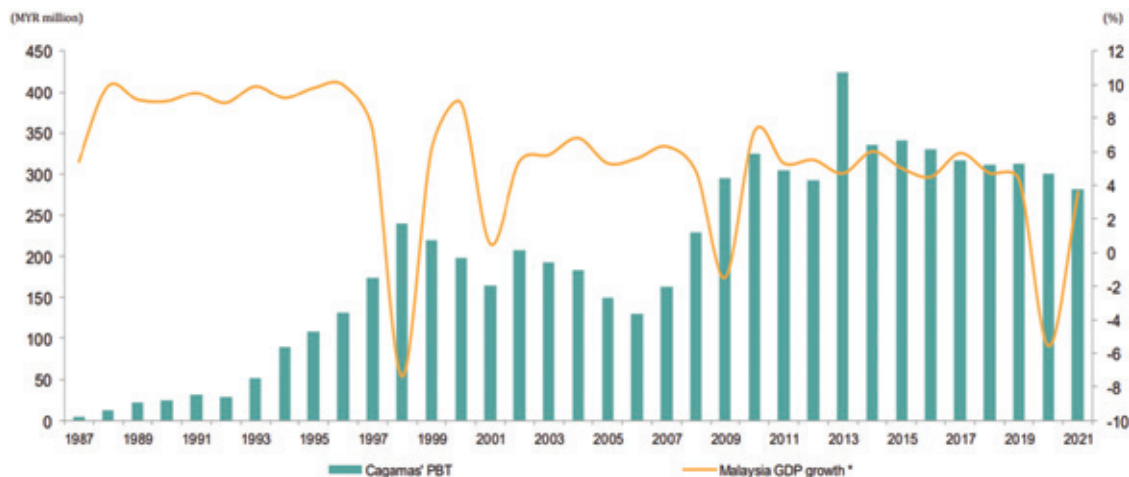
In addition, Cagamas has put in place Product Development Guidelines for all new business products and variations to existing products; the business units are responsible for the development of new product ideas, which are approved by various internal committees such as the Management Executive Committee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

## ***Sound and resilient financial position***

Since its inception, Cagamas has consistently achieved strong and resilient profits throughout the economic cycles, demonstrating that its business is managed in a prudent and profitable manner. Cagamas has also maintained steady growth and stable profits over the years.



The graph below charts the steady growth of Cagamas profits from 1987 to 2021 against the growth for Malaysia's GDP for the same period.



### *Experienced management team with extensive industry experience*

Cagamas has an experienced senior management team, which has on average more than 22 years' relevant industry experience. The senior management has an excellent track record, having managed and overseen the development of Cagamas into one of the most successful secondary mortgage liquidity facilities in the world, as recognised by the World Bank.

### **Strategy and Key Objectives**

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

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

Cagamas seeks to achieve these objectives by:

- developing the secondary mortgage market in Malaysia through the provision of innovative facilities and efficient service at a competitive cost to primary home lenders;
- enhancing the capital market, particularly the corporate bonds and sukuk market, through widening and deepening the scope of securitisation including issuance of sustainability bonds and/or sukuk;
- continuing to support GOM's initiative such as the SRP or any other related initiatives to promote affordable home ownership in Malaysia;
- offering bespoke risk and capital management solutions in line with the company's objectives;

- embracing a culture of deploying sustainable initiatives;
- nurturing and maintaining a competent workforce of the highest integrity and professionalism;
- using technology to enhance productivity and efficiency;
- valuing its staff for their commitment and loyalty; and
- inculcating a caring and responsible corporate culture.

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

- remaining committed to its mandate of helping Malaysians gain access to affordable, competitive and innovative house financing through the following:
  - continuing to support the GOM's initiative in promoting affordable homes via mortgage guarantee programme as well as provision of project financing to selected affordable housing developers; and
  - continuing to promote reverse mortgage product to provide alternative steady monthly cash pay out to retirees throughout their lifetime to supplement their retirement funds whilst maintaining the ability to age at home;
- continuing to undertake its primary role in the financial system to accelerate liquidity to the secondary mortgage market through the following:
  - enhancing its offerings to financial institutions including the new digital banks entrants through development of alternative liquidity and structured funding solutions as well as risk-transfer mechanism that are suited to meet individual institution needs and requirements; and
  - providing competitively priced funding, which is achieved through its diversification of funding sources and widening of its investor base;
- promoting the growth of affordable green homes in the country through development of standards or taxonomy for green home and home improvement financing together with relevant stakeholders and exploring more environmental, social and governance (ESG) related issuances.

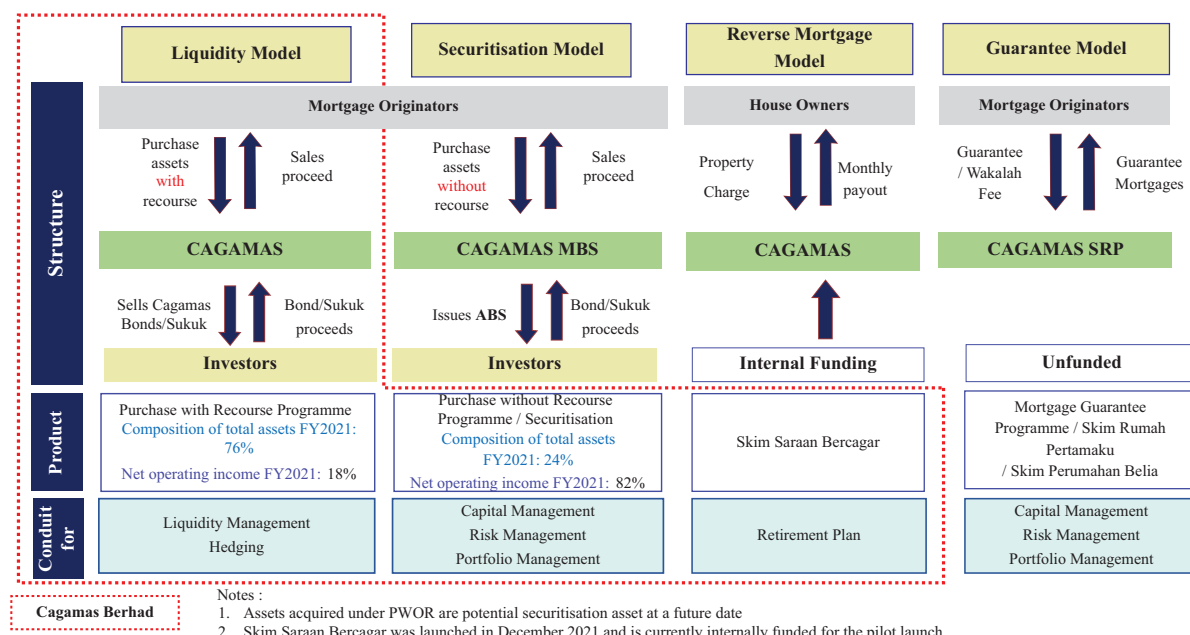
## **Business Overview**

Cagamas is the main operating company of the Cagamas Holdings 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 and leasing receivables, while only the PWR scheme can be used to finance industrial property loans and financings, hire purchase/leasing, personal loans and financings, Rahn (collateral) receivables/financings, SME loans and financings and infrastructure development loans and financings. In addition to the two product lines offered by Cagamas, the Cagamas Holdings Group set up Cagamas MBS and Cagamas SME as special purpose companies to facilitate asset-securitisation transactions, Cagamas Global P.L.C. and the Trustee to facilitate foreign currency funding programmes and BNM Sukuk to undertake the issuance of Sukuk on behalf of BNM.

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

## Cagamas Business Model

### Cagamas purchases loans and financing under 2 schemes — Purchase with Recourse and Purchase without Recourse



## Cagamas

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 bonds and sukuk by Cagamas in the bonds and sukuk markets. The purchase of loans and financings may also be funded by other funding mechanisms where Cagamas sees fit. All debt issued by Cagamas is unsecured and ranks *pari passu* amongst itself.

In the financial year ended 31 December 2021, Cagamas purchased new loans and financings amounting to RM 13.8 billion, an increase of RM 6.8 billion when compared to the financial year ended 31 December 2020.

For the six months ended 30 June 2022, Cagamas purchased new loans and financings amounting to RM 4.5 billion, a decrease of RM 0.5 billion when compared to the first half of 2021.

In 2021, there were no new purchases of loans and financing under the PWOR scheme. The run-down of loans and financing in the year resulted in total outstanding PWOR assets declining to RM 8.6 billion (2020: RM 9.5 billion). Although PWOR assets carry higher credit risk, they are considered to have good credit quality as PWOR assets are mainly repaid via non-discretionary salary deductions from employees of the government and government-related entities. The deduction at source mitigates delinquency risk and this is reflected in the historically low default rate for PWOR assets.

Cagamas' PWOR assets decreased by 10 per cent. to RM 8.1 billion as at 30 June 2022 as compared with RM 9.0 billion in the same period the previous year. There were no new purchases of loans and financing under the PWOR scheme for the first half of 2022.

Cagamas' PWR assets increased by 16 per cent. to RM 27.4 billion as at 31 December 2021 as compared with the previous year as higher purchases offset the run-down of loans and financing. In

2021, Cagamas purchased RM 13.8 billion worth of PWR assets as compared with RM 7.0 billion in 2020. PWR asset risk is limited to the counterparty risk of the originating financial institutions and corporates. Cagamas' strict eligibility criteria and stringent monitoring of exposures towards counterparties further mitigates the credit risk. As at 31 December 2021, about 84 per cent. of PWR assets were purchased from entities rated by RAM as AA and above.

Cagamas' PWR assets decreased by 9 per cent. to RM 25.0 billion as at 30 June 2022 as compared with the previous year as new purchases were not sufficient to replenish the matured assets and run-down of loans and financing. In the first half of 2022, Cagamas purchased RM 4.5 billion worth of PWR assets as compared with RM 5.0 billion in the same period in 2021. As at 30 June 2022, about 80 per cent. of PWR assets were purchased from entities rated by RAM as AA and above.

In the financial year ended 31 December 2021, Cagamas' net outstanding loans and financing rose moderately by 8 per cent. to RM 36.0 billion, an increase of RM 2.8 billion when compared with the financial year ended 31 December 2020. In the six months ended 30 June 2022, Cagamas' net outstanding loans and financing rose moderately by 0.3 per cent. to RM 33.1 billion, an increase of RM 0.1 billion when compared with the six months ended 30 June 2021.

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, hire purchase and leasing receivables, industrial property loans and financings, Rahn (collateral) receivables/financings, SME loans and financings and infrastructure development loans and financings. The PWR scheme comprises two sub-groups, one dealing with conventional loans ("**PWR**") and the other dealing with Islamic financings ("**Islamic PWR**").

As at 31 December 2021, outstanding PWR loans and financings held by Cagamas amounted to RM 27.4 billion, which was 76 per cent. of total outstanding loans and financings. As at 30 June 2022, outstanding PWR loans and financings held by Cagamas amounted to RM 25.0 billion, which was 75 per cent. of total outstanding loans and financings, a change of 1 per cent. since 31 December 2021.

#### *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. For the key criteria used by Cagamas in relation to each product purchased under the PWR scheme, please see the section setting out the individual PWR products below.

Funds obtained by the Selling Institutions from the sale of conventional housing loans and Islamic house financings to Cagamas are fully exempted from the statutory reserve and liquidity requirements but are not entitled to capital relief benefits. Funds obtained by the Selling Institutions from the sale of industrial property loans and financings and hire purchase and leasing debts/Islamic hire purchase and leasing facilities are also exempted from the liquidity requirements and a certain portion of such funds will be included in the eligible liabilities for the computation of the statutory reserve requirement but are not entitled to capital relief benefits. In utilising the PWR scheme, a Selling Institution is able to hedge its interest/profit rates 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/profit 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/profit rates environment. Similarly, in a falling interest/profit 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 rate environment during that period.

Under the PWR scheme, the loans and financings are purchased by Cagamas based on their book value (i.e. the principal balance outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date) either at par or at a discount to its book value. Following such sale, the Selling Institution undertakes to conduct the Retained Functions (as defined below) at its own cost as a term of the sale. The scope of Retained Functions are set out in the relevant agreement selling the loans and financings to Cagamas and include tasks such as monitoring the performance of loans and financings sold to Cagamas, the collection of monthly instalments relating to the loans and financings (the “**Monthly Instalments**”), the remittance of the Cagamas instalment 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 Institution remains responsible for any losses arising from defaults by the borrower/obligor, 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 bonds and/or sukuk issued to fund the purchase of the relevant loan and financings), Cagamas will provide the Selling Institution with a new Cagamas rate to continue holding the loans and financings for a new term. The Selling Institution 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 new Cagamas rate is not reasonable.

Where Cagamas does not have credit limits for a Selling Institution, under the PWR scheme, the Selling Institution can utilise an intermediary financial institution for the onward sale of the loans and financings to Cagamas. A purchase facility will be entered into between the Selling Institution and the intermediary financial institution and a separate purchase facility, 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 remittance of principal and interest/profit by the Selling Institutions on the loans and

financings sold to Cagamas with recourse, by way of the Cagamas instalment, the Selling Institution can now choose to remit only the interest/profit throughout the contracted review period with remittance of the principal by bullet payment on the review date.

As part of Cagamas' sustainability journey, Cagamas has established a sustainability bond/sukuk framework ("**Cagamas Sustainability Bond/Sukuk Framework**") in 2019 to purchase loans, assets and financings related to environmental and/or social impact projects via PWR, in line with the country's aspirations of transitioning to a more environmentally and socially friendly economy. The purchase of loans, assets and financings would be funded via the issuance of sustainability bonds and sukuk. The Cagamas Sustainability Bond/Sukuk Framework was updated on 18 June 2020. Up to 31 October 2022, Cagamas had issued a total of RM 2.49 billion sustainability-related bonds and sukuk to fund loans, assets and financings related to environmental and/or social impact projects.

#### ***Key PWR products and their individual criteria for purchase by Cagamas***

In the event that the PWR/Islamic PWR loans/financing are related to sustainability, the PWR/Islamic PWR loans/financing must satisfy the sustainability eligibility criteria under the Cagamas Sustainability Bond/Sukuk Framework in addition to the core eligibility criteria.

##### ***PWR Housing Loans***

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

- the PWR Housing Loans must be secured by a first charge or assignment of rights over the secured property;
- the purpose of the PWR Housing Loans must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- the PWR Housing Loans must be fully disbursed;
- the monthly instalment of the PWR Housing Loans must not be more than one month in arrears at the time of the proposed sale of the PWR Housing Loans to Cagamas;
- the PWR Housing Loans must not expire before the end of the agreed contracted review period; and
- 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 core eligibility criteria must be satisfied in order for a PWR HPL Debt to be eligible for sale to Cagamas:

- the PWR HPL Debt must be in relation to the hire purchase, sale on credit terms or the leasing of equipment;
- the PWR HPL Debt must be fully disbursed;



- the PWR HPL Debt must be an amortising debt;
- the monthly instalment of the PWR HPL Debt must not be more than one month in arrears at the time of the proposed sale;
- the PWR HPL Debt must not expire before the end of the agreed contracted review period;
- each PWR HPL Debt must, disregarding any unearned finance charges, have a book balance not exceeding RM 2 million; and
- 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 which have been granted for the purpose of financing or refinancing the purchase, construction or renovation of factories, warehouses or industrial complexes (“**Industrial Property Loans**”) in the same manner it purchases PWR Housing Loans. The following core eligibility criteria must be satisfied in order for an Industrial Property Loan to be eligible for sale to Cagamas:

- the purpose of the Industrial Property Loan must be for the financing or refinancing of the purchase, construction or renovation of industrial properties;
- the Industrial Property Loan must be fully disbursed;
- the monthly instalment of the Industrial Property Loan must not be more than one month in arrears at the time of the proposed sale;
- each Industrial Property Loan, disregarding any unearned interest, must have a book balance not exceeding RM 20 million;
- 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
- 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 core eligibility criteria must be satisfied in order for a PWR Personal Loan to be eligible for sale to Cagamas:

- 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;
- the PWR Personal Loan must be fully disbursed;
- the monthly instalment 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;

- the PWR Personal Loan must not expire before the end of the agreed contracted review period; and
- all other eligibility criteria contained in the Cagamas Guide (Personal Loans) must be satisfied.

#### *PWR SME Loans*

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

- the SME Loans under PWR HPL Debts and Industrial Property Loans should not be in arrears at the time of sale in respect of principal and/or interest margin;
- the SME Loans under PWR HPL Debts and Industrial Property Loans must have been paid at least six monthly instalments as at the purchase date;
- the SME Loans under Industrial Property Loans is an amortising loan;
- the SME Loans under Industrial Property Loans should at the time of sale, have a book balance less unearned interest, if any, not exceeding RM 10 million; and
- all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts and Commercial and Industrial Property Loans) must be satisfied.

#### *PWR Infrastructure Loans*

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

- the Infrastructure Loans must be fully disbursed and amortised;
- the maximum project size of Infrastructure Loans is up to RM 500 million each;
- the properties under the Infrastructure Loans must be fully completed and lease rental have commenced with at least one month payment made;
- the Infrastructure Loans should at the time of sale, have a remaining life which expires on or after the review date; and
- all other eligibility criteria contained in the Cagamas Guide (Infrastructure Loans) must be satisfied.

#### *Islamic PWR*

Under the Islamic PWR scheme, Cagamas purchases Islamic facilities from Islamic financial institutions (“**IFIs**”), financial institutions (“**FIs**”), 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 sold 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) or Musharakah Mutanaqisah (diminishing partnership)) in the form of cash alone (i.e. the *Shariah* principles of Bai' al-A'yaan (asset trading)). For Rahn (collateral) receivables/financings, Cagamas purchases the receivables using cash under the *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). The following core eligibility criteria must be satisfied in order for an IHF to be eligible for sale to Cagamas:

- the IHF must be conducted under approved *Shariah* principles;
- the purpose of the IHF must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- the IHF must be fully disbursed;
- the monthly instalment 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;
- the IHF must not expire before the end of the agreed contracted review period;
- the IHF must have a profit rate greater than Cagamas' required rate of return (not applicable for floating rate and purchase at a discount to its book value);
- the IHF must be secured by a first charge or assignment of rights over the secured property; and
- 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 core eligibility criteria must be satisfied in order for an IHP/Islamic Leasing to be eligible for sale to Cagamas:

- the IHP/Islamic Leasing must be conducted under approved *Shariah* principles;
- the IHP/Islamic Leasing must be fully disbursed;
- the monthly instalment of the IHP/Islamic Leasing must be no more than one month in arrears at the time of sale;

- the IHP/Islamic Leasing must not expire before the end of the agreed contracted review period;
- the IHP/Islamic Leasing must have a book balance (less unearned profit, if any) not exceeding RM 2 million per facility;
- the IHP/Islamic Leasing must have an effective rate greater than Cagamas' required rate of return (not applicable for floating rate and purchase at a discount to its book value); and
- the IHP/Islamic Leasing must comply with any other criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing).

#### *Islamic PWR Industrial Property Financings*

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

- the purpose of the Industrial Property Financings must be for the financing or refinancing of the purchase, construction or renovation of industrial properties;
- the Industrial Property Financings must be fully disbursed;
- the monthly instalment of the Industrial Property Financings must not be more than one month in arrears at the time of the proposed sale;
- each Industrial Property Financing, disregarding any unearned profit, must have a book balance not exceeding RM 20 million;
- the Industrial Property Financings must be secured by a first ranking charge over the secured property or an assignment of rights over the secured property; and
- all other eligibility criteria contained in the Cagamas Guide (Islamic Commercial and Industrial Property Financings) must be satisfied.

#### *Islamic PWR Personal Financing*

Under the PWR scheme, Cagamas purchases Islamic personal financing (“**IPF**”) from IFIs under Bai’ al-Dayn al-Sila’ii (exchange of debts with commodities) or Bai’ al-Dayn (debts trading). The following core eligibility criteria must be satisfied in order for an IPF to be eligible for sale to Cagamas:

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

### *Islamic PWR Rahn receivables/financings*

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

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

### *Islamic PWR SME Financings*

Under the PWR scheme, Cagamas purchases SME financings (“**SME Financings**”) where the customer is identified as an SME granted under IHP/Islamic Leasing and Industrial Property Financings. The following additional criteria must be satisfied in order to be eligible for sale to Cagamas:

- the SME Financings under IHP/Islamic Leasing and Industrial Property Financings should not be in arrears at the time of sale in respect of principal and/or profit margin;
- the SME Financings under IHP/Islamic Leasing and Industrial Property Financings must have been paid at least six monthly instalments as at the purchase date;
- the SME Financings under Industrial Property Financings is an amortising financing;
- the SME Financings under Industrial Property Financings should at the time of sale, have a book balance less unearned profit, if any, not exceeding RM 10 million; and
- all other eligibility criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing and Islamic Commercial and Industrial Property Financings) must be satisfied.

### *Islamic PWR Infrastructure Financings*

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

- the Infrastructure Financings must be fully disbursed and amortised;
- the maximum project size of Infrastructure Financings is up to RM 500 million each;
- the properties under the Infrastructure Financings must be fully completed and lease rental have commenced with at least one month payment made;
- the Infrastructure Financings should at the time of sale, have a remaining life which expires on or after the review date; and

- all other eligibility criteria contained in the Cagamas Guide (Islamic Infrastructure Facilities) must be satisfied.

### *PWOR Scheme*

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

As at 31 December 2021, outstanding PWOR assets held by Cagamas amounted to RM 8.6 billion, which constituted 24 per cent. of total outstanding loans and financings. As at 30 June 2022, outstanding PWOR assets held by Cagamas amounted to RM 8.1 billion, which constituted 25 per cent. of total outstanding loans and financings, a change of 1 per cent. since 31 December 2021.

### *PWOR*

Under the PWOR scheme, stringent eligibility criteria must be satisfied before Cagamas purchases loans and financings from Selling Institutions on a without recourse basis. The Selling Institution receives proceeds from the sale of loans and financings up-front and, post-sale, Cagamas does not have any recourse to the Selling Institution but takes on the credit risk of the underlying borrower/obligor. These loans and financings are purchased based on their book value (i.e. the principal outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date). The valuation of each loan and financing can be at a premium, discount or par and this allows the Selling Institution to secure its profit upfront from the sale to Cagamas. Due to the increased risk profile of PWOR purchases, the eligibility criteria are far more stringent than those used for the purchase of similar asset classes under the PWR scheme. The eligibility criteria used by Cagamas in relation to housing loans and financings and hire purchase products under the PWOR scheme are set out in the relevant section 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 from all outstanding credit risk for the loans and financings sold to Cagamas under the PWOR scheme and the Selling Institution will also benefit from a steady income stream in the form of regular payments of the servicer fee. A standardised product structure and legal documentation are some of the key features which allow the expedient completion of transactions under the PWOR scheme.



## ***Key PWOR products and their individual criteria for purchase by Cagamas***

### ***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:

- the PWOR Housing Loan must be secured by a first charge or assignment of rights over the secured property;
- the PWOR Housing Loan must be for the purchase of a completed residential unit or for the construction or renovation of a residential unit;
- the PWOR Housing Loan must be repayable/payable in Ringgit;
- the maturity date of the PWOR Housing Loan must not be: (a) less than five years; or (b) more than 30 years, from the proposed date of purchase by Cagamas;
- in the 12 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;
- the monthly instalment payable under the PWOR Housing Loan must be greater than 110 per cent. of the interest/profit portion of the monthly instalment;
- the loan/financings-to-value ratio should be no more than 80 per cent. (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)));
- 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
- 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:

- the PWOR HPL Debt must be taken in relation to private and non-commercial passenger car(s) only;
- the age of the car/equipment of the PWOR HPL Debt must not be more than seven years prior to the proposed date of sale to Cagamas;
- the initial amount financed under the PWOR HPL Debt must not exceed RM 400,000;
- the original margin of finance must not be more than 80 per cent. of the purchase price or market value;

- 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;
- the monthly instalment payable under the PWOR HPL Debt must be greater than 110 per cent. of the interest/profit portion of the monthly instalment; and
- 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 servicer fee for continuing to carry out services on its behalf. Under this scheme, Cagamas purchases debt-based financings using cash or commodities (i.e. the *Shariah* principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) and it purchases asset based financings (such as Al-Ijarah Thumma Al-Bai (lease to purchase) or Musharakah Mutanaqisah (diminishing partnership)) in the form of cash alone (i.e. the *Shariah* principles of Bai' al-A'yaan (asset trading)). The minimum eligibility criteria for products under the Islamic PWOR scheme is the same as the eligibility criteria adopted for the PWOR scheme. Products purchased under the Islamic PWOR scheme are also subject to any *Shariah* principles that need to be complied with.

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

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

#### *Capital Management Solution (CMS)*

CMS is designed to provide capital support to FIs and Development Financial Institutions (“DFIs”) under the purview of the Financial Services Act 2013 and the Development Financial Institutions Act 2002 respectively. Within Cagamas’ approved parameters, Cagamas will subscribe for debt securities issued by FIs/DFIs which comply with BNM’s capital adequacy framework and may consider funding the purchase of such debt securities via issuance of bonds or other funding avenues.

#### *Skim Saraan Bercagar (SSB)*

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

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

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

#### *Skim Saraan Bercagar Islamik (SSB-i)*

Cagamas introduced *Skim Saraan Bercagar Islamik* (“**SSB-i**”), a global-first Islamic reverse mortgage financing for senior citizen homeowners, which is aimed to help them fund their retirement in compliance with *Shariah* principles. The introduction of SSB-i offers an alternative for senior homeowners who prefer a *Shariah* compliant financing solution.

SSB-i is an Islamic reverse mortgage financing facility which allows retirees aged 55 and above, to leverage against the value of their fully paid homes and convert it into a steady monthly cash payout to supplement their retirement funds up to the age of 120 years, without sacrificing home ownership.

SSB-i is a sale-based commodity transaction, structured under the *Shariah* principle of Murabahah (via Tawarruq arrangement).

#### **Bonds and Sukuk issued by the Cagamas Group**

The Cagamas Group issues bonds 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. For the year ended 31 December 2021, the Cagamas Group had issued RM 368.9 billion worth of bonds and sukuk, comprising RM 73.3 billion of sukuk and RM 295.6 billion of bonds for the year 2021, an increase of RM 19.2 billion when compared to 2020. For the six months ended 30 June 2022, the Cagamas Group had issued RM 376.5 billion worth of bonds and sukuk, comprising RM 76.9 billion of sukuk and RM 299.6 billion of bonds for the first half of 2022, an increase of RM 18.6 billion when compared to the same period in 2021. The Cagamas Holdings Group has contributed and continues to contribute to the depth and breadth of Malaysian bond and sukuk markets by being one of the largest bond and sukuk issuers as of 30 June 2022 and structuring innovative products, such as the first and largest residential mortgage backed securities transaction in Malaysia with a value of RM 1.56 billion in 2004, the first rated Sukuk Musharakah residential mortgage backed securities transaction in the world in 2005, the largest debt programme in the ASEAN region with a programme limit of RM 60 billion in 2007, the first Sukuk al-Amanah Li al-Istithmar transaction in the world in 2010 and the issuance of the first floating rate bonds based on MYOR in 2022. Below is a description of the existing securities issued by Cagamas.

#### ***Bonds issued by Cagamas***

Bonds are typically issued under Cagamas’ RM 20 billion Islamic/Conventional Commercial Paper programme (the “**RM 20 billion ICP/CCP Programme**”) and the RM 60 billion Islamic/Conventional Medium Term Notes programme (the “**RM 60 billion IMTN/CMTN Programme**”). The instruments issued under the programmes are as follows:

##### ***Fixed Rate Medium Term Notes (“MTNs”)***

MTNs issued by Cagamas have tenures of at least one year and carry a fixed coupon rate which is determined at the point of issuance. Interest on these MTNs is normally paid at half-yearly intervals. The redemption of the MTNs is at nominal value together with the interest due upon maturity.

##### ***Floating Rate Notes (“FRNs”)***

FRNs issued by Cagamas have an adjustable interest rate pegged to the Kuala Lumpur Interbank Offered Rate (“**KLIBOR**”), MYOR or such other reference benchmark rate which is determined at the point of issuance, or any other dates as agreed by the parties. Interest on these FRNs is paid at three or six-monthly intervals. The redemption of the FRNs is at face value together with the interest due upon maturity.

### *Commercial Paper (“CPs”)*

CPs are short-term instruments with maturities of between one to 12 months and may be issued with or without coupon. The CPs issued with coupon may be issued at par, at a premium or at a discount to its nominal value, whereas the CPs issued without coupon shall be issued at a discount to its nominal value.

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.

### ***Bonds issued by the Cagamas Group***

#### ***Notes issued under the USD 2.5 billion Multicurrency Medium Term Note Programme (the “EMTN Programme”) (“EMTN Notes”)***

Cagamas Global P.L.C. may from time to time issue EMTN Notes denominated in any currency (other than RM) which are unconditionally and irrevocably guaranteed by Cagamas.

The tenure of each series of EMTN Notes 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 specified currency. 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 any 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 bonds and sukuk of the Cagamas Group as at 30 June 2022.

	<b>As at 30 June 2022</b>
<b>Outstanding Cagamas Bonds<sup>o</sup></b>	
	<b>(RM million)*</b>
<b>Instrument issued by Cagamas</b>	
Fixed Rate Medium Term Notes .....	13,875
Floating Rate Notes .....	880
<b>Instrument guaranteed by Cagamas</b>	
Conventional Multicurrency Bonds	
SGD notes .....	926
USD notes .....	<u>1,122</u>
<b>Total .....</b>	<b><u>16,803</u></b>

<sup>o</sup> As at 30 June 2022, Cagamas Global P.L.C. has issued SGD 1,457 million (equivalent to RM 4,619 million with SGD 1: RM 3.1702) in unsecured bearer bonds and notes and the Trustee has issued USD 1,376 million (equivalent to RM 6,066 million with USD 1: RM 4.4085) in unsecured bearer bonds and notes (Source: Bloomberg)

\* USD 1 = RM 4.4085, SGD 1 = RM 3.1702 (Source: Bloomberg)

### *Sukuk issued by Cagamas*

Cagamas issues sukuk via its existing RM 20 billion ICP/CCP Programme and RM 60 billion IMTN/CMTN Programme. The instruments issued under the programmes are as follows:

#### *Islamic Fixed Rate Medium Term Notes (“IMTNs”)*

IMTNs issued by Cagamas have tenures of at least one year and carry a profit which is determined at the point of issuance. Profit on the Sukuk is paid at half-yearly intervals. The redemption of the IMTNs is at nominal value together with profit due on maturity.

#### *Variable Rate Sukuk (“VRNs”)*

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

#### *Islamic Commercial Papers (“ICPs”)*

ICPs are short term Islamic instruments issued by Cagamas with maturities ranging from one to 12 months and may be issued with or without periodic distribution/periodic payment. The ICPs issued with periodic distribution/periodic payment may be issued at par, at a premium or at a discount to its nominal value, whereas the ICPs issued without periodic distribution/periodic payment shall be issued at a discount to its nominal value.

Cagamas may issue IMTNs based on but not limited to the following *Shariah* principles:

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

Cagamas may issue ICPs under the following *Shariah* principles:

- Murabahah (via a Tawarruq arrangement);
- Ijarah; and
- Wakalah Bil Istithmar.

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

## *Sukuk issued by the Cagamas Group*

### *Sukuk issued under the USD 2.5 billion Multicurrency Sukuk Issuance Programme (the “Programme”) (“Multicurrency Sukuk”)*

The Trustee may from time to time issue Multicurrency Sukuk denominated in any currency (other than RM). The Multicurrency Sukuk represent Cagamas’ direct, unsubordinated and unsecured obligations and will rank *pari passu* with Cagamas’ existing and future unsecured and unsubordinated obligations.

The tenure of each series of Multicurrency Sukuk under the 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 the Trustee, Cagamas or the relevant specified currency. 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.

The Trustee, 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, surrendered to the registrar for cancellation.

The following table sets out the outstanding Sukuk of the Cagamas Group as at 30 June 2022

	As at 30 June 2022
Outstanding Cagamas Sukuk <sup>o</sup>	
	(RM million)
<b>Instrument</b>	
Islamic Fixed Rate Medium Term Notes .....	16,365
<b>Instrument issued by the Cagamas Group</b>	
Multicurrency Sukuk .....	—
<b>Total</b> .....	<u>16,365</u>

<sup>o</sup> As at 30 June 2022, the Trustee has issued SGD 363 million (equivalent to RM 1,148 million with SGD 1: RM 3.1702) in Multicurrency Sukuk (Source: Bloomberg)

## **The other Cagamas Holdings Group companies**

### ***Cagamas Global P.L.C.***

Cagamas Global P.L.C. was incorporated on 4 April 2014 for the purpose of establishing the EMTN Programme. Cagamas Global P.L.C. conducted its inaugural Tiger Emas Bond issue on 22 September 2014.

### ***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.

Since its incorporation up to 30 June 2022, the Cagamas Holdings Group had issued RM 10.2 billion of residential mortgage backed securities (“**RMBS**”) and Islamic residential mortgage backed securities (“**IRMBS**”).



### ***BNM Sukuk***

BNM Sukuk was incorporated on 18 January 2006 for the purpose of undertaking the issuance of Islamic investment securities, namely BSI and 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 been dormant since 1 September 2015.

### ***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. The SRP was launched in March 2011 to assist Malaysian first time home buyers to purchase a home in Malaysia. The scheme is only eligible to first time home buyers earning not more than RM 10,000 per month and allows the applicants to purchase a house without the usual deposit requirement of 10 per cent. Cagamas SRP guarantees the first 10 to 20 per cent. of a mortgage to a mortgage provider on a “first-loss” basis, in which case the guarantee fee is borne by the GOM. SRP applies to both conventional housing loans and Islamic house financings. The guarantee will only take effect on a full disbursement by a mortgage provider. Further, the guarantee will lapse upon the occurrence of any outstanding principal balance falling below 90 per cent., or following the applicant’s non-compliance with any representation, warranty and eligibility criteria, or the payment of a claim amount.

In addition to providing the SRP, since 1 January 2014, the business operations of Cagamas MGP have also been transferred to Cagamas SRP.

Prior to 1 January 2014, Cagamas MGP was responsible for providing financial institutions with a mortgage guarantee facility for their conventional and Islamic mortgage finance portfolio on a “first loss” basis, whilst allowing the mortgage assets to remain on the mortgage provider’s books. This scheme is now provided by Cagamas SRP. The scheme acts as a portfolio and risk management solution allowing financial institutions to improve their risk weighted capital ratio by reducing the mortgage provider’s credit risk on a mortgage loan/financing portfolio, whilst continuing to maintain asset growth and provide affordable mortgage loans and financings to homebuyers. Accordingly, the provision of MGP by Cagamas SRP assists in strengthening the banking sector by removing systemic risk from the sector.

The guarantees provided to financial institutions under the SRP and MGP schemes are aimed at encouraging mortgage providers to lend to deserving applicants, as the transfer of credit risk helps facilitate the management of portfolios. This is intended to further enhance the objective of the Cagamas Holdings Group to promote home ownership in Malaysia.

In 2015, Cagamas SRP undertook the guarantee of residential mortgages under the SPB as announced by the GOM in the 2014 Malaysian Budget. The SPB was discontinued by the Government in September 2020 and Cagamas SRP is running down its existing contingent liabilities accordingly. The provision of guarantees under both the SRP and the SPB are similar to that previously offered by Cagamas MGP to financial institutions.

### ***Cagamas MGP***

Cagamas MGP was incorporated on 14 April 2008 to provide financial institutions with mortgage guarantee facilities for their conventional and Islamic mortgage finance portfolios. Cagamas MGP also provided a mortgage indemnity scheme and other form of credit protection.

Cagamas MGP was originally named Cagamas HKMC Berhad and was set up as a joint venture with the Hong Kong Mortgage Corporation Limited. Cagamas HKMC Berhad became a wholly owned subsidiary of Cagamas Holdings on 20 December 2012.

Cagamas MGP transferred its mortgage guarantee and mortgage indemnity business to Cagamas SRP with effect from 1 January 2014.

Cagamas MGP has been dormant since 1 January 2014.

### ***Cagamas SME***

Cagamas SME was incorporated on 17 February 2006 to undertake the purchase of SME loans and/or structured product transactions via cash or synthetic securitisations or a combination of both and the issuance of bonds to finance the purchases. Cagamas SME also entered into credit default swap transactions with financial institutions as counterparty, and issued fixed-rate credit linked notes in a synthetic securitisation transaction.

Cagamas SME has been dormant since 10 October 2012.

### **Employees**

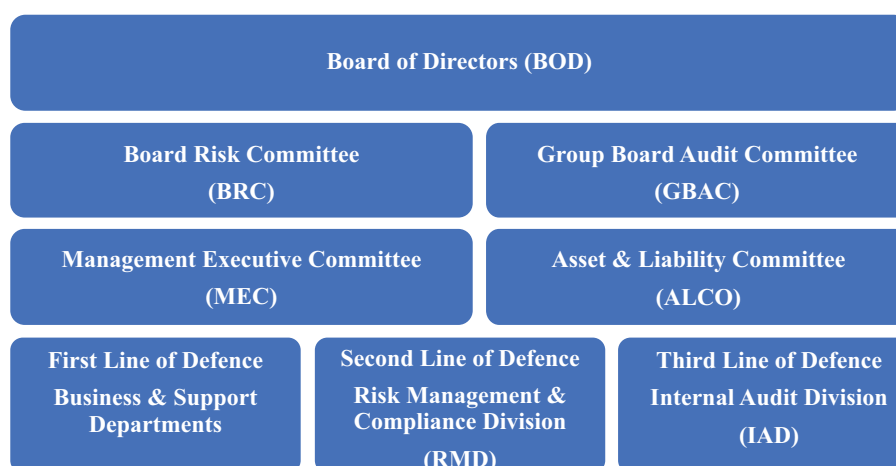
As at 30 June 2022, Cagamas has approximately 104 employees (the “**Employees**”) and no ongoing labour disputes. The Employees are not affiliated to any trade unions.

### ***Risk Management***

#### ***Enterprise Risk Management Framework***

Cagamas takes a holistic and enterprise-wide view in managing risk. Cagamas’ Board of Directors (the “**Board**”) approved the Enterprise Management Framework (“**ERM**”) which details the scopes of responsibility and accountability of the Board, the BRC, the President/Chief Executive Officer (“**CEO**”), the Chief Risk Officer (“**CRO**”), the MEC, the Asset Liability Committee (“**ALCO**”), the Risk Management and Compliance Division (“**RMD**”), the Internal Audit Division (“**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 acts 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 management on an enterprise-wide basis. The RMD is also responsible for ensuring that risk policies are implemented accordingly.

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.

### *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 the Cagamas Holdings Group, 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 risk exposures independently and coordinating the management of risk on an enterprise-wide basis.

### ***Key Areas of Risk Management***

#### *Strategic Risk Management*

Strategic risk within the Cagamas Holdings Group is the risk of not achieving its corporate strategy goals which reflect the Cagamas Holdings 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 Holdings Group's strategic goals. The Board is regularly updated on matters affecting corporate strategy implementation and corporate transactions.

#### *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 Holdings Group arises from its PWR and PWOR business, mortgage guarantee programme, capital management solution, 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.

#### *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 risk and foreign exchange risk 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 sukuk. Interest rate risk is minimal as trading is prohibited. Foreign exchange risk arising from the issuance of foreign currency denominated bonds is largely hedged. 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 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 the central bank to cover any drawdown made under the RM Intraday credit facility. Security granted for each drawdown will be released by the central bank upon Cagamas funding its account to satisfy the amount drawdown under the RM Intraday credit facility.

#### *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 comprehensive 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.

#### *Reputational Risk*

Cagamas' reputation and image as perceived by clients, investors, regulators and the general public is 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.

Stringent screening of potential clients and design of business in accordance with high standards and regulatory compliance are incorporated to safeguard Cagamas' business reputation and image. In view of the importance of preserving the reputation of Cagamas, continuous efforts are being made towards enhancing risk awareness about risk events that could impact Cagamas' reputation.

## *Shariah Non-Compliance Risk*

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

Periodic *Shariah* reviews/audits are performed to verify that Islamic products and operations of Cagamas are in compliance with the decisions endorsed by the independent *Shariah* adviser and the *Shariah* Advisers for any sukuk programmes, where applicable. Any incidences of *Shariah* non-compliance are reported to the independent *Shariah* adviser, 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.

## **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.

## ***Corporate Social Responsibility (CSR)***

Cagamas advocates corporate social responsibility (“CSR”) 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 i.e., welfare homes, homes for the elderly, orphanages, etc. established in Malaysia. Cagamas’ CSR programmes aim to create a positive societal impact on local communities resulting in a more inclusive and caring society through education and training, civic and community, and health and human services.

## **Recent Issuances**

### ***Cagamas’ Issuance of RM 395 Million (in aggregate) MTNs and CPs***

On 16 January 2019, Cagamas completed the respective sales of RM 95 million 1-year Conventional Medium Term Notes (“CMTNs”) and RM 300 million 3-month Conventional Commercial Papers (“CCPs”) under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The CMTNs were priced at 3.90 per cent. while the CCPs referenced at par to the 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas’ Issuance of RM 305 Million ICPs***

On 1 March 2019, Cagamas completed the sale of RM 305 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of Islamic house financing from the domestic financial system. The ICPs were priced at the corresponding 3-month KLIBOR benchmark rate, at par with KLIBOR fixing on the pricing date, 38 bps above Malaysian Islamic Treasury Bills.

The ICPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 500 Million (in aggregate) MTNs and CPs***

On 20 March 2019, Cagamas completed the respective sales of RM 50 million 3-year IMTNs, RM 100 million multi-tenured CMTNs and RM 350 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The CMTNs and IMTNs were priced at 3.80 per cent. to 4.04 per cent. while the CCPs referenced at par to the 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 300 Million CCPs***

On 22 April 2019, Cagamas completed the sale of RM 300 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the domestic financial system. The CCPs were priced at 7 bps below the 3-month KLIBOR benchmark rate, with KLIBOR fixing on the pricing date, 31 bps above Malaysian Treasury Bills.

The CCPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 955 Million (in aggregate) CPs***

On 14 June 2019, Cagamas completed the respective sales of RM 650 million 3-month CCPs and RM 305 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans and Islamic house financing from the domestic financial system. The CCPs and ICPs were priced at 2 bps to 3 bps below the 3-month KLIBOR benchmark rate, with KLIBOR fixing on the pricing date, 28 bps to 29 bps above Malaysian Treasury Bills/Malaysian Islamic Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1 Billion (in aggregate) MTNs and CPs***

On 22 July 2019, Cagamas completed the respective sales of RM 700 million 1-year CMTNs, RM 100 million 1-year floating rate CMTNs and RM 200 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The CMTNs were priced at 3.55 per cent. while the floating rate CMTNs at 3-month KLIBOR rate. The CCPs, referenced at 10 bps below the 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.83 billion (in aggregate) MTNs and CPs***

On 26 August 2019, Cagamas completed the respective sales of RM 800 million 1-year CMTNs, RM 425 million multi-tenured IMTNs, RM 305 million 3-month ICPs and RM 300 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme.



The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The CMTNs and IMTNs were priced at 3.40 per cent. to 3.50 per cent. while both the CCPs and ICPs referenced at 15 bps below the 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 800 Million (in aggregate) MTNs and CPs***

On 21 October 2019, Cagamas completed the respective sales of RM 500 million multi-tenured IMTNs, RM 100 million multi-tenured CMTNs and RM 200 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The IMTNs and CMTNs were priced at 3.30 per cent. to 3.60 per cent. while the CCPs referenced at 5 bps below the 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 705 Million (in aggregate) MTNs and CPs***

On 22 November 2019, Cagamas completed the respective sales of RM 100 million multi-tenured 1-year and 1.5-year CMTNs, RM 300 million 3-month CCPs and RM 305 million 3-month ICPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the domestic financial system. The CCPs and ICPs priced at 3 bps below the corresponding 3 months KLIBOR benchmark rate or equivalent to 3.34 per cent. on pricing date, while the CMTNs were competitively priced at 3.37 per cent. to 3.43 per cent.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 500 Million (in aggregate) IMTNs***

On 28 November 2019, Cagamas completed the respective sales of RM 20 million 1-year IMTNs, RM 30 million 3-year IMTNs and RM 450 million 5-year IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to fund the purchase of Islamic house financing from the financial system. The IMTNs were priced competitively at final profit rate of between 26 bps to 29 bps over Malaysian Government Investment Issue, 5 bps to 8 bps above government guaranteed sukuk and 1 bps to 9 bps below AAA-rated corporate sukuk yield of equivalent tenure.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.1 Billion (in aggregate) MTNs and CPs***

On 12 December 2019, Cagamas completed the respective sales of RM 300 million 3-year CMTNs, RM 300 million 3-year IMTNs and RM 500 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The CMTNs and IMTNs were priced at 3.38 per cent., 25 bps to 33 bps over Malaysian Government Securities / Malaysian Government Investment Issue and 5 bps above government guaranteed bonds and sukuk of equivalent tenure. The CCPs were priced at a competitive pricing level of the corresponding 3-month KLIBOR benchmark rate or equivalent to 3.35 per cent. on pricing date.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.2 Billion (in aggregate) MTNs and CPs***

On 23 December 2019, Cagamas completed the respective sales of RM 600 million 6-month ICPs, RM 200 million 6-month CCPs and RM 400 million 1-year IMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchases of housing loans and Islamic house financing from the domestic financial system. The CCPs and ICPs were priced at 3.25 per cent., 20 bps above 6-month Malaysian Treasury Bills and 17 bps above Malaysian Islamic Treasury Bills, while the 1-year IMTNs were priced at 3.29 per cent., 26 bps above the corresponding Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 200 Million CCPs***

On 20 January 2020, Cagamas completed the sale of RM 200 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the domestic financial system. The CCPs were priced at the corresponding 3-month KLIBOR benchmark rate, minus 3 bps based on KLIBOR fixing on the pricing date, 31 bps above Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 605 Million (in aggregate) CPs***

On 24 February 2020, Cagamas completed the respective sales of RM 300 million 3-month CCPs and RM 305 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the domestic financial system. The CCPs and ICPs priced 15 bps below the corresponding 3-month KLIBOR benchmark rate or equivalent to 2.94 per cent. on pricing date. The pricing of the CCPs and ICPs represented 26 bps and 29 bps over the respective Malaysian Treasury Bills and Malaysian Islamic Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 450 Million (in aggregate) MTNs and CPs***

On 20 March 2020, Cagamas completed the respective sales of RM 300 million 2-year CMTNs and RM 150 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The CMTNs were concluded and priced at 3.03 per cent., 33 bps above the Malaysian Government Securities whilst the CCPs were priced at 5 bps above the 3-month KLIBOR rate or equivalent to 2.83 per cent. on pricing date.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 350 Million (in aggregate) MTNs and CPs***

On 30 March 2020, Cagamas completed the respective sales of RM 45 million 1-year CMTNs, RM 55 million 2-year CMTNs and RM 250 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were

used to fund the purchases of housing loans from the financial system. The 1-year and 2-year CMTNs were concluded at 3.25 per cent. and 3.45 per cent. respectively, 28 bps and 29 bps above Malaysian Government Securities, whilst the CCPs were priced at 20 bps above the 3-month KLIBOR rate or equivalent to 3.00 per cent. on pricing date.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1 Billion (in aggregate) MTNs and CPs***

On 16 April 2020, Cagamas completed the respective sales of RM 500 million 2-year CMTNs, RM 300 million 6-month ICPs and RM 200 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchases of housing loans and Islamic house financing from the financial system. The ICPs and CMTNs were priced competitively at 3.05 per cent and 3.10 per cent. respectively while the CCPs were priced 20 bps above the corresponding 3-month KLIBOR rate.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 705 Million (in aggregate) MTNs and CPs***

On 22 May 2020, Cagamas completed the respective sales of RM 305 million 3-month ICPs, RM 300 million 3-month CCPs and RM 100 million dual tenure 1-year and 2-year CMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchases of eligible assets including housing loans and Islamic house financing from the financial system. The ICPs and CCPs were priced at the corresponding 3-month KLIBOR benchmark rate plus 10 bps or equivalent to 2.40 per cent. on pricing date. The CMTNs were priced at 2.65 per cent. to 2.75 per cent.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 150 Million CCPs***

On 22 June 2020, Cagamas completed the sale of RM 150 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the financial system. The CCPs were competitively priced at the corresponding 3-month KLIBOR benchmark rate plus 3 bps or equivalent to 2.31 per cent. based on KLIBOR fixing on the pricing date, 28 bps above Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 350 Million (in aggregate) MTNs and CPs***

On 30 June 2020, Cagamas completed the respective sales of RM 45 million 1-year CMTNs, RM 55 million 2-year CMTNs and RM 250 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and eligible assets from the financial system. The 1-year and 2-year CMTNs were concluded at 2.55 per cent. and 2.70 per cent. respectively and priced 51 bps above Malaysian Government Securities, whilst the CCPs were priced at the 3-month KLIBOR rate or equivalent to 2.28 per cent., 25 bps above Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 300 Million CCPs***

On 20 July 2020, Cagamas completed the sale of RM 300 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the financial system. The CCPs were competitively priced at the corresponding 3-month KLIBOR benchmark rate or equivalent to 2.03 per cent. based on KLIBOR fixing on the pricing date. The pricing of the CCPs also represented 23 bps over Malaysian Treasury Bills and 4 bps above corresponding government guaranteed papers.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 110 Million (in aggregate) MTNs***

On 10 August 2020, Cagamas completed the sales of RM 110 million comprising 1-year CMTNs and IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The issuances were competitively priced at 2.15 per cent., 37 bps and 35 bps above the respective Malaysian Government Securities / Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 400 Million CCPs***

On 19 August 2020, Cagamas completed the sale of RM 400 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the financial system. The CCPs were competitively priced at the corresponding 3-month KLIBOR benchmark rate or equivalent to 2.05 per cent. based on KLIBOR fixing on the pricing date. The pricing of the CCPs also represented 36 bps over Malaysian Treasury Bills.

The CCPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 605 Million (in aggregate) CPs***

On 24 August 2020, Cagamas completed the respective sales of RM 300 million 3-month CCPs and RM 305 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the domestic financial system. The CCPs and ICPs priced 5 bps below the corresponding 3-month KLIBOR benchmark rate or equivalent to 1.93 per cent. on pricing date. The pricing of the CCPs and ICPs represented 21 bps and 24 bps over the respective Malaysian Treasury Bills and Malaysian Islamic Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 400 Million CCPs***

On 21 and 30 September 2020, Cagamas completed the sale of RM 400 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the financial system. The CCPs were priced competitively at 17 bps above the respective Malaysian Treasury Bills.

The CCPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 600 Million (in aggregate) CPs***

On 13 and 20 October 2020, Cagamas completed the respective sales of RM 300 million 3-month ICPs and RM 300 million CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The ICPs and CCPs issuances were priced competitively at 22 bps and 32 bps respectively above the Malaysian Islamic Treasury Bills and Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 450 Million (in aggregate) MTNs***

On 26 October 2020, Cagamas completed the respective sales of RM 100 million 3-year “ASEAN Sustainability SRI Sukuk” and RM 350 million IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the “ASEAN Sustainability SRI Sukuk” were used to fund specifically the purchase of eligible Islamic house financing for affordable housing whilst the proceeds from the IMTNs were used to fund Islamic house financing. The final prices for the issuance were 2.23 per cent. p.a. for the “ASEAN Sustainability SRI Sukuk” and 2.25 per cent. p.a. for the IMTNs, representing 39 bps and 41 bps above the corresponding 3-year Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 100 Million (in aggregate) Sustainability Bonds***

On 27 October 2020, Cagamas completed the respective sales of RM 35 million 1-year, RM 20 million 2-year and RM 45 million 2.5-year “ASEAN Sustainability Bonds” under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to primarily fund the purchase of eligible non-carbon emitting industrial hire purchase receivables for SMEs that contribute to environmental sustainability. The issuances were priced 43 bps to 45 bps above the corresponding GOM Securities levels.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 545 Million (in aggregate) CPs***

On 25 November 2020, Cagamas completed the respective sales of RM 300 million 3-month CCPs and RM 245 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The CCPs and ICPs issuances were priced competitively at 21 bps to 24 bps above the respective Malaysian Government Securities / Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 2 Billion (in aggregate) MTNs and CPs***

On 3 December 2020, Cagamas completed the respective sales of RM 700 million 3-month CCPs, RM 300 million ICPs, RM 500 million 1-year IMTNs and RM 500 million 1-year MTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds



from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The ICPs, CCPs, IMTNs and CMTNs issuances were priced competitively at 30 bps to 45 bps, above the respective Malaysian Government Securities / Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.9 Billion (in aggregate) MTNs and CPs***

On 22 December 2020, Cagamas completed the respective sales of SGD 130 million 1-year SGD EMTNs, RM 800 million 1-year CMTNs and RM 700 million 6-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme and the EMTN Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 450 Million (in aggregate) MTNs and CPs***

On 30 December 2020, Cagamas completed the respective sales of RM 50 million 2-year IMTNs and RM 400 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The IMTNs were priced at spread of 41 bps above the corresponding Malaysia Government Investment Issue, while the CCPs were priced at the corresponding 3-month KLIBOR benchmark rate plus 2 bps or equivalent to 1.96 per cent. based on KLIBOR fixing on the pricing date, representing 26 bps above the Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 710 Million (in aggregate) MTNs and CPs***

On 20 January 2021, Cagamas completed the respective sales of RM 300 million ICPs, RM 300 million CCPs, RM 55 million 1-year CMTNs and RM 55 million 3-year CMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of Islamic house financing, housing loans and industrial hire purchases from the financial system. The ICPs and CCPs were priced at the corresponding 3-month KLIBOR minus 2 bps, or equivalent to 1.92 per cent. on KLIBOR fixing on the fixing date, representing 19 bps above the corresponding Malaysian Islamic Treasury Bills / Malaysian Treasury Bills. The CMTNs were priced at a spread of 37 bps and 52 bps above the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 945 Million (in aggregate) MTNs and CPs***

On 25 February 2021, Cagamas completed the respective sales of RM 245 million 3-month ICPs, RM 300 million 3-month CCPs and RM 400 million 1-year CMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were



used to fund the purchase of housing loans and Islamic house financing from the financial system. The ICPs and CCPs were priced at the corresponding 3-month KLIBOR plus 2 bps, or equivalent to 1.96 per cent. based on KLIBOR fixing on the pricing date, representing 22 bps above the corresponding Malaysian Islamic Treasury Bills and Malaysian Treasury Bills. The CMTNs were priced at 2.10 per cent., representing 35 bps above the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1 Billion (in aggregate) MTNs***

On 16 March 2021, Cagamas completed the respective sales of SGD 130 million 1-year SGD EMTNs, HKD 800 million 1-year HKD EMTNs and RM 175 million 1-year CMTNs under the RM 60 billion IMTN/CMTN Programme and the EMTN Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The SGD EMTNs and HKD EMTNs were concluded at 1.00 per cent. and at 0.85 per cent. per annum respectively, while the issuance of the CMTNs was competitively priced at 2.20 per cent., a spread of 37 bps above the corresponding Malaysian Government Securities.

The SGD and HKD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 400 Million (in aggregate) CCPs***

On 30 March 2021, Cagamas completed the respective sales of RM 150 million 3-month CCPs and RM 250 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. Both CCPs were priced at the corresponding 3-months KLIBOR plus 6 bps, or equivalent to 2.00 per cent. based on KLIBOR fixing on the pricing date. The spreads were 21 bps above the corresponding Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 300 Million ICPs***

On 13 April 2021, Cagamas completed the sale of RM 300 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to fund the purchase of Islamic house financing from the financial system. The ICPs were priced at the corresponding 3-month KLIBOR plus 6 bps, or equivalent to 2.00 per cent. based on KLIBOR fixing on the pricing date. The spread was 21 bps above the corresponding Malaysian Islamic Treasury Bills.

The ICPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.04 Billion (in aggregate) MTNs and CPs***

On 25 May 2021, Cagamas completed the respective sales of RM 345 million 3-month ICPs, RM 300 million 3-month CCPs and RM 400 million 3-year IMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The IMTNs registered a 43 bps

spread against Malaysian Government Investment Issue. The ICPs and CCPs were priced at the corresponding 3-month KLIBOR plus 5 bps, or equivalent to 1.99 per cent. based on KLIBOR fixing on the pricing date, representing a 19 bps and 20 bps spread above the corresponding Malaysian Islamic Treasury Bills / Malaysian Treasury Bills.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 1.5 Billion (in aggregate) CMTNs***

On 27 May 2021, Cagamas completed the respective sales of RM 700 million 2-year CMTNs and RM 800 million 2-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The issuances registered a 44 bps spread against the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 200 Million IMTNs***

On 15 June 2021, Cagamas completed the sale of RM 200 million 5-year IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuance were used to purchase eligible assets from the financial system. The issuance was concluded via private placement, registering 48 bps spread against the Malaysian Government Investment Issue.

The IMTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 2.05 Billion (in aggregate) MTNs and CPs***

On 28 June 2021, Cagamas completed the respective sales of three tranches of 2-year CMTNs and IMTNs with combined issuances worth RM 1.5 billion, two tranches of 3-month CCPs with combined issuances of RM 400 million and a 5-year IMTNs worth RM 150 million under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances will be used to fund the purchase of housing loans, Islamic house financing and eligible assets from the financial system.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

***Cagamas' Issuance of RM 300 Million ICPs***

On 13 July 2021, Cagamas completed the sale of RM 300 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The ICPs were issued under the Islamic commodity murabahah structure and proceeds from the issuance were used for the purchase Islamic house financing. The ICPs were priced at the corresponding 3-month KLIBOR plus 5 bps, or equivalent to 1.99 per cent. based on KLIBOR fixing on the pricing date. The spread was 23 bps above the corresponding Malaysian Islamic Treasury Bills.

The ICPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 300 Million (in aggregate) MTNs***

On 5 August 2021, Cagamas completed the respective sales of RM 100 million 3-year “ASEAN Sustainability SRI Sukuk” and RM 200 million 3-year “ASEAN Sustainability Bonds” under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used fund the purchase of eligible Islamic house financing and housing loans for affordable housing. The issuances, conducted via private placement exercise, were priced at 38 bps to 43 bps above the corresponding 3-year Malaysian Government Investment Issue / Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 755 Million (in aggregate) MTNs and CPs***

On 23 August 2021, Cagamas completed the respective sales of RM 200 million 1-year FRNs, RM 85 million 1-year CMTNs, RM 25 million 1-year IMTNs, RM 345 million 3-month ICPs and RM 100 million 3-month CCPs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to purchase housing loans and Islamic house financing from the financial system. The FRNs were priced competitively at the corresponding 3-month KLIBOR, or equivalent to 1.94 per cent. based on KLIBOR fixing on the pricing date. The other issuances were priced competitively, representing 23 to 37 basis points above the corresponding Malaysian Islamic Treasury Bills, Malaysian Treasury Bills, Malaysian Government Investment Issue and Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 2.45 Billion (in aggregate) MTNs and CPs***

On 28 September 2021, Cagamas completed the respective sales of RM 400 million 3-month CCPs, RM 550 million 2-year CMTNs and RM 1.5 billion multi-tranche 1-year, 2-year and 3-year IMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The IMTNs registered competitive spreads of 35 bps to 39 bps against Malaysian Government Investment Issue. The other issuances were concluded via private placements and priced competitively, representing 20 bps to 47 bps above the corresponding Malaysian Treasury Bills and Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 300 Million ICPs***

On 13 October 2021, Cagamas completed the sale of RM 300 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuance were used to purchase Islamic house financing from the financial system. The ICPs were priced at the corresponding 3-month KLIBOR plus 5 bps, or equivalent to 1.99 per cent. based on KLIBOR fixing on the pricing date, representing a spread of 20 bps above the corresponding Malaysian Islamic Treasury Bills.

The ICPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 1 Billion (in aggregate) MTNs***

On 29 October 2021, Cagamas completed the respective sales of RM 300 million 2-year “ASEAN Sustainability Bonds” and RM 700 million 3-year CMTNs under the RM 60 billion IMTN/CMTN

Programme. The proceeds from the issuances were used to fund the purchase of eligible sustainability assets and housing loans from the financial system. The issuances registered competitive spreads of 40 bps to 43 bps against the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 4 Billion (in aggregate) MTNs and CPs***

On 1 December 2021, Cagamas completed the respective sales of RM 345 million 3-month ICPs, RM 400 million 3-month CCPs, RM 100 million multi-tenured "ASEAN Sustainability Bonds", RM 380 million multi-tenured CMTNs, RM 1.6 billion multi-tenured IMTNs as well as USD 268 million 1-year and 2-year fixed rate EMTNs through its wholly-owned subsidiary, Cagamas Global P.L.C. under the RM 60 billion IMTN/CMTN Programme, the RM 20 billion ICP/CCP Programme and the EMTN Programme. The proceeds from the issuances were used to fund the purchase of eligible sustainability assets, housing loans and Islamic house financing from the financial system.

The USD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of SGD 200 million or RM 618 million equivalent MTNs***

On 8 December 2021, Cagamas completed the sale of SGD 200 million 2-year SGD EMTNs under the EMTN Programme. The proceeds from the issuance were used to fund the purchase of housing loans from the financial system.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas.

#### ***Cagamas' Issuance of RM 500 million (in aggregate) MTNs***

On 10 December 2021, Cagamas completed the respective sales of RM 500 million 3-year MTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The issuances registered a 48 bps spread against the corresponding Malaysian Government Securities.

The MTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 900 Million CCPs***

On 21 December 2021, Cagamas completed the sale of RM 900 million 3-month CCPs under the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans from the financial system. The CCPs were priced at the corresponding 3-month KLIBOR benchmark rate plus 3 bps based on KLIBOR fixing on the pricing date, representing a spread of 24 bps above the corresponding Malaysian Treasury Bills.

The CCPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 300 Million ICPs***

On 13 January 2022, Cagamas completed the sale of RM 300 million 3-month ICPs under the RM 20 billion ICP/CCP Programme. The proceeds from the ICPs were used to fund the purchase of Islamic house financing from the financial system. The ICPs were priced at the corresponding 3-month KLIBOR benchmark based on KLIBOR fixing on the pricing date, representing a spread of 23 bps above the corresponding Malaysian Islamic Treasury Bills.

The ICPs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 1.03 Billion IMTNs***

On 31 January 2022, Cagamas completed the respective sales of RM 100 million 1-year IMTNs and RM 930 million 3-year IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuances were used to fund the purchase of Islamic house financing from the domestic financial system. The IMTNs registered spreads of 43 bps to 48 bps against Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 1.195 Billion (in aggregate) MTNs***

On 18 February 2022, Cagamas completed the respective sales of RM 700 million 3-month CCPs, RM 345 million 3-month ICPs and RM 150 million 2-year CMTNs under the RM 60 billion IMTN/CMTN Programme and the RM 20 billion ICP/CCP Programme. The proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the domestic financial system. The ICPs and CCPs were priced at 3-month KLIBOR plus 3 bps, equivalent to 2.00 per cent. based on KLIBOR fixing on the pricing date. The 2-year CMTNs were priced at 2.86 per cent. The spreads were 20 bps to 21 bps above the corresponding Malaysian Islamic Treasury Bills (MITB) and Malaysian Treasury Bills (MTB) for the 3-month ICPs and CCPs papers whereas for the 2-year CMTNs, the spread was 45 bps above the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 400 Million CMTNs***

On 28 February 2022, Cagamas completed the sale of RM 400 million 2-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the IMTNs were used to fund the purchase of housing loans from the domestic financial system.

The CMTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 1.3 Billion (in aggregate) MTNs and CPs***

On 23 March 2022, Cagamas completed the respective sales of RM 200 million 3-year "ASEAN Sustainability SRI Sukuk", RM 330 million 2-year CMTNs, RM 200 million 2-year IMTNs, RM 300 million 3-month CCPs and SGD 100 million 2-year fixed rate EMTNs under the RM 60 billion IMTN/CMTN Programme, RM 20 billion ICP/CCP and the Programme. The proceeds from the issuances were used to fund the purchase of eligible sustainability assets, housing loans and Islamic

house financing from the domestic financial system. The issuances of CCPs, CMTNs and IMTNs were priced at 21 bps to 39 bps above the corresponding Malaysian Government Securities / Malaysian Investment Issue.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.LC., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* as with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 1 Billion CMTNs***

On 7 April 2022, Cagamas completed the sale of RM 1 billion 5-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the CMTN were used to fund the purchase of housing loans from the domestic financial system. The CMTNs, priced via private placement, were priced with a spread of 22 bps above the corresponding Malaysian Government Securities.

The CMTNs which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 300 Million IMTNs***

On 13 April 2022, Cagamas completed the sale of RM 300 million 1-year floating profit rate IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the IMTNs were used to fund the purchase of Islamic house financing from the financial system. The IMTNs were priced via private placement at the corresponding 3-month KLIBOR plus 15 bps or equivalent to 2.12 per cent. based on KLIBOR fixing on the pricing date.

The IMTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 600 Million (in aggregate) IMTNs***

On 29 April 2022, Cagamas completed the respective sales of RM 600 million 1-year and 3-year IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the IMTNs were used to fund the purchase of Islamic house financing from the financial system. The issuances were priced at 39 bps against the Malaysian Government Investment Issue.

The IMTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 1.025 Billion (in aggregate) MTNs***

On 30 May 2022, Cagamas completed the respective sales of RM 345 million 1-year floating rate IMTNs and RM 680 million 1-year floating rate CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the IMTNs and CMTNs were used to fund the purchase of house financing and housing loans from the financial system. The issuances were successfully priced with 3-month KLIBOR plus 40 bps or equivalent to 2.66 per cent. and 2.65 per cent. respectively based on KLIBOR fixing on the pricing date.

The IMTNs and CMTNs, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.



### ***Cagamas' Issuance of RM 100 Million IMTNs***

On 20 June 2022, Cagamas completed the sale of RM 100 million 3-year IMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the IMTNs were used to fund the purchase of Islamic house financing from the financial system. The issuances were priced at 40 bps above the corresponding Malaysian Government Investment Issue.

The IMTNs will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 100 Million (in aggregate) CMTNs***

On 30 June 2022, Cagamas completed the respective sales of RM 50 million 1-year CMTNs and RM 50 million 2-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the CMTNs were used to fund the purchase of housing loans from the financial system. The 1-year and 2-year CMTNs were priced at 48 bps and 49 bps above the corresponding Malaysian Government Securities.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 150 Million ASEAN Social SRI Sukuk***

On 30 June 2022, Cagamas completed the sale of RM 150 million 3-year "ASEAN Social SRI Sukuk" under the RM 60 billion IMTN/CMTN Programme. The proceeds from the issuance were used to fund the purchase of housing loans and eligible affordable Islamic house financing from the financial system. The issuance was priced at 45 bps above the corresponding Malaysian Government Investment Issue.

The issuances, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 200 Million CMTNs***

On 5 July 2022, Cagamas completed the sale of RM 200 million 1-year floating rate CMTNs under the RM 60 billion IMTN/CMTN Programme. The CMTNs, which referenced the MYOR rate, is the first of its kind in Malaysia. The proceeds from the CMTNs were used to fund the purchase of housing loans from the financial system.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 200 Million CMTNs***

On 26 July 2022, Cagamas completed the sale of RM 200 million 5-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the CMTNs were used to fund the purchase of eligible assets from the financial system. The issuance was priced at 43 bps above the corresponding GOM Securities levels.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 1.11 Billion (in aggregate) MTNs***

On 8 August 2022, Cagamas completed the respective sales of RM 25 million 1-year IMTNs, RM 85 million 1-year CMTNs, RM 285 million 2-year “ASEAN Social SRI Sukuk”, RM 115 million 2-year IMTNs, RM 110 million 2-year “ASEAN Social Bonds”, RM 100 million 3-year IMTNs and RM 390 million 3-year CMTNs under the RM 60 billion IMTN/CMTN Programme. Proceeds from the issuance were used to fund the purchase of eligible assets from the financial system. The 2-year “ASEAN Social SRI Sukuk” and “ASEAN Social Bonds” were priced 2 bps lower than the 2-year IMTNs, recording competitive spreads of 39 bps to 45 bps above the corresponding Malaysian Government Securities / Malaysian Government Investment Issue for the overall issuances. The IMTNs and CMTNs were priced at 39 bps to 45 bps above the corresponding Malaysian Government Securities / Malaysian Government Investment Issue.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 500 Million (in aggregate) MTNs***

On 30 August 2022, Cagamas completed the respective sales RM 45 million 2-year “ASEAN Social Bonds”, RM 205 million 2-year CMTNs and RM 250 million 3-year CMTNs under the RM 60 billion IMTN/CMTN Programme. Proceeds from the issuance were used to fund the purchase of eligible assets from the financial system. The 2-year “ASEAN Social Bonds” were priced 2 bps lower than the 2-year CMTNs, recording competitive spreads of 40 bps to 42 bps above the corresponding Malaysian Government Securities.

The issuances will be redeemed at their full nominal value upon maturity and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of SGD 150 million or RM 480 million equivalent MTNs***

On 9 September 2022, Cagamas completed the sale of SGD 150 million or RM 480 million equivalent 1-year fixed rate EMTNs under the EMTN Programme. Proceeds from the issuance were used to fund the purchase of housing loans from the financial system.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas.

### ***Cagamas' Issuance of RM 1.63 Billion (in aggregate) MTNs***

On 30 September 2022, Cagamas completed the respective sales of RM 560 million 1-year IMTNs, RM 100 million multi-tenured CMTNs and aggregate SGD 300 million 1-year fixed rate EMTNs under the RM 60 billion IMTN/CMTN Programme and the EMTN Programme. Proceeds from the issuances were used to fund the purchase of housing loans and Islamic house financing from the financial system. The issuances were priced at 37 bps to 46 bps above the corresponding Malaysian Government Securities / Malaysian Government Investment Issue.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances will be redeemed at their full nominal value upon maturity and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

### ***Cagamas' Issuance of RM 100 Million CMTNs***

On 12 October 2022, Cagamas completed the sale of RM 100 million 5-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the CMTNs were used to fund the

purchase of eligible assets from the financial system. The CMTNs were priced at 45 bps above the corresponding Malaysian Government Securities, 22 bps above the corresponding government guaranteed papers and 23 bps below the AAA rated corporate bonds.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 3.3 Billion (in aggregate) MTNs***

On 1 November 2022, Cagamas completed the sale of RM 500 million 3-year “ASEAN Social SRI Sukuk”, RM 300 million 3-year “ASEAN Social Bonds”, RM 2.29 billion combined multi-tenured IMTNs and 1-year SGD 65 million EMTNs under the RM 60 billion IMTN/CMTN Programme and the EMTN Programme. Proceeds from the issuance were used to fund the purchase of housing loans, house financing and eligible assets from the financial system.

The SGD denominated bonds, issued via Cagamas' wholly-owned subsidiary, Cagamas Global P.L.C., are fully and unconditionally guaranteed by Cagamas. The Ringgit issuances will be redeemed at their full nominal value upon maturity and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 2 Billion CMTNs***

On 8 November 2022, Cagamas completed the sale of RM 2 billion 5-year CMTNs under the RM 60 billion IMTN/CMTN Programme. The proceeds from the CMTNs were used to fund the purchase of housing loans from the domestic financial system. The CMTNs were priced at 37 bps above the corresponding Malaysian Government Securities.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

#### ***Cagamas' Issuance of RM 1.085 Billion (in aggregate) MTNs***

On 5 December 2022, Cagamas completed the sale of RM 1.085 billion worth of bonds and sukuk, comprising RM 735 million 1-year IMTNs, RM 200 million 3-year IMTNs and RM 150 million 5-year CMTNs. Proceeds from the issuances were used to fund the purchase of housing loans and house financing from the domestic financial system. The issuances were reasonably priced above the corresponding Malaysian Government Securities and Malaysian Government Instrument Issue.

The issuances will be redeemed at their full nominal value upon maturity, and are unsecured obligations of Cagamas, ranking *pari passu* with all other existing unsecured obligations of Cagamas.

## 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 within Cagamas Holdings as at 30 June 2022.

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

The following table sets out the individual shareholders in Cagamas Holdings as at 30 June 2022.

Name of Shareholder	Total Number of Shares Held	Shareholding Percentage (%)
<b>Bank Negara Malaysia</b> . . . . .	<b>30,000,000</b>	<b>20.0</b>
<b>CIMB Bank Berhad</b> . . . . .	<b>24,684,000</b>	<b>16.5</b>
<b>Malayan Banking Berhad</b> . . . . .	<b>21,279,000</b>	<b>14.2</b>
<b>RHB Bank Group</b> . . . . .	<b>12,932,400</b>	<b>8.6</b>
RHB Bank Berhad . . . . .	11,732,400	7.8
RHB Investment Bank Berhad . . . . .	1,200,000	0.8
<b>AmBank (M) Berhad</b> . . . . .	<b>12,066,000</b>	<b>8.0</b>
<b>Public Bank Group</b> . . . . .	<b>10,485,600</b>	<b>7.0</b>
Public Bank Berhad . . . . .	9,885,600	6.6
Public Investment Bank Berhad . . . . .	600,000	0.4
<b>Hong Leong Bank Berhad</b> . . . . .	<b>8,958,000</b>	<b>6.0</b>
<b>HSBC Bank Malaysia Berhad</b> . . . . .	<b>6,201,000</b>	<b>4.1</b>
<b>Alliance Bank Malaysia Berhad</b> . . . . .	<b>5,583,000</b>	<b>3.7</b>
<b>Standard Chartered Bank Malaysia Berhad</b> . . . . .	<b>4,590,000</b>	<b>3.1</b>
<b>Affin Bank Group</b> . . . . .	<b>4,410,000</b>	<b>2.9</b>
Affin Bank Berhad . . . . .	3,660,000	2.4
Affin Hwang Investment Bank Berhad . . . . .	750,000	0.5
<b>United Overseas Bank (Malaysia) Berhad</b> . . . . .	<b>3,330,000</b>	<b>2.2</b>
<b>OCBC Bank (Malaysia) Berhad</b> . . . . .	<b>2,997,000</b>	<b>2.0</b>
<b>MUFG Bank (Malaysia) Berhad</b> . . . . .	<b>738,000</b>	<b>0.5</b>
<b>SIBB Berhad</b> . . . . .	<b>450,000</b>	<b>0.3</b>
<b>Bangkok Bank Berhad</b> . . . . .	<b>369,000</b>	<b>0.3</b>
<b>The Bank of Nova Scotia Berhad</b> . . . . .	<b>327,000</b>	<b>0.2</b>
<b>Deutsche Bank (Malaysia) Berhad</b> . . . . .	<b>300,000</b>	<b>0.2</b>
<b>Bank of China (Malaysia) Berhad</b> . . . . .	<b>300,000</b>	<b>0.2</b>
<b>Total</b> . . . . .	<b>150,000,000</b>	<b>100.0</b>

## DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors of Cagamas

As at the date of this Offering Circular, the Board consists of six Non-Executive Directors and one Executive Director.

The seven members constituting the Board as at the date of this Offering Circular are set out in the table below:

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

The biographies of the Directors of Cagamas are set out below:

#### ***Dato' Bakarudin Ishak — Chairman and Independent Non-Executive Director***

Dato' Bakarudin Ishak, Malaysian, aged 61, was appointed to the Board of Directors on 26 March 2019 as an Independent Non-Executive Director. He is also a member of the Board Staff Compensation and Organisation Committee. Dato' Bakarudin Ishak is the Chairman of Cagamas Holdings Berhad and Cagamas SRP Berhad.

Dato' Bakarudin Ishak is the Director of Hong Leong MSIG Takaful Berhad.

Prior to that, Dato' Bakarudin Ishak was Assistant Governor of BNM as well as a member of the BNM Monetary Policy Committee, a Director of the Foreign Exchange Administration Department and a Director of the Islamic Banking and Takaful Department. Dato' Bakarudin Ishak was the Chief Executive Officer of Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear). Dato' Bakarudin Ishak was a member of the Governing Council of the International Centre for Education in Islamic Finance. Dato' Bakarudin Ishak was previously on the Investment Panel for Employees' Provident Fund. Dato' Bakarudin Ishak was a Director of ACE Money Exchange Sdn. Bhd.. Dato' Bakarudin Ishak was also a Director of Affin Islamic Bank Berhad.

Dato' Bakarudin Ishak graduated from University of Malaya with a Bachelor's degree in Economics (Honours).

#### ***Dato' Wee Yiau Hin @ Ong Yiau Hin — Independent Non-Executive Director***

Dato' Wee Yiau Hin, Malaysian, aged 64, was appointed to the Board on 1 July 2016 as an Independent Non-Executive Director. He is also Chairman of the Board Staff Compensation and Organisation Committee.

Dato' Wee Yiau Hin graduated as a Civil Engineer and holds a Masters of Science Degree from Imperial College, United Kingdom. During his 21 years at Shell, he held posts across Malaysia, the United Kingdom and South Africa. His final position at Shell was Vice President, Malaysia for Upstream International Asia and Managing Director of Shell Malaysia Exploration and Production Companies.

After a short period as Vice President for Talisman Energy, Malaysia where he spent some time in Canada, Dato' Wee Yiau Hin joined PETRONAS as Executive Vice President and CEO of Upstream Business in May 2010. At PETRONAS, he was a member of the Board of Directors at the Group level and Executive Committee. He chaired the Boards of Malaysia Liquefied Natural Gas (MLNG, MLNG Dua and Tiga), Progress Energy Ltd and Pacific NorthWest LNG, the last two being Canadian based companies. He was also on the Board of Universiti Teknologi Petronas. He is currently an Independent Non-Executive Director of the Board of Enra Group Berhad.

He is a member of the Society of Petroleum Engineers, where he previously served as the Regional Director for North Asia Pacific at the Group level.

***Puan Ho Chai Huey — Independent Non-Executive Director***

Puan Ho Chai Huey, Malaysian, aged 62, was appointed to the Board on 1 February 2019 as an Independent Non-Executive Director. She is also a member of the Board Risk Committee and the Board Staff Compensation and Organisation Committee.

Puan Ho Chai Huey is currently a Director for HSBC Amanah Malaysia Berhad and a Senior Consultant in the Information Technology and Project Management Office for STF Resources Sdn. Bhd. and its affiliates (Asian Institute of Chartered Bankers, Asian Banking School and Finance Accreditation Agency).

Puan Ho Chai Huey received her Bachelor of Economics (Honours Class 1 Statistics) from the University of Malaya.

Puan Ho Chai Huey was previously an IT System Analyst for Treasury, Accounting, Settlement and Clearing Systems in the Information Technology (IT) Services Department of BNM. She then became a Manager for System Development and Project Management for Financial Accounting, Treasury and Financial Market Systems, and End User Computing Systems for BNM. Puan Ho Chai Huey was then promoted to Deputy Director, in-charge of Payments, Investment and Treasury Management Systems, and Financial Market Systems including technology risk management. Puan Ho Chai Huey then became Director for Information Technology (IT) Services Department of BNM, and was responsible for providing technology solutions and IT direction as well as managing technology risk and IT governance.

***Tan Sri Tajuddin Atan — Independent Non-Executive Director***

Tan Sri Tajuddin Atan, Malaysian, aged 63, was appointed to the Board on 1 May 2020 as an Independent Non-Executive Director. He is also Chairman of the Board Risk Committee.

He holds a Bachelor of Science (Agribusiness) degree and an Honorary Degree of Doctorate in Finance from University Putra Malaysia. He also has a Master in Business Administration from Ohio University. He is also a Fellow Chartered Banker of the Asian Institute of Chartered Bankers (AICB). Tan Sri Tajuddin Atan also has a Malaysian Futures and Options Registered Representative (MFORR).

Tan Sri Tajuddin Atan is currently the Chairman of MMC Corporation Berhad, Honda Malaysia Sdn. Bhd., the Asian Institute of Chartered Bankers (AICB) Disciplinary Panel and Bank Muamalat Malaysia Berhad. He is also a member of the Malaysian Communications and Multimedia Commission (MCMC).

Tan Sri Tajuddin Atan was previously Chief Executive Officer/Executive Director of Bursa Malaysia Berhad and Chief Executive Officer of Bank Simpanan Nasional. He has also been Chairman of the Board of Governors of Bursa Malaysia Foundation, the Exchange Committee of Labuan International Finance Exchange Inc., Bursa Malaysia Derivatives Berhad and Bursa Malaysia Derivatives Clearing



Berhad. Tan Sri Tajuddin Atan was also Group Managing Director at RHB Capital Berhad, Managing Director at RHB Bank Berhad, President/Group Managing Director of Bank Pembangunan Malaysia Berhad and Managing Director of Chase Perdana Berhad. He has also been Senior General Manager of Corporate Finance at Penang Shipbuilding Group, Head of the Treasury Division at Bank Bumiputra Commerce Berhad and a Non-Independent Executive Director in all subsidiary companies within the Bursa Malaysia Group. Tan Sri Tajuddin Atan has also been Director of Capital Markets Development Fund and Securities Industry Development Corporation, as well as a member of the Executive Committee of the Financial Reporting Foundation and the Malaysia International Islamic Financial Centre.

***Encik Abdul Rahman bin Hussein — Independent Non-Executive Director***

Encik Abdul Rahman bin Hussein, Malaysian, aged 57, was appointed to the Board on 1 April 2022 as an Independent Non-Executive Director. He is a member of the Board Risk Committee.

Encik Abdul Rahman bin Hussein holds a Bachelor of Land Economy (Hons) degree from the University of Aberdeen, Scotland

Encik Abdul Rahman bin Hussein has previously worked at BNM in various positions. He has been a Member of the Financial Market Committee, a Director of Investment Operation and Financial Market and a Director of the Risk Management Department and Secretary to the Board Risk Committee of BNM. Encik Abdul Rahman bin Hussein has also been Deputy Director of Treasury Risk Management, Investment Operations and Financial Market Department as well as a Portfolio Manager for the London Representative Office. Encik Abdul Rahman bin Hussein was also appointed on an interim basis as a board member of Kumpulan Wang Amanah Persaraan (KWAP), representing BNM from January to September 2018. Encik Abdul Rahman bin Hussein has also been a Director of Sukuk Kijang Berhad and Chairman of BNM Sukuk Berhad. Separately, Encik Abdul Rahman bin Hussein has represented BNM as a member of the Working Group on Financial Markets at the Executive Meeting of Asia-Pacific Central Banks (EMEAP) and as a member of the Board Risk Management Committee of the International Islamic Liquidity Management Corporation (IILM).

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

Puan Sophia Ch'ng Sok Heang, Malaysian, aged 50, was appointed to the Board on 1 April 2022 as an Independent Non- Executive Director. She is a member of the Board Risk Committee.

Puan Sophia Ch'ng Sok Heang is currently a Director for Nicholas Actuarial Solutions and Syarikat Takaful Malaysia Keluarga Berhad. She has previously been Senior Vice President and Head, Finance, Strategic Planning, Actuarial, Products and Pricing at Great Eastern Life Insurance (Malaysia) Berhad. Puan Sophia Ch'ng Sok Heang was also Chief Financial Officer (CFO) at Zurich Insurance Malaysia Berhad and AmMetlife Insurance Berhad.

Puan Sophia Ch'ng Sok Heang holds a Bachelor of Economics degree from Macquarie University, Australia. She is also a Fellow of the Chartered Institute of Management Accountants, UK, the Institute and Faculty of Actuaries, UK, and the Actuarial Society of Malaysia. She was also previously President of the Actuarial Society of Malaysia.

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

Datuk Chung Chee Leong, Malaysian, aged 62, was appointed to the Board on 27 March 2013 as a Non- Independent Executive Director. He is a member of the Board Executive Committee.

Datuk Chung joined Cagamas as the President/Chief Executive Officer on 1 April 2012. He is Chairman of Cagamas Global P.L.C., the Trustee and also sits on the Board of Directors of Cagamas

MBS, Cagamas SRP, BNM Sukuk, Cagamas SME and Cagamas MGP. Prior to joining Cagamas, Datuk Chung has 29 years of experience in central banking, focusing mainly on financial system stability and the financial sector. Prior to his appointment, Datuk Chung served as a Director of BNM's Banking Supervision Department and Risk Management Department and as a member of the Bond Market Sub-Committee of the Financial Market Committee. He was involved in the development of the Financial Sector Blue Print, establishment of the deposit insurance scheme and the Malaysian Cooperative Commission.

During his service with BNM, Datuk Chung carried out assignments for the International Monetary Fund and the Islamic Financial Services Board. He was also a member of the Board of Directors of Credit Guarantee Corporation Berhad and its Board Audit Committee. Datuk Chung also sat on the Small Debt Resolution Committee from 2003 to 2014.

Datuk Chung played an active role in guiding Cagamas' entrance into the international bond market with the establishment of the A3 Sovereign Equivalent International Rating by Moody's Investors Service rated Programme and the Programme which together provide Cagamas with access to USD 5 billion in the international bond markets. Under the Programme, Cagamas undertook its inaugural and which was also South East Asia's largest offshore Renminbi bond issuance in 2014. Under his leadership, Cagamas also concluded Malaysia's largest Sukuk issuance in 2014.

He is the Chairman of the International Secondary Mortgage Market Association and served as the first Chairman of the Asian Secondary Mortgage Market Association in 2015. He has also been a consultant for the Asian Development Bank.

Datuk Chung holds a Bachelor of Economics (Honours) degree majoring in Business Administration from the University of Malaya.

## Senior Management

The key personnel of Cagamas' management, as at the date of this Offering Circular, are set out below:

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

The biographies of the management are set out below:

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

Please refer to the biography of Datuk Chung Chee Leong set out above in “Board of Directors of Cagamas — Datuk Chung Chee Leong — President / Chief Executive Officer / Non- Independent Executive Director”.

***Mr. Abdul Hakim Amir Bin Zainol — Senior Vice President, Finance***

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

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

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

***Mr. Leong See Meng — Senior Vice President, Strategy and Business***

Mr. Leong See Meng is the Senior Vice President, Strategy and Business, overseeing the Strategic Management and Business Departments.

Mr. Leong See Meng has over 28 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, 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 specialising in project management and consulting for financial services and digital transformation.

Mr. 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.

***Mr Delvin Chong — Senior Vice President, Treasury and Markets***

Mr. Delvin Chong, Senior Vice President, Treasury and Markets, oversees the Treasury and Markets Analytics departments. He is also the Head of regulated activities for Cagamas.

Mr. Delvin Chong has over 26 years of experience in treasury, structured finance, debt capital markets and pricing analytics. He was the Head of Data and Pricing Analytics before being appointed as the Senior Vice President, Treasury and Capital Markets in 2018.

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

***Ms. Malathi Menon — Senior Vice President, Legal and Corporate Services / Company Secretary***

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

Ms. Malathi Menon has over 30 years of experience in legal and compliance and has practiced in the areas of corporate, securities law and banking and finance law, with particular emphasis on capital market transactions. She started her career as an Advocate and Solicitor in M/S Zain & Co. She was the Head of Legal before being appointed as the Senior Vice President, Legal & General Counsel in 2018.

Ms. Malathi Menon holds a Bachelor of Law (LLB) from University of Malaya.

***Mr. Ridzuan Shah Alladin — Senior Vice President, Human Capital and Administration***

Mr. Ridzuan Shah Alladin, Senior Human Capital & Administration, oversees the Human Capital and Administration departments. He sits on the Board of Directors of Cagamas SME Berhad, Cagamas MGP Berhad, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad.

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

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

***Mr. Tan Yong Nien — Senior Vice President, Technology and Operations***

Mr. Tan Yong Nien, Senior Vice President, Technology & Operations, oversees the Information Technology and Operation departments.

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

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

***Y.M. Raja Shahrman Raja Harun Al Rashid — Senior Vice President, Risk Management and Compliance***

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

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

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

***Mr. Shahrul Farelli Zulkiffli — Senior Vice President, Internal Audit***

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

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

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

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Defined terms used below have the meaning given to them in the Conditions and the glossary of defined terms set out below (see “— Defined Terms” below).*

### **Management Wakala Sukuk Documents**

#### ***Amended and Restated Management Wakala Master Purchase Agreement***

The master purchase agreement entered into on 28 November 2014 was amended and restated on 20 December 2022 between the Trustee (in its capacity as “**Purchaser**”) and the Obligor (in its capacity as “**Seller**”) (the “**Amended and Restated Management Wakala Master Purchase Agreement**”) and is governed by the laws of Malaysia. A Management Wakala Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Series and will also be governed by the laws of Malaysia.

Pursuant to the Amended and Restated Management Wakala Master Purchase Agreement, the Seller may, in connection with the issue of a Management Wakala Series, from time to time, agree to sell, transfer and convey to the Purchaser, and the Purchaser may, from time to time, agree to purchase and accept the transfer and conveyance from the Seller of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Initial Wakala Assets. On each occasion which any such agreement is reached, the Seller and the Purchaser will enter into a Management Wakala Supplemental Purchase Agreement on the relevant Issue Date which will, among other things, specify the Initial Wakala Assets and the Purchase Price to be paid to the Seller by the Purchaser on the relevant Issue Date. The Purchaser will use no less than 34 per cent. of the proceeds of issue of a Management Wakala Series to purchase Eligible Wakala Assets pursuant to the Amended and Restated Management Wakala Master Purchase Agreement and the relevant Management Wakala Supplemental Purchase Agreement.

The proportion of the Purchase Price payable in respect of each such Initial Wakala Asset shall be an amount in the Specified Currency equal to the Value of that Initial Wakala Asset.

#### ***Amended and Restated Management Wakala Agreement***

The wakala agreement entered into on 28 November 2014 was amended and restated on 20 December 2022 between the Trustee and Cagamas (in its capacity as Wakeel) (the “**Amended and Restated Management Wakala Agreement**”) and is governed by English law.

Pursuant to the Amended and Restated Management Wakala Agreement, the Trustee will appoint the Wakeel as its agent to manage the Wakala Assets relating to each Management Wakala Series. In relation to each Management Wakala Series, the Wakeel undertakes to the Trustee that it shall provide the following services during the relevant Wakala Ownership Period:

- (a) it shall complete the Management Wakala Investment Plan on the Issue Date for the Management Wakala Series;
- (b) it shall manage the relevant Wakala Assets in accordance with the Management Wakala Investment Plan and the terms of the Amended and Restated Management Wakala Agreement;
- (c) it shall use its best endeavours to ensure that, on the Issue Date of the Management Wakala Series and at all times thereafter, the Value of the Wakala Assets that are Asset Based Financings



or Qualifying Sukuk shall be equal to no less than 33 per cent. of the Value of the overall Management Wakala Sukuk Assets for that Management Wakala Series (the “**Tangible Ratio Requirement**”);

- (d) in the event that there are Principal Revenues standing to the credit of the Management Wakala Principal Collection Account:
  - (i) to the extent that Cagamas has Eligible Wakala Assets available for sale to the Trustee, the Wakeel shall promptly notify the Trustee of:
    - (A) the amount standing to the credit of the Management Wakala Principal Collection Account which can be used for the purposes of purchasing the Eligible Wakala Assets (which amount shall not be greater than the Value of such Eligible Wakala Assets); and
    - (B) the details and Value of such Eligible Wakala Assets,to allow the Trustee to have sufficient information to enable it to exercise the Amended and Restated Management Wakala Purchase Undertaking; and
  - (ii) to the extent that Cagamas does not have any Eligible Wakala Assets available for sale to the Trustee, the Wakeel shall invest such Principal Revenues in *Shariah*-Compliant Investments **provided that** such *Shariah*-Compliant investments are liquidated as soon as reasonably practicable if Eligible Wakala Assets become available for purchase;
- (e) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset Obligor with its covenants, undertakings or other obligations under the relevant Wakala Asset in accordance with applicable law and the terms of the Wakala Asset;
- (f) it shall discharge or procure the discharge of all obligations to be discharged by the Trustee in respect of any of the Wakala Assets, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf;
- (g) it shall pay on behalf of the Trustee any actual costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Trustee’s ownership of the Wakala Assets;
- (h) it shall use its best endeavours to ensure the timely receipt of all Wakala Asset Revenues (free and clear of, and without withholding or deduction for, Taxes), investigate non payment of Wakala Asset Revenues and generally make all efforts to collect or enforce the collection of such Wakala Asset Revenues under all Wakala Assets as and when the same shall become due;
- (i) it shall use its best endeavours to ensure that the Income Revenues are at least equal to the Expected Income Revenues Amount;
- (j) it shall maintain the Management Wakala Collection Accounts and the Management Wakala Reserve Account, in each case in accordance with clause 5 (*Accounts*) of the Amended and Restated Management Wakala Agreement;
- (k) it shall obtain and maintain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Amended and Restated Management Wakala Agreement;

- (l) if, following payment of amounts standing to the credit of the Management Wakala Reserve Account, a Shortfall Amount remains on any Wakala Distribution Determination Date, it may provide Shariah-compliant funding to the Trustee to the extent necessary to ensure that the Trustee receives on each Wakala Distribution Determination Date the Required Amount payable by it in accordance with the Management Wakala Conditions of the relevant Management Wakala Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on the terms that such funding is repayable (i) in accordance with the terms of the Amended and Restated Management Wakala Agreement or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a “**Liquidity Facility**”);
- (m) it shall notify the Trustee promptly if:
  - (i) in respect of any Wakala Asset any of the representations and warranties contained in clause 5.2 of the Amended and Restated Management Wakala Master Purchase Agreement cease to be true and correct;
  - (ii) any Wakala Asset becomes subject to an Adverse Claim; or
  - (iii) the Wakeel (in any capacity whatsoever) receives notice of enforcement of any Encumbrance, foreclosure or other similar action or intended enforcement, foreclosure or similar action in respect of any Wakala Asset from any third party or otherwise reasonably expects that a third party may enforce an Encumbrance, foreclose or take any other similar action in respect of any Wakala Asset,

(the occurrence of each such event or circumstance being an “**Impaired Wakala Asset Event**”);
- (n) it shall, together with any notice delivered in accordance with paragraph (m) above, notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Wakala Assets for the purposes of substituting the Wakala Asset in respect of which an Impaired Wakala Asset Event has occurred in accordance with the terms of the Amended and Restated Management Wakala Purchase Undertaking; and
- (o) it shall carry out any incidental matters relating to any of the above.

The Wakeel shall perform its duties under the Amended and Restated Management Wakala Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

Cagamas shall be entitled to receive a fee for acting as Wakeel which will comprise a fee of U.S.\$100 (the receipt and adequacy of which is acknowledged by the Wakeel under the Amended and Restated Management Wakala Agreement) and may also receive incentive payments (subject to and in accordance with the terms of the Amended and Restated Management Wakala Agreement).

The Wakeel acknowledges that in the event that it fails to notify the Trustee of any Impaired Wakala Asset Event in accordance with the terms of the Amended and Restated Management Wakala Agreement and a third party takes ownership or possession of the relevant Wakala Asset or otherwise sells, transfer or otherwise disposes of the relevant Wakala Asset (in each case, either directly, indirectly or through a court, receiver, administrator or other entity) (a “**Third Party Event**”):

- (a) it will have failed to comply with its obligation to notify the Trustee set out in the Amended and Restated Management Wakala Agreement; and
- (b) as a result of its failure to comply with its obligation, the Trustee will have suffered loss in an amount equal to the Value of the relevant Wakala Asset,

and the Wakeel irrevocably and unconditionally undertakes to indemnify the Trustee for such loss by crediting an amount equal to the Value of the relevant Wakala Asset to the Management Wakala Principal Collection Account promptly upon becoming aware of the occurrence of the relevant Third Party Event.

In relation to each of the Wakala Assets, the Wakeel shall ensure that:

- (a) such Wakala Assets are insured at all times against total loss and expropriation in an amount at least equal to the Value of that Wakala Asset (the “**Insurance Coverage Amount**”) and that such insurance policies are maintained on a *Shariah*-compliant takaful basis and with reputable insurers in good financial standing; and
- (b) in the event of a total loss or expropriation of any such Wakala Assets, the insurance policies relating to such Wakala Assets provide for an amount at least equal to the Insurance Coverage Amount of the relevant Wakala Asset to be paid to the Wakeel to the Management Wakala Principal Collection Account in US Dollars by no later than close of business on the date falling 60 calendar days after the occurrence of such total loss or expropriation.

Without prejudice to the requirements of the following paragraph, the Wakeel and the Trustee acknowledge that a failure by the Wakeel to comply with the obligations set out above shall not constitute a Dissolution Event and the sole remedy of the Trustee for any failure by the Wakeel to comply with the provisions set out above shall be to claim against the Wakeel for any Insurance Shortfall Amount pursuant to the following paragraph.

In the event that the relevant insurance company fails to pay the Insurance Coverage Amount relating to a Wakala Asset to the Wakeel, by crediting such amount to the Management Wakala Principal Collection Account, within 60 calendar days of a total loss or expropriation of that Wakala Asset and the Wakeel is unable to unequivocally prove that it complied with all of its obligations set out above or where the Wakeel has failed to maintain or ensure the maintenance of any insurances over the Wakala Assets in breach of its obligations set out above:

- (a) the Wakeel acknowledges that it shall have failed to comply with its obligations set out above; and
- (b) the Wakeel irrevocably and unconditionally undertakes to pay in US Dollars on the 61<sup>st</sup> calendar day after the occurrence of the total loss or expropriation, in same day funds (free and clear of any withholding or deduction or any set off or any counterclaim), an amount equal to the difference between the insurance proceeds credited to the Management Wakala Principal Collection Account and the Insurance Coverage Amount, in each case, in respect of the relevant Wakala Asset, directly into the Management Wakala Principal Collection Account (the “**Insurance Shortfall Amount**”).

In relation to each Management Wakala Series, the Wakeel will maintain three book-entry ledger accounts (such accounts being referred to in the Amended and Restated Management Wakala Agreement as the “**Management Wakala Income Collection Account**”, “**Management Wakala Principal Collection Account**” and the “**Management Wakala Reserve Account**”) in its books, each of which shall be denominated in the Specified Currency.

All Wakala Asset Revenues relating to a Management Wakala Series will be recorded as follows:

- (a) if any such amounts comprise Income Revenues, in the Management Wakala Income Collection Account; and
- (b) if any such amounts comprise Principal Revenues, in the Management Wakala Principal Collection Account.

The Wakeel will be entitled to deduct amounts standing to the credit of the Management Wakala Income Collection Account of each Management Wakala Series at any time during the relevant Wakala Ownership Period and to use such amounts for its own account, **provided that** any Income Revenues so deducted are re-credited to the Management Wakala Income Collection Account on or prior to each relevant Wakala Distribution Determination Date for the purposes of application by the Wakeel pursuant to the paragraph below.

Subject to the terms of the Amended and Restated Management Wakala Agreement, amounts standing to the credit of the Management Wakala Income Collection Account will be applied by the Wakeel on each Wakala Distribution Determination Date in the following order of priority:

- (a) *first*, in payment into the Transaction Account an amount equal to the Required Amount payable on the Periodic Distribution Date falling one Business Day after such Wakala Distribution Determination Date;
- (b) *second*, in payment to the Wakeel on behalf of the Trustee of any Wakeel Liabilities Amounts for the Wakala Distribution Period ending on the immediately following Wakala Distribution Date and (if applicable) any Wakeel Liabilities Amounts for any previous Wakala Distribution Period that remains unpaid;
- (c) *third*, in repayment to the Wakeel of any amounts advanced by it to the Trustee by way of a Liquidity Facility; and
- (d) *fourth*, to the Management Wakala Reserve Account.

On the date falling one Business Day prior to a Dissolution Date where all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed in full, the Wakeel shall transfer all amounts standing to the credit of the relevant Management Wakala Income Collection Account to the Transaction Account.

Amounts standing to the credit of the Management Wakala Reserve Account of each Management Wakala Series of Management Wakala Sukuk shall be applied by the Wakeel as follows:

- (a) if there will be a shortfall on a Wakala Distribution Determination Date (after payment into the Transaction Account of the relevant amount in accordance with the terms of the Amended and Restated Management Wakala Agreement) between (i) the amount standing to the credit of the Transaction Account and (b) the Required Amount payable on the Periodic Distribution Date falling one business day after such Wakala Distribution Determination Date (the difference between such amounts being referred to in the Amended and Restated Management Wakala Agreement as a “**Shortfall Amount**”), by paying into the Transaction Account on that Wakala Distribution Determination Date from the amounts standing to the credit of the Management Wakala Reserve Account (if any) an amount equal to the Shortfall Amount (or such lesser amount as is then standing to the credit of the Management Wakala Reserve Account);
- (b) the Wakeel will be entitled to deduct amounts standing to the credit of the Management Wakala Reserve Account at any time during the Wakala Ownership Period and use such amounts for its own account, **provided that** such amounts shall be immediately repaid by it if so required to fund a Shortfall Amount in accordance with paragraph (a) above; and
- (c) following payment of all amounts due and payable under the Management Wakala Sukuk of a Management Wakala Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the Management Wakala Reserve Account for that Management Wakala Series for its own account as an incentive payment for acting as Wakeel.

The Wakeel shall, in respect of each Management Wakala Series, use its best endeavours to keep detailed records of all movements in the Management Wakala Collection Accounts and Management Wakala Reserve Accounts and, if so requested, and except to the extent it is under any duty or obligation imposed by applicable law or regulation to keep such information confidential, provide the Trustee with copies of such records and any other information or details in relation to the Management Wakala Collection Accounts or the Management Wakala Reserve Accounts as the Trustee may request.

Except as provided in the terms of the Amended and Restated Management Wakala Agreement, all payments by the Wakeel to the Trustee under the Amended and Restated Management Wakala Agreement will be made without any deduction or withholding for or on account of any Taxes unless required by law and without set-off or counterclaim of any kind. If there is any such deduction or withholding, the Wakeel shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made and accordingly the Wakeel undertakes to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed hereunder. In addition, if additional amounts are payable by the Trustee in respect of the Management Wakala Sukuk in accordance with Management Wakala Condition 10 (*Taxation*), the Wakeel will pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Management Wakala Sukuk is received by the Trustee.

The payment obligations of the Wakeel under the Amended and Restated Management Wakala Agreement will be direct, unsubordinated and unsecured obligations of the Wakeel and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Management Wakala Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Wakeel, present and future.

#### ***Amended and Restated Management Wakala Purchase Undertaking***

The purchase undertaking executed as a deed on 28 November 2014 was amended and restated on 20 December 2022 by Cagamas as obligor in favour of the Trustee and the Delegate (the “**Amended and Restated Management Wakala Purchase Undertaking**”) and is governed by English law.

Cagamas, in relation to each Management Wakala Series, irrevocably undertakes in favour of the Trustee and the Delegate to purchase and accept the transfer and conveyance of all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets on the Scheduled Dissolution Date or on the Dissolution Event Redemption Date specified in the Exercise Notice (following the occurrence of a Dissolution Event and **provided that** a Dissolution Notice has been delivered in accordance with the Management Wakala Conditions), as the case may be, at the Exercise Price.

In relation to each Management Wakala Series, the Trustee will also be entitled to exercise the Amended and Restated Management Wakala Purchase Undertaking following any exercise by the Sukukholders of the Change of Shareholding Put Right following the occurrence of a Change of Shareholding, in which case Cagamas will be required to purchase and accept the transfer and conveyance on the Change of Shareholding Put Right Date of all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Change of Shareholding Wakala Assets at the Change of Shareholding Exercise Price.

In relation to each Management Wakala Series, the Trustee will also be entitled to exercise the Amended and Restated Management Wakala Purchase Undertaking following the occurrence of a Change of Shareholding and any exercise by the Sukukholders of the Sukukholder Put Right in

accordance with the Management Wakala Conditions, in which case Cagamas will be required to purchase and accept the transfer and conveyance on the Sukukholder Put Right Date of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Sukukholder Put Right Wakala Assets at the Sukukholder Put Right Exercise Price.

In relation to each Management Wakala Series, the Trustee will also be entitled to exercise the Amended and Restated Management Wakala Purchase Undertaking if the Trustee has received notice, or otherwise become aware, of the occurrence of an Impaired Wakala Asset Event in accordance with the terms of the Amended and Restated Management Wakala Purchase Undertaking or the Amended and Restated Management Wakala Agreement, in which case Cagamas shall purchase and accept the transfer and conveyance on the relevant Impaired Wakala Asset Exercise Date all of the Trustee's interests, rights, benefits and entitlements, present and future, in, to and under the relevant Impaired Wakala Assets:

- (a) against the transfer and conveyance to the Trustee of all of Cagamas' interests, rights, title, benefits and entitlements, present and future, in, to and under certain New Assets; or
- (b) in the event that Cagamas does not have New Assets available for such purpose, payment of the Impaired Wakala Asset Exercise Price.

In relation to each Management Wakala Series, the Trustee will also be entitled to exercise the Amended and Restated Management Wakala Purchase Undertaking following the occurrence of an Additional Wakala Asset Event, in which case Cagamas shall sell, transfer and convey to the Trustee on the relevant Additional Wakala Asset Date all of Cagamas' interests, rights, title, benefits and entitlements, present and future, in, to and under certain New Assets against the payment by the Trustee of an amount equal to the Additional Wakala Asset Purchase Price.

Except as provided in terms of the Amended and Restated Management Wakala Purchase Undertaking, all payments by Cagamas under the Amended and Restated Management Wakala Purchase Undertaking will be made without any deduction or withholding for or on account of Taxes unless required by law and without set off or counterclaim of any kind. If there is any such deduction or withholding, Cagamas shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made and accordingly Cagamas will undertake to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Amended and Restated Management Wakala Purchase Undertaking. In addition, if additional amounts are payable by the Trustee in respect of the Management Wakala Sukuk in accordance with Management Wakala Condition 10 (*Taxation*), Cagamas will pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Management Wakala Sukuk is received by the Trustee.

The payment obligations of Cagamas under the Amended and Restated Management Wakala Purchase Undertaking will be direct, unsubordinated and unsecured obligations of Cagamas and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Management Wakala Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of Cagamas, present and future.

Cagamas undertakes to comply with all provisions of the Management Wakala Conditions and the Transaction Documents (as defined in the Management Wakala Conditions) to which it is a party and which are expressed to be applicable to it including, without limitation the negative pledge provisions described in Management Wakala Condition 6.2 (*Negative Pledge*) and the use of proceeds provisions described in Management Wakala Condition 6.3 (*Use of Proceeds*).



Cagamas acknowledges and agrees that, where the proportion of a Wakala Asset forming part of the relevant Sukukholder Put Right Wakala Assets or Change of Shareholding Wakala Assets is less than the whole of that Wakala Asset, and without affecting the amount of the Exercise Price, Sukukholder Put Right Exercise Price or Change of Shareholding Exercise Price payable (as applicable), a sale agreement shall not be entered into in respect of part of that Wakala Asset and the possible sale, transfer and conveyance to Cagamas of such proportion of that Wakala Asset shall be deferred until the next Dissolution Date for the relevant Management Wakala Series **provided that** such proportion can be sold, transferred and conveyed as part of the relevant Wakala Assets being sold, transferred and conveyed on that Dissolution Date.

#### ***Amended and Restated Management Wakala Sale Undertaking***

The sale undertaking executed as a deed on 28 November 2014 was amended and restated on 20 December 2022 by the Trustee in favour of Cagamas (the “**Amended and Restated Management Wakala Sale Undertaking**”) and is governed by English law.

Pursuant to the Amended and Restated Management Wakala Sale Undertaking, the Trustee, in relation to each Management Wakala Series, irrevocably grants to Cagamas each of the following rights:

- (a) **provided that** a Tax Event has occurred, to require the Trustee to sell, transfer and convey to Cagamas on the Early Tax Dissolution Date specified in the relevant Exercise Notice all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets at the Exercise Price;
- (b) if and to the extent that any Management Wakala Sukuk have been purchased and are to be cancelled pursuant to Conditions 8.7 (*Purchases*) and 8.8 (*Cancellation*), to require the Trustee to sell, transfer and convey to Cagamas on the Cancellation Date specified in the Cancellation Notice all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Cancellation Wakala Assets, in consideration for cancellation of the Cancelled Sukuk pursuant to Condition 8.8 (*Cancellation*); and
- (c) **provided that** Optional Dissolution Right is specified as applicable in the applicable Pricing Supplement, to require the Trustee, at any time prior to the relevant Optional Dissolution Date, to sell, transfer and convey to Cagamas on the Optional Dissolution Date specified in the Exercise Notice all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Optional Dissolution Wakala Assets at the Optional Dissolution Exercise Price,

in each case, on an “as is” basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Amended and Restated Management Wakala Sale Undertaking.

Where the proportion of a Wakala Asset forming part of the relevant Cancellation Wakala Assets or Optional Dissolution Wakala Assets is less than the whole of that Wakala Asset, and without affecting the amount of the Exercise Price or Optional Dissolution Exercise Price payable (as applicable), a Management Wakala Sale Agreement shall not be entered into in respect of part of that Wakala Asset and the possible sale, transfer and conveyance to Cagamas of such proportion of that Wakala Asset shall be deferred until the next Dissolution Date for the relevant Management Wakala Series **provided that** such proportion can be sold, transferred and conveyed as part of the relevant Wakala Assets being sold, transferred and conveyed on that Dissolution Date.

Upon exercise of the rights granted to Cagamas under the Amended and Restated Management Wakala Sale Undertaking and outlined in paragraphs (a) and (c) above, Cagamas will agree in the relevant Exercise Notice that it will make payment of the Exercise Price or Optional Dissolution Exercise Price

(as applicable) in full without any deduction or withholding for or on account of Taxes unless required by law and without set off (except for an amount which represents Wakeel Liabilities Amounts and the Outstanding Liquidity Amount component of the Exercise Price or Optional Dissolution Exercise Price (as applicable) which shall be set off against the Wakeel Liabilities Amounts and Outstanding Liquidity Amounts payable to the Wakeel under the Amended and Restated Management Wakala Agreement) or counterclaim of any kind. If there is any such deduction or withholding, Cagamas shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

#### ***Amended and Restated Management Wakala Substitution Undertaking***

The substitution undertaking executed as a deed on 28 November 2014 was amended and restated on 20 December 2022 by the Trustee in favour of Cagamas (the “**Amended and Restated Management Wakala Substitution Undertaking**”) and is governed by English law.

Pursuant to the Amended and Restated Management Wakala Substitution Undertaking, the Trustee irrevocably grants to Cagamas the right to oblige, from time to time at Cagamas’ sole discretion, the Trustee to sell, transfer and convey on any Substitution Date all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under any or all of the Wakala Assets specified as such in a Substitution Notice (the “**Substituted Assets**”) in exchange for the transfer and conveyance by Cagamas to the Trustee of all of its interests, rights, title, benefits and entitlements, present and future, in, to and under the New Assets **provided that:**

- (a) the New Assets are of a Value which is equal to or greater than the Value of the Substituted Assets as certified by Cagamas in the relevant Substitution Notice; and
- (b) the New Assets are Eligible Wakala Assets,

on an “as is” basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law), and otherwise on the terms and subject to the conditions of the Amended and Restated Management Wakala Substitution Undertaking.

The substitution of the Substituted Assets with the New Assets will take place pursuant to a Management Wakala Sale Agreement between the Trustee and Cagamas, which will become effective on the Substitution Date. The New Assets will constitute the Wakala Assets for the relevant Management Wakala Series for the purposes of the Amended and Restated Management Wakala Agreement and the other Transaction Documents.

#### ***Amended and Restated Management Wakala Master Murabaha Agreement***

The master murabaha agreement entered into on 28 November 2014 was amended and restated on 20 December 2022 between the Trustee and Cagamas (in its capacity as “**Buyer**” and “**Commodity Trading Participant**”) (the “**Amended and Restated Management Wakala Master Murabaha Agreement**”) and is governed by the English law.

In connection with each Management Wakala Series of Management Wakala Sukuk, the Trustee may desire to enter into a Commodity Murabaha Investment with the Buyer using a portion of the issue proceeds of the Management Wakala Series which is no more than 66 per cent. of the issue proceeds of that Management Wakala Series.

The Trustee agrees and undertakes that, on receipt of a Purchase Order from the Buyer, the Trustee shall on the Issue Date for the relevant Management Wakala Series procure that the Commodity Trading Participant will, pursuant to a Purchase Transaction Authorisation Letter on the terms set out

in such Purchase Order enter into Purchase Transactions no later than 4.00pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date with Commodity Suppliers to purchase Commodities at the Commodity Purchase Price for and on behalf of the Trustee. The Commodity Trading Participant shall immediately notify the Trustee of the purchase of such Commodities.

Following the purchase of the Commodities by the Commodity Trading Participant for and on behalf of the Trustee and notification of such purchase by the Commodity Trading Participant to the Trustee, and **provided that** the Trustee (or the Commodity Trading Participant acting in its capacity as agent of the Trustee) has acquired title to, and possession of, the Commodities, the Trustee shall deliver no later than 4.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date a Letter of Offer and Acceptance to the Buyer indicating the Trustee's acceptance of the terms of the Purchase Order made by the Buyer and detailing the terms of the offer for the sale of the relevant Commodities to the Buyer from the Trustee on the Issue Date.

The Buyer irrevocably and unconditionally undertakes to accept the terms of, countersign and deliver to the Trustee any Letter of Offer and Acceptance delivered to it in accordance with the Amended and Restated Management Wakala Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Purchase Order) purchase the Commodities acquired by the Trustee (or acquired by the Commodity Trading Participant acting in its capacity as agent of the Trustee) in accordance with the terms of the Amended and Restated Management Wakala Master Murabaha Agreement from the Trustee for the applicable Deferred Sale Price in accordance with the terms of the Amended and Restated Management Wakala Master Murabaha Agreement, in each case no later than 5.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date.

As soon as the Buyer has countersigned the Letter of Offer and Acceptance in accordance with the terms of the Amended and Restated Management Wakala Master Murabaha Agreement, (i) a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Letter of Offer and Acceptance and incorporating the terms and conditions set out in the Amended and Restated Management Wakala Master Murabaha Agreement, (ii) the Trustee shall sell and the Buyer shall buy the Commodities on the terms set out in the Letter of Offer and Acceptance and (iii) ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer may following the purchase of the Commodities by the Buyer from the Trustee, and **provided that** the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.

In connection with each Murabaha Contract, the Buyer irrevocably and unconditionally undertakes in the Amended and Restated Management Wakala Master Murabaha Agreement to pay (a) the outstanding Deferred Sale Price in full to the Trustee on the Business Day falling immediately prior to the Scheduled Dissolution Date or upon the occurrence of a Dissolution Event and if a Dissolution Notice has been delivered in accordance with the Conditions, on the Business Day immediately preceding the Dissolution Event Redemption Date and (b) the outstanding Deferred Sale Price in full to the Trustee on the Business Day prior to the relevant Early Tax Dissolution Date, in each case, by crediting such amount to the Transaction Account no later than 10.00 am (London time) on such dates.

All payments made by the Buyer to the Trustee under the Amended and Restated Management Wakala Master Murabaha Agreement will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off or counterclaim of any kind. If there is any such deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made and accordingly the Buyer undertakes to pay to the Trustee or such other persons as the

Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed under the Amended and Restated Management Wakala Master Murabaha Agreement. In addition, if additional amounts are payable by the Trustee in respect of the Management Wakala Sukuk in accordance with Management Wakala Condition 10 (*Taxation*), the Buyer will agree to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for so that the full amount which would otherwise have been due and payable under the Management Wakala Sukuk is received by the Trustee no later than the due date for payment of such amounts under the Management Wakala Sukuk.

The payment obligations of the Buyer under the Amended and Restated Management Wakala Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Management Wakala Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

The Change of Shareholding Proportion or Sukukholder Put Right Proportion of the outstanding Deferred Sale Price shall be paid by the Buyer on the Business Day prior to a Change of Shareholding Put Right Date or on the Business Day prior to any relevant Sukukholder Put Right Date (as applicable) by crediting such amounts to the Transaction Account no later than 10.00 am (London time) on such dates.

In connection with each Murabaha Contract, the Trustee and the Buyer have agreed that the Cancellation Proportion of the outstanding Deferred Sale Price shall be deemed to be cancelled with effect from the Cancellation Date.

#### **Defined Terms for Management Wakala Sukuk Documents**

**“Additional Wakala Asset Date”** means the date specified as such in an Additional Wakala Asset Exercise Notice;

**“Additional Wakala Asset Event”** means at any time the Obligor has Eligible Wakala Assets available for sale to the Trustee and there are either Principal Revenues standing to the credit of the Principal Collection Account or *Shariah*-Compliant Investments which can be liquidated, in each case, for the purposes of purchasing such Eligible Wakala Assets;

**“Additional Wakala Asset Exercise Notice”** means a notice substantially in the form set out in Schedule 3 (*Form of Additional Wakala Asset Exercise Notice*) of the Amended and Restated Management Wakala Purchase Undertaking;

**“Additional Wakala Asset Purchase Price”** means the amount specified as such in an Additional Wakala Asset Exercise Notice which shall be no greater than the Value of the New Asset(s) specified in such Additional Wakala Asset Exercise Notice;

**“Adverse Claim”** means any claim of ownership or any other right or claim of any person other than as a result of having the benefit of, or otherwise enforcing, an Encumbrance over the relevant asset;

**“Asset Based Financing”** means:

- (a) financing contracts where a lessor leases a property to a lessee and in respect of which regular payments are due from the lessee together with the beneficial ownership interest in the underlying property and all rights to receive payments thereunder; and
- (b) financing contracts where an obligor enters into a partnership (*musharakah*) with another party in order to acquire an asset and that asset is subsequently leased by the partnership to the obligor in

return for regular payments together with the beneficial ownership interest in the underlying asset and all rights to receive payments thereunder,

and, in each case, which have been acquired by the Seller;

**“BCH System”** means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

**“BMIS”** means Bursa Malaysia Islamic Services Sdn Bhd (Registration No. 200901010654 (853675-M)), a company incorporated under the laws of Malaysia,, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

**“Business Day”** means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, any day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in the relevant Renminbi Settlement Centre;
- (c) in relation to any sum payable in Singapore dollars, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in Singapore; and
- (d) in relation to any sum payable in a currency other than euro, Renminbi, and Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**“Cancellation Date”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Sale Undertaking, the date specified as such in the relevant Cancellation Notice;

**“Cancellation Notice”** means a notice substantially in the form set out in Schedule 2 (*Form of Cancellation Notice*) of the Amended and Restated Management Wakala Sale Undertaking;

**“Cancellation Proportion”** means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate face amount of the Cancelled Sukuk by (ii) the aggregate outstanding face amount of the Management Wakala Sukuk of the relevant Management Wakala Series immediately prior to cancelling the Cancelled Sukuk;

**“Cancellation Wakala Assets”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Sale Undertaking, the Wakala Assets specified as such in the relevant Cancellation Notice, where the Value of such Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Assets not exceeding the Cancellation Proportion, each as determined on the relevant exercise date;

**“Cancelled Sukuk”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Sale Undertaking, the Management Wakala Sukuk which are the subject of the relevant Cancellation Notice;

**“Change of Shareholding Exercise Price”** means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Management Wakala Sukuk being redeemed pursuant to the Change of Shareholding Put Right for the relevant Management Wakala Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Management Wakala Sukuk being redeemed; plus
- (c) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Management Wakala Series; plus
- (d) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Management Wakala Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Change of Shareholding Put Right Date); plus
- (e) any other amounts payable in relation to the Management Wakala Sukuk being redeemed on the exercise of the Change of Shareholding Put Right as specified in the applicable Pricing Supplement;

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- (f) if a Commodity Murabaha Investment forms part of the relevant Management Wakala Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.4 of the Amended and Restated Management Wakala Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Management Wakala Sukuk being redeemed following exercise of the Change of Shareholding Put Right;

**“Change of Shareholding Proportion”** means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate outstanding face amount of the Management Wakala Sukuk being redeemed pursuant to the Change of Shareholding Put Right by (ii) the aggregate outstanding face amount of the Management Wakala Sukuk of the relevant Management Wakala Series immediately prior to redeeming the Management Wakala Sukuk pursuant to the Change of Shareholding Put Right;

**“Change of Shareholding Wakala Assets”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Purchase Undertaking, the Wakala Assets specified as such in the relevant Exercise Notice, where the Value of such Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Assets not exceeding the Change of Shareholding Proportion, each as determined on the relevant exercise date;

**“Commodities”** means any *Shariah*-compliant commodities that are traded on the Market (excluding currency, gold and silver);

**“Commodity Murabaha Investment”** means, in relation to a Management Wakala Series, the sale of certain Commodities by the Trustee to the Buyer, which Commodities were initially purchased by the Trustee (through the Commodity Trading Participant) using a proportion of the proceeds of the issue of the Management Wakala Sukuk, pursuant to the Amended and Restated Management Wakala Master Murabaha Agreement and having the terms set out in the relevant Murabaha Contract;



**“Commodity Purchase Price”** means, in relation to each Management Wakala Series and the corresponding Murabaha Contract and Purchase Transaction, the aggregate amount payable in the Specified Currency to the relevant Commodity Supplier by or on behalf of the Trustee for the purchase of the Commodities from the relevant Commodity Supplier by the Trustee, specified as such in the relevant Purchase Transaction Authorisation Letter and Purchase Order and which amount shall be equal to the relevant Murabaha Investment Amount;

**“Commodity Supplier”** means a person for the time being admitted as a participant of BMIS, who supplies the Commodities on the Market and whose functions include those referred to in Rule 302.2 of the Rules;

**“Commodity Trading Participant”** means Cagamas in its capacity as commodity trading participant under the Amended and Restated Management Wakala Master Murabaha Agreement;

**“Deferred Sale Price”** means, in relation to a Murabaha Contract, the aggregate of the applicable Commodity Purchase Price and Murabaha Profit and specified as such in the Letter of Offer and Acceptance and Purchase Order;

**“Eligibility Criteria”** in respect of any Wakala Assets shall be satisfied if the relevant Wakala Asset is an asset:

- (a) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and, in the case of an Asset Based Financing, in the jurisdiction in which the related asset in respect of such Asset Based Financing is located;
- (b) in respect of which no additional steps are required to be undertaken by the Seller in order to make any amounts due under and in respect thereof payable to the Purchaser;
- (c) in respect of which the Seller is entitled to receive all payments or proceeds of sale (as the case may be);
- (d) which was originated and/or acquired by the Seller in a manner consistent with its usual credit and origination and/or investment policies;
- (e) which is free from any adverse interest (other than any Encumbrance) which may affect the rights of the Purchaser thereto or in respect of any payments to be made thereunder or in respect thereof;
- (f) in respect of which there has not occurred any event of default or analogous event nor any event which is subsisting and which, following the giving of any applicable notice and/or the lapse of any applicable grace period and/or the making of any determination and/or the giving of any certificate, would constitute an event of default or analogous event under any relevant documentation; and
- (g) which is capable of being transferred to the Purchaser by the Seller in accordance with the terms set out in the Amended and Restated Management Wakala Master Purchase Agreement and which does not and will not contravene any applicable law, rule or regulation;

**“Eligible Wakala Asset”** means Asset Based Financings and Qualifying Sukuk which comply with the Eligibility Criteria;

**“Encumbrance”** means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect;

**“Exercise Notice”** means:

- (a) in connection with the Amended and Restated Management Wakala Purchase Undertaking, a notice substantially in the form set out in Schedule 1 (*Form of Exercise Notice*) of the Amended and Restated Management Wakala Purchase Undertaking; and
- (b) in connection with the Amended and Restated Management Wakala Sale Undertaking, a notice substantially in the form set out in Schedule 1 (*Form of Exercise Notice*) of the Amended and Restated Management Wakala Sale Undertaking;

**“Exercise Price”** means, in relation to each Management Wakala Series, the aggregate of:

- (a) the aggregate face amount of Management Wakala Sukuk then outstanding for the relevant Management Wakala Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Management Wakala Sukuk; plus
- (c) an amount equal to the Outstanding Liquidity Amount (if any) relating to such Management Wakala Series; plus
- (d) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to Management Wakala such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Dissolution Event Redemption Date or Scheduled Dissolution Date (as the case may be)); plus
- (e) any other amounts payable on redemption of the Management Wakala Sukuk as specified in the applicable Pricing Supplement;

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- (f) if a Commodity Murabaha Investment forms part of the relevant Management Wakala Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with the terms of the Amended and Restated Management Wakala Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Management Wakala Sukuk;

**“Expected Income Revenues Amount”** means, in relation to each Management Wakala Series, the amount specified as such in the Wakala Investment Plan;

**“First Wakala Distribution Date”** means, in relation to each Series, the date specified as such in the relevant Wakala Investment Plan;

**“Impaired Wakala Asset”** means the Wakala Assets in respect of which an Impaired Wakala Asset Event has occurred and specified as such in an Impaired Wakala Asset Exercise Notice;

**“Impaired Wakala Asset Event”** has the meaning given to it in “*Summary of the Principal Transaction Documents — Amended and Restated Management Wakala Agreement*”;

**“Impaired Wakala Asset Exercise Date”** means the date specified as such in an Impaired Wakala Asset Exercise Notice;

**“Impaired Wakala Asset Exercise Notice”** means a notice substantially in the form set out in Schedule 2 (*Form of Impaired Wakala Asset Exercise Notice*) of the Amended and Restated Management Wakala Purchase Undertaking;

**“Impaired Wakala Asset Exercise Price”** means the amount specified as such in an Impaired Wakala Asset Exercise Notice which shall be no less than the Value of the Impaired Wakala Asset(s) specified in such Impaired Wakala Asset Exercise Notice;

**“Income Revenues”** means, in relation to a Management Wakala Series, all revenues in respect of the relevant Wakala Assets other than Principal Revenues;

**“Initial Wakala Assets”** means, in relation to each Management Wakala Series, the Eligible Wakala Assets specified as such in the relevant Management Wakala Supplemental Purchase Agreement;

**“Issue Date”** has the meaning given to in the applicable Pricing Supplement;

**“Letter of Offer and Acceptance”** means the letter to be issued by the Trustee to the Buyer substantially in the form set out in Schedule 3 (*Form of Letter of Offer and Acceptance*) of the Amended and Restated Management Wakala Master Murabaha Agreement;

**“Management Wakala New Asset Sale Agreement”** means an agreement substantially in the form set out in Schedule 5 of the Amended and Restated Management Wakala Purchase Undertaking;

**“Management Wakala Sale Agreement”** means a sale agreement in the form set out in the relevant schedules of the Amended and Restated Management Wakala Purchase Undertaking, Amended and Restated Management Wakala Sale Undertaking and Amended and Restated Management Wakala Substitution Undertaking;

**“Management Wakala Supplemental Purchase Agreement”** means, in respect of a Management Wakala Series, an agreement substantially in the form set out in Schedule 1 of the Amended and Restated Management Wakala Master Purchase Agreement;

**“Management Wakala Sukuk Assets”** means, in relation to each Management Wakala Series, the Wakala Assets and the Commodity Murabaha Investment (if any) in respect of that Management Wakala Series;

**“Market”** means the commodity market operated by BMIS for the trading of commodities;

**“Murabaha Contract”** means an individual contract for the sale of Commodities at a deferred sale price and made pursuant to the Amended and Restated Management Wakala Master Murabaha Agreement by the delivery of a Letter of Offer and Acceptance by the Trustee to the Buyer and the subsequent countersignature of such Letter of Offer and Acceptance by the Buyer in accordance with the terms of the Amended and Restated Management Wakala Master Murabaha Agreement;

**“Murabaha Investment Amount”** means, in relation to a Management Wakala Series, the relevant proportion of the proceeds of the issue of the Management Wakala Sukuk of that Management Wakala Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Amended and Restated Management Wakala Master Murabaha Agreement and specified as such in the applicable Pricing Supplement;

**“Murabaha Profit”** means, in relation to each Management Wakala Series and the corresponding Murabaha Contract, an amount equal to the Aggregate Face Amount of the Management Wakala Sukuk of that Management Wakala Series multiplied by one per cent. (1%);

**“New Assets”** means Eligible Wakala Assets specified as such in a New Asset Sale Agreement, the identity of which shall be determined by the Obligor in its sole and absolute discretion subject to the terms of the Amended and Restated Management Wakala Purchase Undertaking or Amended and Restated Management Wakala Sale Undertaking (as applicable);

**“Optional Dissolution Date”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Sale Undertaking, the date specified as such in the relevant Exercise Notice;

**“Optional Dissolution Exercise Price”** means, in relation to each Management Wakala Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Optional Dissolution Sukuk; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Optional Dissolution Sukuk; plus
- (c) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Management Wakala Series; plus
- (d) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Optional Dissolution Date); plus
- (e) any other amounts payable in relation to the Management Wakala Sukuk being redeemed on the exercise of the Optional Dissolution Right as specified in the applicable Pricing Supplement;

less

- (f) if a Commodity Murabaha Investment forms part of the relevant Management Wakala Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.6 of the Amended and Restated Management Wakala Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Management Wakala Sukuk being redeemed following exercise of the Optional Dissolution Right;

**“Optional Dissolution Proportion”** means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate outstanding face amount of the Management Wakala Sukuk being redeemed pursuant to the Optional Dissolution Right by (ii) the aggregate outstanding face amount of the Management Wakala Sukuk of the relevant Management Wakala Series immediately prior to redeeming the Management Wakala Sukuk pursuant to the Optional Dissolution Right;

**“Optional Dissolution Wakala Assets”** means, in respect of an exercise of the right granted under the Amended and Restated Management Wakala Sale Undertaking, the Wakala Assets specified as such in the relevant Exercise Notice, where the Value of such Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Assets not exceeding the Optional Dissolution Proportion each as determined on the relevant exercise date;

**“Outstanding Liquidity Amount”** means, in relation to each Management Wakala Series, the amount (if any) of funding provided under a liquidity facility pursuant to the terms of the Amended and Restated Management Wakala Agreement for the relevant Series and which has not been repaid in accordance with the provisions of the Amended and Restated Management Wakala Agreement;

**“Pricing Supplement”** means, in relation to each Management Wakala Series, the pricing supplement of that Management Wakala Series as completed by the Trustee at the time of issue of the Management Wakala Series;

**“Principal Revenues”** means, in relation to a Management Wakala Series, all revenues in respect of the relevant Wakala Assets which comprise amounts in the nature of sale, capital or principal payments (including, without limitation, any total loss and expropriation related insurance proceeds and indemnity payments) and including any amounts payable by the Wakeel under certain provisions of the Amended and Restated Management Wakala Agreement and amounts in respect of payments of Impaired Wakala Asset Exercise Prices;

**“Priority Amounts”** means any amounts described in Management Wakala Condition 5.2(a) and/or 5.2(b);

**“Purchase Order”** means the purchase order to be delivered by the Buyer to the Trustee substantially in the form set out in Schedule 1 (*Form of Purchase Order*) of the Amended and Restated Management Wakala Master Murabaha Agreement;

**“Purchase Transaction”** means an agreement between the Commodity Trading Participant and one or more Commodity Suppliers for the spot purchase of Commodities through the BCH System;

**“Purchase Transaction Authorisation Letter”** means the letter to be delivered to the Commodity Trading Participant by the Trustee for the purchase of Commodities from one or more Commodity Suppliers, substantially in the form set out in Schedule 2 (*Form of Purchase Transaction Authorisation Letter*) of the Amended and Restated Management Wakala Master Murabaha Agreement;

**“Qualifying Sukuk”** means sukuk that are based on either an ijara or wakala bil istithmar structure, in each case having at least 33 per cent. underlying tangible assets and which are owned by the Seller;

**“Required Amount”** means, in relation to each Management Wakala Series and each relevant Periodic Distribution Date, an amount equal to the Periodic Distribution Amount payable on the relevant Periodic Distribution Date;

**“Shariah-Compliant Investment”** means any investment deposit with a *Shariah*-compliant financial institution or investments which are structured to comply with *Shariah* (and are not based on *bai al-bithaman ajil*, *bai al-dayn*, or parallel *istisna*’ instruments);

**“Substituted Assets”** means any or all of the Wakala Assets specified as such in a Substitution Notice;

**“Substitution Date”** means the date specified as such in a Substitution Notice;

**“Substitution Notice”** means, in relation to a Management Wakala Series, a notice substantially in the form set out in Schedule 1 (*Form of Substitution Notice*) of the Amended and Restated Management Wakala Sale Undertaking;

**“Sukukholder Put Right Exercise Price”** means, in relation to each Management Wakala Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Management Wakala Sukuk being redeemed pursuant to the Sukukholder Put Right for the relevant Management Wakala Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Management Wakala Sukuk being redeemed; plus

- (c) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Management Wakala Series; plus
- (d) if all of the Management Wakala Sukuk of a Management Wakala Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Management Wakala Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Sukukholder Put Right Date); plus
- (e) any other amounts payable in relation to the Management Wakala Sukuk being redeemed on the exercise of the Sukukholder Put Right as specified in the applicable Pricing Supplement;

less

- (f) if a Commodity Murabaha Investment forms part of the relevant Management Wakala Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.5 of the Amended and Restated Management Wakala Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Management Wakala Sukuk being redeemed following exercise of the Sukukholder Put Right;

**“Sukukholder Put Right Wakala Assets”** means, in respect of an exercise of the rights granted under the Amended and Restated Management Wakala Purchase Undertaking, the Wakala Assets specified as such in the relevant Exercise Notice, where the Value of such Wakala Assets represents a proportion of the aggregate Value of all of the Wakala Assets not exceeding the Sukukholder Put Right Proportion, each as determined on the relevant exercise date;

**“Tax Event”** has the meaning given to it in the Amended and Restated Management Wakala Sale Undertaking;

**“Taxes”** means any tax, levy, impost, duty or other charge or withholding of a similar nature;

**“Transaction Account”** has the meaning given to it in the Management Wakala Conditions;

**“Value”** means, on any date, the amount in the Specified Currency determined by the Wakeel on the relevant date as being equal to, in respect of:

- (a) the Management Wakala Sukuk Assets, the aggregate of (i) the Value (as determined in accordance with paragraphs (b) to (f) of this definition) of each Wakala Asset and (ii) the Value (as determined in accordance with paragraph (g) of this definition) of the Commodity Murabaha Investment (if any);
- (b) an Asset Based Financing the aggregate of all outstanding amounts payable by the lessee or the obligor in respect of the relevant asset and under the contractual arrangements relating to the relevant asset, on or after the relevant date;
- (c) a Qualifying Sukuk, the aggregate of the outstanding amounts payable on or after the relevant date in respect of such Qualifying Sukuk;
- (d) any Principal Revenues, the amount of such Principal Revenues held by the Wakeel on the relevant date;



- (e) any *Shariah*-Compliant Investments, the aggregate amount of cash held on deposit on the relevant date or (in the case of an investment product) the net asset value of the relevant investment as notified to the Wakeel by the provider of the relevant investment product; and
- (f) a Commodity Murabaha Investment, the aggregate of all outstanding amounts of Deferred Sale Price remaining to be paid in respect of such Commodity Murabaha Investment on or after the relevant date,

and for such purposes, any amounts not expressed in the Specified Currency shall be converted (for the purposes of this determination only) into the Specified Currency at the Wakala Exchange Rate;

**“Wakala Assets”** means, in relation to each Management Wakala Series:

- (a) the Initial Wakala Assets related to that Management Wakala Series;
- (b) any Eligible Wakala Assets acquired by the Trustee or on the Trustee’s behalf in accordance with the terms of the Amended and Restated Management Wakala Agreement, the Amended and Restated Management Wakala Substitution Undertaking or the Amended and Restated Management Wakala Purchase Undertaking;
- (c) the Principal Revenues from time to time; and
- (d) the *Shariah*-Compliant Investments from time to time;

but excluding any Wakala Asset that has been substituted, sold or transferred and conveyed to Cagamas in accordance with the terms of the Amended and Restated Management Wakala Agreement, the Amended and Restated Management Wakala Sale Undertaking, the Amended and Restated Management Wakala Purchase Undertaking or the Amended and Restated Management Wakala Substitution Undertaking;

**“Wakala Asset Obligor”** means the entity or entities obliged to make payments in respect of a Wakala Asset in accordance with applicable laws and the terms of the Wakala Asset;

**“Wakala Asset Revenues”** means, in relation to a Management Wakala Series, all Income Revenues and all Principal Revenues relevant to that Management Wakala Series;

**“Wakala Distribution Determination Date”** means, in relation to a Series, the Business Day immediately preceding each Wakala Distribution Date;

**“Wakala Distribution Period”** means, in relation to a Management Wakala Series, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date;

**“Wakala Exchange Rate”** means, in the case of any amount in respect of a Wakala Asset, Eligible Wakala Asset or Commodity Murabaha Investment that is in a currency (the **“Asset Currency”**) other than the Specified Currency, the spot rate of exchange at which the Wakeel is able to purchase the Specified Currency with such amount of the Asset Currency on the date on which the Asset Currency is required to be exchanged into the Specified Currency in accordance with the relevant Transaction Document or the date on which the Value of an Eligible Wakala Asset or Wakala Asset is to be determined (or, if it was not practicable to make such purchase on such date, on the immediately following date on which it would have been so practicable), without taking into account any premium or other costs of exchange;

**“Management Wakala Investment Plan”** means, in relation to a Management Wakala Series, the investment plan substantially in the form set out in Schedule 1 (*Wakala Investment Plan*) of the Amended and Restated Management Wakala Agreement;

**“Wakeel Liabilities Amount”** means, in relation to each Management Wakala Series and each corresponding Wakala Distribution Determination Date, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee, in each case in providing the Wakala Services during the Wakala Distribution Period ending on such Wakala Distribution Determination Date, but, for the avoidance of doubt, does not include any amount due to the Wakeel under the Amended and Restated Management Wakala Agreement in respect of any Liquidity Facility; and

**“Wakala Ownership Period”** means, in relation to a Management Wakala Series, the period commencing on the relevant Issue Date and ending on the date on which all of the Management Wakala Sukuk of that Management Wakala Series are redeemed in full.

***Master Trust Deed, as supplemented by each Supplemental Trust Deed***

See “*Summary of Principal Transaction Documents – Master Trust Deed*”

**Investment Wakala Sukuk Documents**

***Investment Wakala Agreement***

The Investment Wakala Agreement was entered into on 20 December 2022 between the Trustee and Cagamas (in its capacity as Wakeel) and is governed by English law.

Pursuant to the Investment Wakala Agreement, the Trustee will appoint the Wakeel to manage the Wakala Investment relating to each Investment Wakala Series. In particular, the Wakeel, in relation to each Investment Wakala Series:

- (a) it shall complete the Investment Wakala Investment Plan on the Issue Date for the Investment Wakala Series;
- (b) it shall use the **“Initial Wakala Investment Amount”** (being the amount, in relation to each Investment Wakala Series, specified as such in the relevant Investment Wakala Investment Plan) to make the Wakala Investment in accordance with the terms of the Investment Wakala Agreement and the applicable Investment Wakala Investment Plan;
- (c) it shall manage the relevant Wakala Investment in accordance with the Wakala Investment Plan and the terms of the Investment Wakala Agreement;
- (d) shall:
  - (i) ensure that on the Issue Date of the relevant Investment Wakala Series, and prior to the relevant Commodity Murabaha Investment being entered into, the relevant Wakala Investment Value shall be equal to no less than 51 per cent. of the aggregate outstanding face amount of the Investment Wakala Sukuk for that Investment Wakala Series;
  - (ii) use reasonable endeavours to ensure that at all times after the Commodity Murabaha Investment relating to the relevant Investment Wakala Series has been entered into, the relevant Wakala Investment Value shall be equal to no less than 33 per cent. of the Investment Wakala Sukuk Asset Value for that Investment Wakala Series at the relevant time (the **“Tangible Ratio Requirement”**); and

- (iii) use reasonable endeavours to ensure that at all times the Investment Wakala Sukuk Asset Value is at least equal to the aggregate face amount of the Investment Wakala Sukuk then outstanding.
- (e) it shall discharge or procure the discharge of all obligations to be discharged by the Trustee in respect of the Wakala Investment, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf;
- (f) it shall pay on behalf of the Trustee any actual costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Wakala Investment; and
- (g) it shall maintain a book-entry ledger account (referred to as the “**Investment Wakala Collection Account**”) which shall be denominated in the Specified Currency in accordance with clause 6 (*Accounts*) of the Wakala Agreement.

The Wakeel shall ensure that the Initial Wakala Investment Amount is (and any excess Wakala Investment Profits to be reinvested in accordance with the Investment Wakala Agreement) are invested in accordance with the Investment Wakala Investment Plan in *Shari’a* compliant income (whether by appreciation, monetary return or otherwise) generating or yielding assets in Cagamas’ Shariah compliant business. For the avoidance of doubt, the Trustee acknowledges that there is no guarantee of any return from the Wakala Investment. The Wakeel shall exercise such rights, powers, authorities and discretions as arise under the Investment Wakala Agreement (together with any other incidental rights, powers, authorities and discretions), and shall take such action as it deems appropriate, in each case:

- (a) in accordance with applicable laws and regulations;
- (b) with the degree of skill and care that it would exercise in respect of its own assets;
- (c) in a manner that is not repugnant to *Shari’a*, as determined by the Shari’a Adviser.

The Wakeel shall not be responsible for any losses to the Wakala Investment suffered by the Trustee unless such losses are caused by: (i) the Wakeel’s breach of the Investment Wakala Agreement; or (ii) the Wakeel’s negligence, wilful misconduct or fraud.

All Wakala Investment Profits relating to a Investment Wakala Series will be recorded in the Investment Wakala Collection Account as and when received by the Wakeel. Additionally, any amount of the relevant outstanding Deferred Sale Price which is expressed to be payable to the Investment Wakala Collection Account in accordance with the Investment Wakala Master Murabaha Agreement, will be recorded in the Investment Wakala Collection Account.

The Wakeel will be entitled to deduct amounts standing to the credit of the Investment Wakala Collection Account of each Investment Wakala Series at any time during the relevant Wakala Investment Period and to use such amounts for its own account, provided that any such amounts so deducted are re-credited to the Investment Wakala Collection Account on or prior to each relevant Investment Wakala Distribution Determination Date and on or prior to the Business Day prior to any Dissolution Date for the purposes of application by the Wakeel pursuant to the paragraphs below.

In relation to each Investment Wakala Series, amounts standing to the credit of the Investment Wakala Collection Account will be applied by the Wakeel on each Investment Wakala Distribution Determination Date in the following order of priority:

- (i) *firstly*, in payment into the Transaction Account of an amount equal to the Required Amount payable on the Periodic Distribution Date falling one (1) business day after such Wakala Distribution Determination Date;

- (ii) *secondly*, in payment to the Wakeel on behalf of the Trustee of any Wakeel Liabilities Amounts in respect of the relevant Investment Wakala Series and for the Wakala Distribution Period ending on the immediately following Wakala Distribution Date and (if applicable) any Wakeel Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid; and
- (iii) *thirdly*, any remaining balance in the Investment Wakala Collection Account shall be debited from the Investment Wakala Collection Account and shall be invested by the Wakeel in Cagamas' general Shari'a compliant business to grow the Wakala Investment.

The Wakeel undertakes in the Investment Wakala Agreement, in relation to each Investment Wakala Series, that:

- (a) it shall keep, in accordance with its usual practices, all documents, books, records and other information necessary or advisable for monitoring the performance of, and amounts received in respect of, the applicable Wakala Investment; and
- (b) except to the extent it is under any duty or obligation imposed by applicable law, regulation or contract to keep such information confidential, it shall provide the Trustee (or such other person as the Trustee may specify) with copies of any such documents, books, records and other information relating to the performance of the applicable Wakala Investment and copies of the Investment Wakala Collection Account ledger of any Investment Wakala Series as the Trustee may request.

Except as provided in the terms of the Investment Wakala Agreement, all payments by the Wakeel to the Trustee under the Investment Wakala Agreement will be made without any deduction or withholding for or on account of any Taxes unless required by law and without set-off or counterclaim of any kind. If there is any such deduction or withholding, the Wakeel shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made and accordingly the Wakeel undertakes to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed hereunder. In addition, if additional amounts are payable by the Trustee in respect of the Investment Wakala Sukuk in accordance with Investment Wakala Condition 10 (*Taxation*), the Wakeel will pay to the Trustee an amount equal to such additional amounts by payment to the Investment Wakala Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Sukuk is received by the Trustee.

## 1. ORGANIZATION AND BUSINESS

### (a) Company Information

On the business day prior to: (i) the relevant Scheduled Dissolution Date in relation to each Investment Wakala Series; (ii) redemption of the Investment Wakala Sukuk following a Dissolution Event; (iii) an early redemption of the Sukuk for taxation reasons; or (iv) redemption of all of the Investment Wakala Sukuk at the option of the Sukukholders of the relevant Investment Wakala Series or at the option of Cagamas (in each case, if so specified in the relevant Pricing Supplement) or pursuant to a Change of Shareholding Put Right, the Wakeel shall liquidate the Wakala Investment at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Collection Account and any amounts standing to the credit of the Investment Wakala Collection Account (including, for the avoidance of doubt, any amounts paid into the Investment Wakala Collection Account in accordance with the Investment Wakala Master Murabaha Agreement which remain to the credit of the Investment Wakala Collection Account) (the "**Wakala Proceeds**") shall be applied in the following order of priority:

- (a) firstly, by paying into the Transaction Account on the Business Day prior to the relevant Dissolution Date from the Wakala Proceeds standing to the credit of the Investment Wakala

Collection Account of the relevant Investment Wakala Series, an amount equal to the aggregate of:

- (i) the Dissolution Distribution Amount; and
  - (ii) any amounts to be paid on the relevant Dissolution Date in respect of the relevant Investment Wakala Series; and
- (b) secondly, in payment to the Wakeel on behalf of the Trustee of any unpaid Wakeel Liabilities Amounts in respect of the relevant Investment Wakala Series.

On the business day prior to a redemption of the relevant Investment Wakala Sukuk in part: (i) at the option of the Sukukholders of the relevant Investment Wakala Series; (ii) at the option of Cagamas (in each case, if so specified in the relevant Pricing Supplement); or (iii) pursuant to a Change of Shareholding Put Right, at the option of the Sukukholders of the relevant Investment Wakala Series, the Wakeel shall liquidate the Investment Wakala Investment (in whole or, as applicable, in proportion to the aggregate face amount of Investment Wakala Sukuk being so redeemed) at its market value (as determined by the Wakeel (acting reasonably)) and the proceeds of such liquidation shall be credited to the Investment Wakala Collection Account of the relevant Investment Wakala Series and any amounts standing to the credit of the relevant Investment Wakala Collection Account (including, for the avoidance of doubt, any amounts paid into the Investment Wakala Collection Account in accordance with the Investment Wakala Master Murabaha Agreement which remain to the credit of the Investment Wakala Collection Account) shall be applied in accordance with the terms of the Investment Wakala Agreement in order to fund the redemption of the relevant Investment Wakala Sukuk.

On a Cancellation Date, following the cancellation of the relevant Cancelled Sukuk in accordance with the Conditions, the Master Trust Deed and the relevant Supplemental Declaration of Trust, the Wakala Investment of the relevant Investment Wakala Series shall be reduced by an amount equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice.

If, in respect of an Investment Wakala Series, the Wakeel fails to make any of the payments set out above in relation to a redemption of Investment Wakala Sukuk in full to the Transaction Account on the applicable date and within the time specified therein, then, the Wakeel acknowledges and agrees that the Wakala Investment (or the relevant portion thereof, as applicable) in respect of the relevant Investment Wakala Series shall automatically be deemed to have not been liquidated by the Wakeel in the relevant circumstances and the Wakeel shall, amongst other requirements, irrevocably, unconditionally and automatically (without the need for any notice or other action) continue to manage the relevant Wakala Investment in accordance with the terms of the Investment Wakala Agreement until such time that all amounts due and payable under the Investment Wakala Sukuk of the relevant Investment Wakala Series have been paid in full.

Cagamas shall be entitled to receive a fee for acting as Wakeel which will comprise a fee of U.S.\$100 (the receipt and adequacy of which is acknowledged by the Wakeel under the Investment Wakala Agreement) and may also receive Incentive Payments (as described below).

Following payment in full of all amounts due and payable under the relevant Investment Wakala Sukuk, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the relevant Investment Wakala Collection Account of that Investment Wakala Series for its own account as an incentive payment for acting as Wakeel (in relation to each Investment Wakala Series, an **“Incentive Payment”**).

The payment obligations of the Wakeel under the Investment Wakala Agreement will be direct, unsubordinated and unsecured obligations of the Wakeel and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*) of the

Investment Wakala Conditions, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Wakeel, present and future.

### ***Investment Wakala Master Murabaha Agreement***

The Investment Wakala Master Murabaha Agreement was entered into on 20 December 2022 between the Trustee and Cagamas (in its capacity as “**Buyer**” and “**Commodity Trading Participant**”) and is governed by the English law.

In connection with each Investment Wakala Series of Investment Wakala Sukuk, the Trustee may desire to enter into a Commodity Murabaha Investment with the Buyer using a portion of the issue proceeds of the Investment Wakala Series which is no more than 49 per cent. of the issue proceeds of that Investment Wakala Series.

The Trustee agrees and undertakes that, on receipt of a Purchase Order from the Buyer, the Trustee shall on the Issue Date for the relevant Investment Wakala Series procure that the Commodity Trading Participant will, pursuant to a Purchase Transaction Authorisation Letter on the terms set out in such Purchase Order enter into Purchase Transactions no later than 4.00pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date with Commodity Suppliers to purchase Commodities at the Commodity Purchase Price for and on behalf of the Trustee. The Commodity Trading Participant shall immediately notify the Trustee of the purchase of such Commodities.

Following the purchase of the Commodities by the Commodity Trading Participant for and on behalf of the Trustee and notification of such purchase by the Commodity Trading Participant to the Trustee, and **provided that** the Trustee (or the Commodity Trading Participant acting in its capacity as agent of the Trustee) has acquired title to, and possession of, the Commodities, the Trustee shall deliver no later than 4.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date a Letter of Offer and Acceptance to the Buyer indicating the Trustee’s acceptance of the terms of the Purchase Order made by the Buyer and detailing the terms of the offer for the sale of the relevant Commodities to the Buyer from the Trustee on the Issue Date.

The Buyer irrevocably and unconditionally undertakes to accept the terms of, countersign and deliver to the Trustee any Letter of Offer and Acceptance delivered to it in accordance with the Investment Wakala Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Purchase Order) purchase the Commodities acquired by the Trustee (or acquired by the Commodity Trading Participant acting in its capacity as agent of the Trustee) in accordance with the terms of the Investment Wakala Master Murabaha Agreement from the Trustee for the applicable Deferred Sale Price in accordance with the terms of the Investment Wakala Master Murabaha Agreement, in each case no later than 5.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date.

As soon as the Buyer has countersigned the Letter of Offer and Acceptance in accordance with the terms of the Investment Wakala Master Murabaha Agreement, (i) a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Letter of Offer and Acceptance and incorporating the terms and conditions set out in the Master Murabaha Agreement, (ii) the Trustee shall sell and the Buyer shall buy the Commodities on the terms set out in the Letter of Offer and Acceptance and (iii) ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer may following the purchase of the Commodities by the Buyer from the Trustee, and **provided that** the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.



In connection with each Murabaha Contract, the Buyer irrevocably and unconditionally undertakes in the Investment Wakala Master Murabaha Agreement to pay to the Trustee:

- (1) on the date falling two (2) Business Days prior to each Periodic Distribution Date under the relevant Series, an amount of the applicable outstanding Deferred Sale Price equal to the applicable Murabaha Profit Instalment by crediting such amount to the Collection Account on such date; and
- (2) on the date falling two (2) Business Days prior to (i) the relevant Scheduled Dissolution Date in relation to each Investment Wakala Series; (ii) redemption of the Investment Wakala Sukuk following a Dissolution Event; (iii) an early redemption of the Investment Wakala Sukuk for taxation reasons; or (iv) redemption of all or some of the Investment Wakala Sukuk at the option of the Sukukholders of the relevant Investment Wakala Series in connection with the exercise of a Change of Shareholding Put Right or at the option of Cagamas (in each case, if so specified in the relevant Pricing Supplement), all or the relevant proportion (as applicable) of the outstanding Deferred Sale Price of the relevant Investment Wakala Series by crediting such amount to the Investment Wakala Collection Account of the relevant Series on such date;

On each Cancellation Date, an amount of the outstanding Deferred Sale Price equal to the relevant Cancellation Proportion specified in the relevant Cancellation Notice shall be deemed to be cancelled with effect from the Cancellation Date.

All payments made by the Buyer to the Trustee under the Investment Wakala Master Murabaha Agreement will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off or counterclaim of any kind. If there is any such deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made and accordingly the Buyer undertakes to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed under the Investment Wakala Master Murabaha Agreement. In addition, if additional amounts are payable by the Trustee in respect of the Investment Wakala Sukuk in accordance with Investment Wakala Condition 10 (*Taxation*), the Buyer will agree to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer so that the full amount which would otherwise have been due and payable under the Investment Wakala Sukuk is received by the Trustee no later than the due date for payment of such amounts under the Investment Wakala Sukuk.

The payment obligations of the Buyer under the Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Investment Wakala Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

Cagamas undertakes to comply with all provisions of the Investment Wakala Conditions and the Transaction Documents (as defined in the Investment Wakala Conditions) to which it is a party and which are expressed to be applicable to it including, without limitation the negative pledge provisions described in Investment Wakala Condition 6.2 (*Negative Pledge*) and the use of proceeds provisions described in Investment Wakala Condition 6.3 (*Use of Proceeds*).

For the avoidance of doubt, it is intended that the Deferred Sale Price in respect of an Investment Wakala Series will be sufficient to pay all Periodic Distribution Amounts payable under the Investment Wakala Investment Wakala Sukuk of that Investment Wakala Series.

***Master Trust Deed, as supplemented by each Supplemental Trust Deed***

See “*Summary of Principal Transaction Documents – Master Trust Deed*”

**Defined Terms for Investment Wakala Sukuk Documents**

“**Additional Murabaha Profit**” means, in relation to an Investment Wakala Series, an amount by which the Aggregate Face Amount of the relevant Investment Wakala Series exceeds the Commodity Purchase Price of that Investment Wakala Series.

“**BCH System**” means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

“**BMIS**” means Bursa Malaysia Islamic Services Sdn Bhd (Registration No. 200901010654 (853675-M)), a company incorporated under the laws of Malaysia, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

“**Business Day**” means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, any day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in the relevant Renminbi Settlement Centre;
- (c) in relation to any sum payable in Singapore dollars, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in Singapore; and
- (d) in relation to any sum payable in a currency other than euro, Renminbi, and Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Cancellation Date**” means, the date specified as such in the relevant Cancellation Notice;

“**Cancellation Notice**” means a notice substantially in the form set out in Schedule 2 (*Form of Cancellation Notice*) of the Master Trust Deed;

“**Cancellation Proportion**” means the proportion (expressed as a percentage) determined by dividing (i) the aggregate face amount of the Cancellation Certificates by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series immediately prior to cancelling the Cancellation Certificates;

“**Cancelled Sukuk**” means the Investment Wakala Sukuk which are the subject of the relevant Cancellation Notice;

“**Commodities**” means any *Shariah*-compliant commodities that are traded on the Market (excluding currency, gold and silver);

**“Commodity Murabaha Investment”** means, in relation to an Investment Wakala Series, the sale of certain Commodities by the Trustee to the Buyer, which Commodities were initially purchased by the Trustee (through the Commodity Trading Participant) using a proportion of the proceeds of the issue of the Investment Wakala Sukuk, pursuant to the Master Murabaha Agreement and having the terms set out in the relevant Murabaha Contract;

**“Commodity Purchase Price”** means, in relation to each Investment Wakala Series and the corresponding Murabaha Contract and Purchase Transaction, the aggregate amount payable in the Specified Currency to the relevant Commodity Supplier by or on behalf of the Trustee for the purchase of the Commodities from the relevant Commodity Supplier by the Trustee, specified as such in the relevant Purchase Transaction Authorisation Letter and Purchase Order and which amount shall be equal to the relevant Murabaha Investment Amount;

**“Commodity Supplier”** means a person for the time being admitted as a participant of BMIS, who supplies the Commodities on the Market and whose functions include those referred to in Rule 302.2 of the Rules;

**“Commodity Trading Participant”** means Cagamas in its capacity as commodity trading participant under the Investment Wakala Master Murabaha Agreement;

**“Deferred Sale Price”** means, in relation to a Murabaha Contract in respect of an Investment Wakala Series, the aggregate of (1) the applicable Commodity Purchase Price; (2) the applicable Murabaha Profit; (3) the applicable Additional Murabaha Profit; and (4) any other amounts payable in relation to the redemption of the Investment Wakala Sukuk of the relevant Investment Wakala Series as specified in the applicable Pricing Supplement, and specified as such in the Letter of Offer and Acceptance;

**“First Wakala Distribution Date”** means, in relation to each Series, the date specified as such in the relevant Investment Wakala Investment Plan;

**“Investment Wakala Investment Plan”** means, in relation to an Investment Wakala Series, the investment plan schedule to the relevant Supplemental Trust Deed, which will be substantially in the form set out in Schedule 1 (*Investment Wakala Investment Plan*) of the Investment Wakala Agreement.

**“Investment Wakala Sukuk Asset Value”** means, at any time, the aggregate of the Wakala Investment Value and the outstanding Deferred Sale Price at that time;

**“Issue Date”** has the meaning given to in the applicable Pricing Supplement;

**“Letter of Offer and Acceptance”** means the letter to be issued by the Trustee to the Buyer substantially in the form set out in Schedule 3 (*Form of Letter of Offer and Acceptance*) of the Investment Wakala Master Murabaha Agreement;

**“Market”** means the commodity market operated by BMIS for the trading of commodities;

**“Murabaha Contract”** means, in relation to an Investment Wakala Series, an individual contract for the sale of Commodities at a deferred sale price and made pursuant to the Wakala Agreement in respect of the relevant Investment Wakala Series by the delivery of a Letter of Offer and Acceptance by the Trustee to the Buyer and the subsequent countersignature of such Letter of Offer and Acceptance by the Buyer in accordance with the terms of the Investment Wakala Master Murabaha Agreement;

**“Murabaha Investment Amount”** means, in relation to an Investment Wakala Series, the relevant proportion of the proceeds of the issue of the Investment Wakala Sukuk of that Investment Wakala Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Investment Wakala Master Murabaha Agreement and specified as such in the applicable Pricing Supplement;

**“Murabaha Profit”** means, in relation to each Investment Wakala Series and the corresponding Murabaha Contract, an amount equal to the aggregate of the Periodic Distribution Amounts that will be payable under the Investment Wakala Sukuk in respect of the relevant Investment Wakala Series during the period from (and including) the Issue Date of the relevant Investment Wakala Series to (and including) the Scheduled Dissolution Date of the relevant Investment Wakala Series;

**“Murabaha Profit Instalment”** means, in relation to the Murabaha Contract of an Investment Wakala Series, an amount equal to: (a) the Murabaha Profit for that Murabaha Contract as at the relevant Issue Date; divided by (b) the number of Periodic Distribution Dates falling during the period from (and including) the Issue Date of that Investment Wakala Series to (and including) the Scheduled Dissolution Date;

**“Pricing Supplement”** means, in relation to each Investment Wakala Series, the pricing supplement of that Investment Wakala Series as completed by the Trustee at the time of issue of the Investment Wakala Series;

**“Priority Amounts”** means any amounts described in Investment Wakala Condition 5.2(a) and/or 5.2(b);

**“Purchase Order”** means the purchase order to be delivered by the Buyer to the Trustee substantially in the form set out in Schedule 1 (*Form of Purchase Order*) of the Investment Wakala Master Murabaha Agreement;

**“Purchase Transaction”** means an agreement between the Commodity Trading Participant and one or more Commodity Suppliers for the spot purchase of Commodities through the BCH System;

**“Purchase Transaction Authorisation Letter”** means the letter to be delivered to the Commodity Trading Participant by the Trustee for the purchase of Commodities from one or more Commodity Suppliers, substantially in the form set out in Schedule 2 (*Form of Purchase Transaction Authorisation Letter*) of the Investment Wakala Master Murabaha Agreement;

**“Required Amount”** means, in relation to each Investment Wakala Series and each Periodic Distribution Date, an amount equal to the aggregate of (1) the Periodic Distribution Amount payable on the relevant Periodic Distribution Date; and (2) any Priority Amounts to be paid on the Periodic Distribution Date in respect of the relevant Investment Wakala Series.

**“Shari’a Committee”** means any external Shari’a advisor appointed by Cagamas from time to time.

**“Taxes”** means any tax, levy, impost, duty or other charge or withholding of a similar nature;

**“Transaction Account”** has the meaning given to it in the Investment Wakala Conditions;

**“Wakala Distribution Date”** means, in relation to an Investment Wakala Series, each Periodic Distribution Date;

**“Wakala Distribution Determination Date”** means, in relation to an Investment Wakala Series, the Business Day immediately preceding each Wakala Distribution Date;

**“Wakala Distribution Period”** means, in relation to an Investment Wakala Series, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date;

**“Wakala Investment”** means, in relation to each Investment Wakala Series, the Trustee’s share in Cagamas’ general Shari’a compliant business from time to time arising as a result of the Wakeel investing the relevant Initial Wakala Investment Amount and any additional amounts to be invested in accordance with the Investment Wakala Agreement, pursuant to the terms of the Investment Wakala Agreement and the relevant Investment Wakala Investment Plan, in Cagamas’ general Shari’a compliant business on an unrestricted basis as a *Wakala bil Istithmar*.

**“Wakala Investment Period”** means, in relation to each Investment Wakala Series, the period commencing on the relevant Issue Date and ending on the date on which all of the Investment Wakala Sukuk of that Investment Wakala Series are redeemed in full.

**“Wakala Investment Profits”** means, in relation to an Investment Wakala Series, all profits generated by the Wakala Investment which, for the avoidance of doubt, will be determined after taking into account the deductions specified in clause 3.2 of the Investment Wakala Agreement;

**“Wakala Investment Value”** means, at any time, in relation to each Investment Wakala Series, the value of the relevant Wakala Investment at that time, as determined by the Wakeel in accordance with its usual business practices and in consultation with the Shari’a Committee;

**“Wakeel Liabilities Amount”** means, in relation to each Investment Wakala Series and each corresponding Wakala Distribution Determination Date, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee, in each case in performing its obligations under the Investment Wakala Agreement in respect of the relevant Investment Wakala Series during the Wakala Distribution Period ending on such Wakala Distribution Determination Date; and

#### **Master Trust Deed, as supplemented by each Supplemental Trust Deed**

The Master Trust Deed was entered into on 28 November 2014 and amended and restated on 20 December 2022 between the Trustee, the Obligor and the Delegate and is governed by English law. A Supplemental Trust Deed between the same parties will be entered into on or prior to the Issue Date of each Series of Sukuk and will also be governed by English law.

Upon execution of the applicable series Documents and upon the issue of a Global Certificate initially representing the Sukuk of the relevant Series in accordance with the Master Trust Deed and the Agency Agreement, such Sukuk shall forthwith be constituted by the Master Trust Deed without any further formality.

The Trust Assets in respect of each Series of Sukuk comprises (unless otherwise specified in the relevant Supplemental Trust Deed), amongst other things, the cash proceeds of the issue of the Sukuk, the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Management Wakala Sukuk Assets and the Investment Wakala Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time) and all moneys standing to the credit of the relevant Transaction Account from time to time, as more particularly described in Condition 5.1 (*Trust Assets*).

Pursuant to the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Trustee will, in relation to each Series of Sukuk, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Sukuk as beneficiaries *pro rata* according to the face amount of Sukuk of that Series held by each holder of the Sukuk; and

- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed.

The Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any holders of the Sukuk and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Master Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to exercise all of the rights of the Trustee under the Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the holders of the Sukuk and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Master Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Master Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of such Delegation and **provided further that** in no circumstances will such Delegation result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The appointment of such delegate is intended to be in the interests of the Sukukholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

The Master Trust Deed specifies that the rights of recourse in respect of Sukuk shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Sukukholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account will be established in respect of each Series of Sukuk. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise revenues from the Wakala Assets other than in the nature of sale, capital or principal payments, and amounts of the Deferred Sale Price paid by the Obligor pursuant to a Commodity Murabaha Investment (see “*Summary of the Principal Transaction Documents — Wakala Agreement*” and “*Summary of the Principal Transaction Documents — Master Murabaha Agreement*”). Each of the Trustee and the Delegate, to the extent it receives any amounts in respect of the Trust Assets, shall pay such amounts into the relevant Transaction Account for payment in accordance with the order of priority set out in Condition 5.2 (*Application of Proceeds from Trust Assets*) to the relevant holders of the Sukuk on the relevant Periodic Distribution Date or Dissolution Date.

#### **Defined Terms for Master Trust Deed**

“**accountholders**” means each person (other than another clearing system) who is for the time being shown in the records of Euroclear, Clearstream, CDP, the CMU or any relevant Alternative Clearing System, as the case may be, as entitled to a particular face amount of the Sukuk (in which regard any certificate or other document issued by Euroclear, Clearstream, CDP, the CMU or the relevant Alternative Clearing System as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

“**ACS Agents**” means, in respect of each Series of ACS Sukuk, the ACS Lodging Agent, the ACS Paying Agent, the ACS Calculation Agent, the ACS Registrar and the ACS Transfer Agent or any of them (as applicable);



**“ACS Calculation Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Form”** means any application form, agreement, deed or other document (including, but not limited to, securities lodgement forms (including any RENTAS Securities Lodgement Form)), required to be entered into by the Trustee for the purposes of the acceptance for clearing and settlement of a Series of ACS Sukuk by the relevant Alternative Clearing System;

**“ACS Lodging Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Paying Agent”** means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent;

**“ACS Registrar”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“ACS Sukuk”** means any Sukuk which are cleared through an Alternative Clearing System including, without limitation, RENTAS Sukuk;

**“ACS Transfer Agent”** means the institution specified as such in the applicable Pricing Supplement (including its successors in title and assigns and any successors acting in such capacity);

**“Agency Agreement”** means the amended and restated agency agreement relating to the Programme dated 20 December 2022 between the Trustee, the Obligor, the Delegate, the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, the Registrar and the other Agents named in it;

**“Agents”** means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars and the Transfer Agents, any ACS Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Alternative Clearing System”** means any additional or alternative clearing system (other than Euroclear, Clearstream, CDP and the CMU) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate including, without limitation, RENTAS;

**“Appointee”** means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Delegate in accordance with these presents;

**“Authorisation”** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

**“Authorised Amount”** means, at any time, the amount of U.S.\$2,500,000,000 subject to any increase as may have been authorised pursuant to clause 15 (*Increase in Authorised Amount*) of the Dealer Agreement;

**“Authorised Signatory”** means any person authorised by the Trustee or the Obligor (as the case may be) to sign documents on its behalf and whose name and specimen signature has been provided in accordance with clause 17.7 (*List of Authorised Persons*) of the Agency Agreement;

**“BNM”** means Bank Negara Malaysia, a body corporate established under the Central Bank of Malaysia Act, 2009, of Jalan Dato’ Onn, 50480 Kuala Lumpur;

**“Business Day”** has the meaning given to it in the Conditions;

**“Calculation Agent”** means, in relation to any Series of Sukuk, the institution appointed as calculation agent for the purposes of such Sukuk and named as such in the applicable Pricing Supplement, in the case of the Principal Paying Agent, the CMU Lodging and Paying Agent or the CDP Lodging and Paying Agent, pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Dealer Agreement and, in the case of any other institution (including any relevant ACS Calculation Agent) pursuant to a letter of appointment in, or substantially in, the form set out in Schedule 4 of the Agency Agreement and/or any relevant ACS Forms (as applicable) and, in any case, any successor to such institution in its capacity as such;

**“Cancellation Notice”** means a notice substantially in the form set out in Schedule 5 (*Form of Cancellation Notice*) and given for the purposes of sub-Clause 2.2. (*Cancellation of Certificates held by the Obligor*);

**“Cancelled Sukuk”** means, in relation to a particular Series, the Sukuk specified as such in a Cancellation Notice for such Series;

**“CDP”** means The Central Depository (Pte) Limited;

**“CDP Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch or any successor appointed as CDP lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with CDP for each Series of CDP Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

**“CDP Sukuk”** means any Sukuk which are cleared through CDP;

**“Clearstream”** means Clearstream Banking S.A.;

**“CMU Issue Position Report”** shall have the meaning specified in the CMU Rules;

**“CMU Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as CMU lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with the CMU for each Series of CMU Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

**“CMU Member”** means any member of the CMU;

**“CMU Reference Manual”** means the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time;

**“CMU Rules”** means all requirements of the CMU for the time being applicable to a CMU Member and includes: (a) all the obligations for the time being applicable to a CMU Member under or by virtue of its membership agreement with the CMU and the CMU Reference Manual; (b) all the operating

procedures as set out in the CMU Reference Manual for the time being in force in so far as such procedures are applicable to a CMU Member; and (c) any directions for the time being in force and applicable to a CMU Member given by the HKMA through any operational circulars or pursuant to any provision of its membership agreement with the HKMA or the CMU Reference Manual;

“**CMU**” means the Central Moneymarkets Unit operated by the HKMA;

“**CMU Sukuk**” means any Sukuk which are cleared through the CMU;

“**Conditions**” means the Investment Wakala Conditions or the Management Wakala Conditions, as the case may be and any reference to a “**Condition**” shall be to the relevant Management Wakala Condition or Investment Wakala Condition, as applicable for each Series;

“**CSDPAR**” means the Central Securities Depository and Paying Agency Rules, a uniform set of rules and procedures which govern the depository and paying agency services provided by BNM in relation to the securities deposited in RENTAS;

“**Dealer Agreement**” means the amended and restated dealer agreement dated 20 December 2022 between the Trustee, the Obligor and the financial institutions named therein as arrangers and dealers concerning the purchase of the Sukuk under the Programme;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Extraordinary Resolution**” has the meaning set out in Schedule 3 (*Provisions for Meetings of Sukukholders*);

“**FATCA**” means:

- (a) Sections 1471 to 1474 of the us internal revenue code of 1986 or any associated regulation, instruction or other official guidance, as amended from time to time;
- (b) any treaty, law, regulation, instruction or other official guidance enacted or amended in any other jurisdiction, or relating to an intergovernmental agreement between the united states and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above;
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the us internal revenue service, the us government or any governmental or taxation authority in any other jurisdiction; or
- (d) any treaty, law, regulation, instruction or other official guidance analogous to paragraphs (a) or (b) enacted or amended in any other jurisdiction from time to time, and any agreement pursuant to the implementation of any such treaty, law, regulation, instruction or other official guidance with any governmental or taxation authority in any jurisdiction;

“**FSMA**” means the Financial Services and Markets Act 2000 of the United Kingdom;

“**Global Certificate**” means a certificate in global form representing Sukuk of the same Series that are registered in the name of: (i) a nominee for a common depository for Euroclear and/or Clearstream; (ii) CDP; (iii) the HKMA as operator of the CMU and lodged with a sub-custodian for the CMU; and/ or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System which, for the avoidance of doubt, may be the RENTAS Depository;

“**HKMA**” means the Monetary Authority appointed pursuant to Section 5A of the Exchange Fund Ordinance (Cap. 66 of the laws of Hong Kong) or its successors;

“**HSBC Group**” means HSBC Holdings plc together with its subsidiary undertakings from time to time;

“**Indemnified Person**” shall have the meaning given to it in Clause 17.5 (*Obligor Indemnity for Costs and Expenses*);

“**Individual Certificate**” means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of this Master Trust Deed in exchange for a Global Certificate;

“**Investment Wakala Conditions**” means, in relation to the Investment Wakala Sukuk of any Investment Wakala Series, the terms and conditions endorsed on or incorporated by reference into the Sukuk constituting such Series, such terms and conditions being in the form set out in Schedule 2 (*Terms and Conditions of the Investment Wakala Sukuk*), as the same may from time to time be modified in accordance with this Master Trust Deed and the relevant Supplemental Trust Deed and as completed by the applicable Pricing Supplement, and any reference in these presents to a specified Investment Wakala Condition or paragraph of an Investment Wakala Condition shall be construed accordingly;

“**Investment Wakala Series Documents**” means, in relation to each Investment Wakala Series, the Investment Wakala Supplemental Trust Deed and any other related document in connection with the foregoing and relating to the same

“**Investment Wakala Transaction Documents**” means, in relation to each Investment Wakala Series:

- (a) the Master Trust Deed as supplemented by the relevant Investment Wakala Supplemental Trust Deed;
- (b) the Agency Agreement;
- (c) the Investment Wakala Agreement; and
- (d) if applicable to an Investment Wakala Series, the Investment Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Investment Wakala Series);

“**LFX**” means the Labuan International Financial Exchange Inc.;

“**Liability**” has the meaning given to it in the Conditions;

“**Local Banking Day**” means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

“**Local Time**” means the time in the city in which the relevant Principal Paying Agent has its Specified Office;

“**Management Wakala Conditions**” means, in relation to the Management Wakala Sukuk of any Management Wakala Series, the terms and conditions endorsed on or incorporated by reference into the Sukuk constituting such Series, such terms and conditions being in the form set out in Schedule 3 (*Terms and Conditions of the Management Wakala Sukuk*), as the same may from time to time be

modified in accordance with this Master Trust Deed and the relevant Supplemental Trust Deed and as completed by the applicable Pricing Supplement, and any reference in these presents to a specified Management Wakala Condition or paragraph of a Management Wakala Condition shall be construed accordingly

**“Management Wakala Series Documents”** means, in relation to each Management Wakala Series, the Management Wakala Supplemental Trust Deed, the Management Wakala Supplemental Purchase Agreement and any other related document in connection with the foregoing and relating to the same

**“Management Wakala Transaction Documents”** means, in relation to each Management Wakala Series:

- (e) the Master Trust Deed as supplemented by the relevant Management Wakala Supplemental Trust Deed;
- (f) the Agency Agreement;
- (g) the Management Wakala Master Purchase Agreement, as supplemented by the applicable Management Wakala Supplemental Purchase Agreement; and
- (h) the Management Wakala Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Sale Undertaking);
- (i) the Management Wakala Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Purchase Undertaking);
- (j) the Management Wakala Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Management Wakala Substitution Undertaking);
- (k) the Management Wakala Agreement; and
- (l) if applicable to a Management Wakala Series, the Management Wakala Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Management Wakala Series);

**“Meetings of Sukukholders”** means meetings of Sukukholders, as more particularly described in Schedule 4 (*Provisions for Meetings of Sukukholders*);

**“Offering Circular”** means the offering circular dated the date of this Master Trust Deed prepared by each of the Trustee and the Obligor in connection with the Programme, which expression includes any replacement or supplementary offering circular prepared;

**“outstanding”** means, in relation to the Sukuk of any Series, all the Sukuk of that Series issued other than:

- (a) those Sukuk which have been redeemed in full, or purchased under Condition 8.7 (*Purchases*), and in either case have been cancelled in accordance with Condition 8.8 (*Cancellation*);
- (b) those Sukuk in respect of which the due date for their redemption in full has occurred and all sums due in respect of such Sukuk (including all Periodic Distribution Amounts payable in respect thereof) have been duly paid to the Delegate, the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as applicable, in the manner provided in the Agency Agreement and remain available for payment against presentation of the relevant Sukuk;

- (c) those Sukuk in respect of which all claims for payment have become void under Condition 11 (*Prescription*);
- (d) any Global Certificate or Individual Certificates which have been mutilated or defaced, and which have been surrendered and cancelled or are alleged to have been lost, stolen or destroyed, and have been replaced pursuant to Condition 14 (*Replacement of Sukuk*); and
- (e) any Global Certificate to the extent that it shall have been exchanged for Individual Certificate(s) pursuant to its provisions,

**provided that** for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Sukukholders of a particular Series or any of them and any direction or request by the holders of the Sukuk of any Series;
- (ii) the determination of how many and which Sukuk are for the time being outstanding for the purposes of sub-clauses 7.1.1, 7.2.3 and Clauses 7.3 and 18 of this Master Trust Deed, Conditions 12 (*Dissolution Events*), 13 (*Realisation of Trust Assets*), 16 (*Meetings of Sukukholders, Modification and Waiver*) and 17 (*Delegate*) and Schedule 4 (*Provisions for Meetings of Sukukholders*) of this Master Trust Deed;
- (iii) any discretion, power or authority (whether contained in this Master Trust Deed or vested by operation of law) which the Trustee or the Delegate, as the case may be, is required, expressly or impliedly, to exercise in or by reference to the interests of the Sukukholders of any Series; and
- (iv) the determination by the Delegate whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Sukukholders of any Series,

those Sukuk of the relevant Series (if any) which are for the time being held by or on behalf of or for the benefit of the Trustee or the Obligor or any of the Trustee's Subsidiaries or the Obligor's Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**"Paying Agents"** means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, any relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent) and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**"Pricing Supplement"** means, in relation to each Series, the pricing supplement (substantially in the form set out in Schedule 3 (*Form of Pricing Supplement*) of the Programme Manual) of that Series as completed by the Trustee at the time of issue of the Series;

**"Principal Paying Agent"** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk collectively in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established. All references in this Master Trust Deed to the **"Principal Paying Agent"** shall be deemed to be references to: (i) with respect to CMU Sukuk, the CMU Lodging and Paying Agent; (ii) with respect to CDP Sukuk, the CDP Lodging and Paying Agent; and (iii) if applicable, with respect to ACS Sukuk, the relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent), and (unless the context requires otherwise) all such references shall be construed accordingly;



**“Principal Subsidiary”** means Cagamas Global P.L.C. and any Subsidiary of the Obligor whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Obligor have been prepared, are at least 10 per cent. of the consolidated total assets of the Obligor as shown by such audited consolidated accounts, **provided that** if any such Subsidiary (the **“transferor”**) shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary of the Obligor (the **“transferee”**) then:

- (a) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary; and
- (b) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Trustee) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Obligor prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary (consolidated (if any) in the case of a company which itself has Subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 10 per cent. of the consolidated total assets of the Obligor, as shown by such audited consolidated accounts;

**“Programme Manual”** means the programme manual (containing suggested forms and operating procedures for the Programme) dated 20 December 2022, as the same may be amended or supplemented from time to time by agreement between the Trustee, the Obligor, the Delegate, the Principal Paying Agent, the Registrar, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent and the Arrangers;

**“Receiver”** means any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trustee by the Delegate in accordance with this Master Trust Deed;

**“Register”** means the register maintained by the Registrar in accordance with Condition 3.3 (*Ownership*) and the Agency Agreement;

**“Registrar”** means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Registrar (if applicable));

**“RENTAS”** means the scripless book-entry securities settlement and funds transfer system known as Real Time Electronic Transfer of Funds and Securities operated and managed by BNM as varied, upgraded or substituted from time to time;

**“RENTAS Depository”** means BNM in its capacity as the depository and custodian of any RENTAS Sukuk who carries out its functions, duties and obligations under the CSDPAR as a central securities depository, and includes its successors in title and assigns and any successors appointed in such capacity;

**“RENTAS Depository Procedures”** means the procedures of the RENTAS Depository for transactions in the RENTAS Sukuk and for settlement of all payments to Holders of RENTAS Sukuk as provided in the CSDPAR, the Participation and Operation Rules for Payments and Securities Services, the Operational Procedures for Foreign Currency Settlement in RENTAS and the Operational Procedures for Securities Services, all issued by BNM and as modified or revised or substituted from time to time by BNM, and any other relevant rules, guidelines, codes and directives issued by BNM from time to time;

**“RENTAS Paying Agent”** means BNM in its capacity as the paying agent for any RENTAS Sukuk and includes its successors in title and assigns and any successors acting in such capacity;

**“RENTAS Securities Lodgement Form”** means, in respect of each Series of RENTAS Sukuk, the securities lodgement form entered into by, *inter alios*, the Trustee, signifying the parties’ agreement for the depository and payment arrangement for such RENTAS Sukuk to be made pursuant to the RENTAS Depository Procedures and confirming that the parties thereto and the RENTAS Paying Agent shall have the duties as agreed therein;

**“RENTAS Sukuk”** means any Sukuk which are cleared through RENTAS;

**“Series”** means a series of Sukuk comprising one tranche that have identical terms on issue and are expressed to have the same series number;

**“Series Documents”** means the Investment Wakala Series Documents and the Management Wakala Series Documents and **“relevant Series Documents”** means either the Investment Wakala Series Documents or the Management Wakala Series Documents, as the context requires;

**“SGX-ST”** means the Singapore Exchange Securities Trading Limited;

**“Specified Office”** has the meaning given in the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“this Master Trust Deed”** means, in relation to each Series, this Master Trust Deed and the Schedules hereto as supplemented by the relevant Supplemental Trust Deed and the Schedules thereto, the relevant Sukuk and the Conditions, all as from time to time supplemented and/or modified in accordance with the provisions contained herein or therein;

**“Transaction Account”** means, in relation to a particular Series, the non-interest bearing transaction account established by the Trustee and held with The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of CMU Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (in the case of any transaction account in relation to a Series of CDP Sukuk) or, as applicable, the relevant ACS Agent (in the case of any transaction account in relation to a Series of ACS Sukuk and, in the case of any transaction account in relation to a Series of RENTAS Sukuk, such ACS Agent may be the RENTAS Paying Agent) denominated in the Specified Currency, details of which are set out in the applicable Pricing Supplement into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

**“Transaction Documents”** means the Investment Wakala Transaction Documents and the Management Wakala Transaction Documents and the **“relevant Transaction Documents”** means either the Investment Wakala Transaction Documents or the Management Wakala Transaction Documents, as the context requires;

**“Transfer Agent”** means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited and, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Transfer Agent (if applicable));

**“Trust Assets”** has the meaning given to it in Condition 5.1 (*Trust Assets*);

**“trust corporation”** means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees; and

**“Trustee Acts”** means the Trustee Act 1925 and the Trustee Act 2000.

## TAXATION

### Malaysia

All payments by the Trustee in respect of the Sukuk shall be made free and clear of, and without withholding or deduction for or on account of any present or future tax, duty or charge of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Sukukholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Sukuk:

- (a) to or on behalf of a Sukukholder who is treated as a resident of Malaysia or a permanent establishment in Malaysia for tax purposes;
- (b) to or on behalf of a Sukukholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Sukuk by reason of his having some connection with Malaysia other than a mere holding of such Sukuk; and
- (c) presented for payment by or on behalf of a Sukukholder who would not be liable or subject to such withholding or deduction by making a declaration of residence in Malaysia or other similar claim for exemption to the relevant tax authority and has failed to do so within the time prescribed by law or at all.

Under paragraph 33B of Schedule 6 of the Income Tax Act, 1967 of Malaysia (the “**Income Tax Act**”), the profit paid by the Trustee on the Sukuk to any person, whether Malaysian resident or non-resident is exempt from income tax.

### The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Sukuk (including secondary market transactions) in certain circumstances. The issuance and subscription of Sukuk should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Sukuk where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Sukuk are advised to seek their own professional advice in relation to the FTT.

## Foreign Account Tax Compliance Act (“FATCA”)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “Foreign Financial Institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be a Foreign Financial Institution for these purposes. A number of jurisdictions (including Malaysia) have entered into, or have agreed in substance to intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions.

Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Sukuk, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Sukuk, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Sukuk, such withholding would not apply prior to the date that is two years after the date on which the final regulations defining “foreign passthru payment” are published in the U.S. Federal Register and Sukuk characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Sukuk. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Sukuk, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

The Dealers have, in a dealer agreement dated 28 November 2014 as supplemented by a supplemental dealer agreement dated 15 February 2016 and as amended and restated on 20 December 2022 (together, the “**Dealer Agreement**”), agreed with the Trustee and Cagamas a basis upon which they or any of them may from time to time agree to purchase Sukuk. Any such agreement will extend to those matters stated under “*Form of the Sukuk*” and “*Terms and Conditions of the Sukuk*”. The Trustee (failing which, Cagamas) will pay each Relevant Dealer a commission as agreed between them in respect of Sukuk subscribed by it. The Trustee (failing which, Cagamas) has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme. The Trustee may also, in connection with each Series of Sukuk issued under the Programme, agree with the Relevant Dealers that private banks be paid a rebate in connection with the purchase of such Series of Sukuk by their private bank clients, which rebate may be deducted from the purchase price for the Sukuk payable by such private banks upon settlement.

The Trustee and Cagamas have jointly and severally agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Sukuk. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for Sukuk in certain circumstances prior to payment for such Sukuk being made to the Trustee.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In connection with each Series of Sukuk issued under the Programme, the Dealers or certain of their affiliates may purchase Sukuk and be allocated Sukuk for asset management and/or proprietary purposes but not with a view to distribution. Further, in the ordinary course of their business activities, the Dealers or their respective affiliates may make or hold (on their own account, on behalf of their clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Sukuk and/or other securities of the Trustee, Cagamas or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of Sukuk or in secondary market transactions. Such transactions, investments and securities activities may involve securities and instruments of the Trustee or its subsidiaries, including Sukuk issued under the Programme and may be entered into at the same time or proximate to offers and sales of Sukuk or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Sukuk. As a result of such transactions, a Dealer or its affiliates may hold long or short positions relating to the Sukuk. Each of the Dealers and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Trustee or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Dealer and its affiliates may engage in other transactions with, and perform services for, the Trustee, Cagamas or their affiliates in the ordinary course of their business. Each Dealer or its affiliates may also purchase Sukuk for asset management and/or proprietary purposes but not with a view to distribution or may hold Sukuk on behalf of clients or in the capacity of investment advisors. While each Dealer and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Sukuk. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Sukuk.



## **Important Notice to CMIs (including private banks)**

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Trustee, Obligor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Trustee, Obligor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Sukuk. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Trustee, Obligor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Sukuk (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Trustee or Cagamas. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Sukuk. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Sukuk, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealer(s) named in the relevant Pricing Supplement.

## **Selling Restrictions**

### ***United States of America***

The Sukuk have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Sukuk are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Sukuk, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Sukuk comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Sukuk during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Sukuk within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Sukuk comprising any Tranche, any offer or sale of Sukuk within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### ***Prohibition of Sales to EEA Retail Investors***

If the Pricing Supplement in respect of any Sukuk includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Sukuk which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation

thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression “**retail investor**” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**EU MiFID II**”); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (“**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

If the Pricing Supplement in respect of any Sukuk does not include a legend entitled “Prohibition of Sales to EEA Retail Investors”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Sukuk which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Sukuk to the public in that Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation.

**provided that** no such offer of Sukuk referred to in (a) to (c) above shall require the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Sukuk to the public**” in relation to any Sukuk in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Sukuk to be offered so as to enable an investor to decide to purchase or subscribe for the Sukuk and the expression “**EU Prospectus Regulation**” means Regulation (EU) 2017/1129.

## **United Kingdom**

### ***Prohibition of Sales to UK Retail Investors***

If the Pricing Supplement in respect of any Sukuk includes the legend “Prohibition of Sales to UK Retail Investors”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Sukuk which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the Pricing Supplement in respect of any Sukuk does not include the legend “Prohibition of Sales to UK Retail Investors”, each Dealer has represented and agreed that it has not made and will not make an offer of Sukuk which are the subject of the offering contemplated by this Prospectus as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Sukuk to the public in the United Kingdom:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

**provided that** no such offer of Sukuk referred to in (A) to (C) above shall require the Trustee or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Sukuk to the public**” in relation to any Sukuk means the communication in any form and by any means of sufficient information on the terms of the offer and the Sukuk to be offered so as to enable an investor to decide to purchase or subscribe for the Sukuk and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) *No deposit-taking*: in relation to any Sukuk having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Sukuk other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses,

where the issue of the Sukuk would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Sukuk in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or Cagamas; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Sukuk in, from or otherwise involving the United Kingdom.

### ***Japan***

The Sukuk have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the “FIEA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Sukuk in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

### ***Malaysia***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the SC under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Sukuk have not been and will not be offered for subscription or sale, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to the persons, or other than in relation to an offer or invitation, falling within paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA, Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA at issuance, and after issuance, paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA, Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of BNM, SC and/or any other regulatory authority from time to time. The issuance of, offer for subscription or purchase of or invitation to subscribe for the Sukuk would also fall within paragraph 12, Schedule 8 (or Section 257(1)) of the CMSA, on the basis that the Programme has received an international rating of A3 from Moody’s Investors Services Singapore Pte. Ltd. Prospective investors should note that residents of Malaysia may be required to obtain regulatory approvals including approval from the BNM to purchase the Sukuk. The onus is on the residents of Malaysia concerned to obtain such regulatory approvals and none of the Dealers or the Trustee or Cagamas is responsible for any invitation, offer, sale or purchase of the Sukuk as aforesaid without the necessary approvals being in place.

In addition, no approval from the LFSA has been or will be obtained for the offering of the Sukuk on the basis that the offer to purchase or invitation to subscribe for the Sukuk will fall within the categories of excluded offers or invitations set out in section 8(5) of the LFSSA. The Offering Circular has not been nor will it be registered with the LFSA on the basis that any offer to purchase or invitation to subscribe for the Sukuk will be an excluded offer or invitation for the purposes of the LFSSA.

## ***Singapore***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, *that* it has not offered or sold any Sukuk or caused the Sukuk to be made the subject of an invitation for subscription or purchase and will not offer or sell any Sukuk or cause the Sukuk to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Sukuk, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Sukuk are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Sukuk pursuant to an offer made under Section 275 of the SFA except:

- 1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- 2) where no consideration is or will be given for the transfer;
- 3) where the transfer is by operation of law;
- 4) as specified in Section 276(7) of the SFA; or
- 5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018.

## ***Hong Kong***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Sukuk except for Sukuk that are “structured products” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (i) to “professional investors”



defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Sukuk, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Sukuk which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.

### ***PRC***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Sukuk may not be offered or sold directly or indirectly in the People’s Republic of China (the “**PRC**”) (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan). This Offering Circular, the Sukuk and any material or information contained or incorporated by reference herein relating to the Sukuk have not been, and will not be, submitted to or approved/verified by or registered with the China Securities Regulatory Commission (“**CSRC**”) or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Sukuk in the PRC. Neither this Offering Circular nor any material or information contained or incorporated by reference herein relating to the Sukuk constitutes an offer to sell or the solicitation of an offer to buy any securities in the PRC.

The Sukuk may only be invested by PRC investors that are authorised to engage in the investment in the Sukuk of the type being offered or sold. PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People’s Bank of China, the State Administration of Foreign Exchange, CSRC, the China Banking and Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

### ***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Sukuk to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### ***Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Sukuk to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

### ***Kingdom of Saudi Arabia***

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Sukuk. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Sukuk pursuant to an offering should note that the offer of Sukuk is a private placement under Article 8 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended by Capital Market Authority resolution number 1-94-2022 dated 22 August 2022 (the “**KSA Regulations**”), made through a capital market institution licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 10 of the KSA Regulations. The Sukuk may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “institutional and qualified clients” under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of, or as otherwise required or permitted by the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Sukuk to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article (9) of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

### ***Kingdom of Bahrain***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Sukuk except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### ***State of Qatar (including the Qatar Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell, directly or indirectly, any Sukuk in the State of Qatar, (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Offering Circular has not been filed, reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

## General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Sukuk or possesses, distributes or publishes this Offering Circular or any Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular or any Pricing Supplement comes are required by the Trustee, Cagamas and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Sukuk or possess, distribute or publish this Offering Circular or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Trustee. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Sukuk) or in a supplement to this Offering Circular.

None of the Trustee, Cagamas or the Dealers represents that Sukuk may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Sukuk, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Dealers and certain of their affiliates have performed certain commercial banking, investment banking and advisory services for the Trustee, Cagamas and/or their respective affiliates from time to time, for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform such or other services for the Trustee, Cagamas and/or their respective affiliates in the ordinary course of their business.

## GENERAL INFORMATION

### 1. Listing

Approval-in-principle has been received from the Labuan International Financial Exchange Inc. (the “LFX”) for the listing of the Sukuk issued under the Programme and approval-in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for permission to deal in, list and for the quotation of any Sukuk that may be issued under the Programme and that are agreed at or prior to the time of issue thereof to be so listed on the LFX and the SGX-ST. Such permission will be granted when the Programme or such Sukuk have been admitted to listing on the LFX and the Official List of the SGX-ST. There is no assurance that an application for the listing of the Sukuk on the Official List of the SGX-ST will be approved. The SGX-ST and the LFX take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the contents of this Offering Circular, make no representations as to its accuracy of completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The approval-in-principle for the listing and quotation of any Sukuk to be issued pursuant to the Programme, and the admission of any Sukuk to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.

The applicable Pricing Supplement in respect of any Series will specify whether or not such Sukuk will be listed and, if so, on which exchange(s) the Sukuk are to be listed. For so long as any Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, the Sukuk will trade on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

So long as the Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, the Trustee is to appoint and maintain a paying agent in Singapore, where the Sukuk may be presented or surrendered for payment or redemption, in the event that the Global Certificate(s) representing such Sukuk are exchanged for definitive form. In addition, if such event occurs, an announcement of such exchange will be made through the SGX-ST and such announcement shall include all material information with respect to the delivery of the definitive Sukuk, including details of the paying agent in Singapore.

### 2. Authorisation

The establishment of the Programme, the issue of the Sukuk and the updates of the Programme thereunder were authorised (i) by a resolution of the board of directors of the Trustee passed on 25 June 2014 and (ii) by a resolution of the board of directors of Cagamas passed on 26 May 2014. Each of the Trustee and Cagamas has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Sukuk.

### 3. Legal and Arbitration Proceedings

None of the Trustee, Cagamas and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Trustee or Cagamas is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Trustee, Cagamas or the Group.

### 4. Significant/Material Change

Since 31 December 2021, there has been no material adverse change in the financial position or prospects or any significant change in the financial or trading position of the Trustee, Cagamas and the Group.

## 5. Auditors

PricewaterhouseCoopers PLT, Cagamas' independent auditors, have audited, and rendered an unqualified audit report on, the financial statements of Cagamas as at and for the year ended 31 December 2021.

## 6. Documents on Display

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Specified Offices of the Trustee and the Principal Paying Agent for so long as the Sukuk are capable of being issued under the Programme:

- (i) the memorandum and articles of association of the Trustee and Cagamas;
- (ii) the audited financial statements of Cagamas for the financial years ended 31 December 2021, 31 December 2020 and 31 December 2019;
- (iii) the unaudited and unreviewed financial statements of Cagamas for the six months ended 30 June 2022;
- (iv) copies of the latest annual consolidated financial statements, and any condensed consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Trustee or Cagamas;
- (v) each Pricing Supplement (save that a Pricing Supplement relating to a Sukuk which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation) will only be available for inspection by a holder of such Sukuk and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Sukuk and identity;
- (vi) a copy of this Offering Circular, together with any supplement to this Offering Circular; and
- (vii) each Transaction Document.

## 7. Clearing of the Sukuk

The Sukuk may be accepted for clearance through Euroclear and Clearstream and the CMU, CDP and/or any relevant Alternative Clearing System. The appropriate common code and the International Securities Identification Number in relation to the Sukuk of each Series will be specified in the applicable Pricing Supplement. The applicable Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Sukuk for clearance together with any further appropriate information.

## 8. Conflict of Interest Situations

- (i) **CIMB**

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as, amongst others, Joint Principal Adviser, Arranger and Dealer in relation to the Programme, other than as highlighted below.

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. CIMB Bank Berhad (“**CIMB Bank**”) holds 16.5% of the shareholding in Cagamas Holdings as of the date hereof. In addition, Dato’ Lee Kok Kwan is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent director of CIMB, CIMB Bank and CIMB Group Holdings Berhad.

CIMB and CIMB Bank are subsidiaries of CIMB Group Holdings Berhad.

CIMB has considered the factors involved and it believes that objectivity and independence in carrying out its role as Joint Principal Adviser, Arranger and Dealer in relation to the 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 Joint Principal Adviser, Arranger and Dealer in relation to the 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 Joint Principal Adviser, Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of CIMB is regulated strictly by the Financial Services Act 2013 (the “FSA”) and the CMSA and by its own internal controls and checks.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(ii) ***CIMB Islamic***

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB Islamic is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as Joint Shariah Adviser in relation to the Programme, other than as highlighted below.

The Trustee is wholly-owned by the Obligor, which is in turn, wholly-owned by Cagamas Holdings. CIMB Bank holds 16.5% of the shareholding in the Obligor as at the date hereof. In addition, Dato’ Lee Kok Kwan is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the non-independent director of CIMB Group Holdings Berhad.

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

CIMB Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its role as Joint Shariah Adviser in relation to the 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 Joint Shariah Adviser in relation to the Programme is in the ordinary course of its business;
- (b) the roles 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 Joint Shariah Adviser in relation to the Programme and shall be carried out on an arms-length basis; and



- (c) the conduct of CIMB Islamic is regulated strictly by the Islamic Financial Services Act (“**IFSA**”) and by its own internal controls and checks.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(iii) **HSBC**

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. HSBC Bank Malaysia Berhad (“**HSBC Bank**”) holds 4.1% of the shareholding in Cagamas Holdings as of the date hereof. In addition, Ms. Ho Chai Huey is an independent non-executive director on the Board. She is also the independent non-executive director of HSBC.

HSBC is wholly-owned by HSBC Bank.

As at the date hereof and after making enquiries as were reasonable in the circumstances, HSBC is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as, amongst others, Joint Principal Adviser, Arranger and Joint Shariah Adviser in relation to the Programme.

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

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

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(iv) **HSBC Limited**

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. HSBC Bank Malaysia Berhad (“**HSBC Bank**”) holds 4.1% of the shareholding in Cagamas Holdings as of the date hereof.

HSBC Bank is wholly-owned by HSBC Limited.

As at the date hereof and after making enquiries as were reasonable in the circumstances, HSBC Limited is not aware of any circumstances that would give rise to a conflict-of-

interest in its capacity as, amongst others, Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent, the Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent and the Principal Paying Agent in relation to the Programme.

HSBC Limited has considered the factors involved and it believes that objectivity and independence in carrying out its role as Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent, the Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent and the Principal Paying Agent in relation to the Programme, have been and will be maintained at all times for the following reasons:

- (a) HSBC Limited is a licensed bank and its appointment as Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent, the Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent and the Principal Paying Agent in relation to the Programme is in the ordinary course of its business;
- (b) the role of HSBC Limited will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Limited in its capacity as Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent, the Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent and the Principal Paying Agent in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of HSBC Limited is regulated strictly by the HKMA and by its own internal controls and checks.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(v) ***RHB***

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. RHB and RHB Bank Berhad collectively hold 8.6% of the shareholding in Cagamas Holdings as of the date hereof.

RHB is wholly-owned by RHB Bank Berhad.

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, amongst others, Arranger and Dealer in relation to the Programme.

RHB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as Arranger and Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

- (a) RHB is a licensed investment bank and its appointment as, amongst others, Arranger and Dealer in relation to the Programme is in the ordinary course of its business;
- (b) the roles of RHB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of RHB in its capacity as, amongst others, Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

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

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(vi) **SCB**

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. Standard Chartered Bank Malaysia Berhad (“**SCB Malaysia**”) holds 3.06% of the shareholding in Cagamas Holdings as of the date hereof.

SCB Malaysia and SCB are ultimately wholly-owned by Standard Chartered PLC.

As at the date hereof and after making enquiries as were reasonable in the circumstances, SCB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as, amongst others, Arranger and Dealer in relation to the Programme.

SCB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as Arranger and Dealer in relation to the 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, Arranger and Dealer in relation to the 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, Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) SCB is a firm authorised by Prudential Regulation Authority of the United Kingdom and regulated by the Financial Conduct Authority and the Prudential Regulation Authority of the United Kingdom and also by its own internal controls and checks.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(vii) **AIBB**

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. AmBank (M) Berhad (“**AmBank**”) holds 8.0% of the shareholding in Cagamas Holdings as of the date hereof.

AIBB, AmBank and AmIslamic Bank Berhad (“**AmIslamic**”) are entities within the same group of companies.

As at the date hereof and after making enquiries as were reasonable in the circumstances, AIBB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as a Dealer in relation to the Programme.

AIBB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Dealer in relation to the 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 Dealer in relation to the 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 Dealer;
- (c) AIBB's Dealer role will be governed by relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of AIBB in its capacity as a Dealer in relation to the Programme such agreements and documentation 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 the Obligor in the ordinary course of their business.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(viii) **DB**

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Deutsche Bank (Malaysia) Berhad holds 0.2% of the shareholding in Cagamas Holdings as of the date hereof.

DB and Deutsche Bank (Malaysia) Berhad are ultimately owned by Deutsche Bank AG.

As at the date hereof and after making enquiries as were reasonable in the circumstances, DB is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as a Dealer in relation to the Programme.

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

- (a) DB is a licensed commercial bank and its appointment as, amongst others, Dealer in relation to the Programme is in the ordinary course of its business;
- (b) the roles of DB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of DB in its capacity as, amongst others, Dealer in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of DB is regulated strictly by the Monetary Authority of Singapore (MAS) and by its own internal controls and checks.

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(ix) ***Maybank***

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Maybank holds 14.2% of the shareholding in Cagamas Holdings as of the date hereof. In addition, Dato' Khairussaleh Ramli is a non-executive director on the Board of Directors of Cagamas Holdings. He is currently the Group President & Chief Executive Officer and a non-independent executive director of Maybank.

As at the date hereof and after making enquiries as were reasonable in the circumstances, Maybank is not aware of any circumstances that would give rise to a conflict-of-interest in its capacity as a Dealer in relation to the Programme.

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

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

The Board has been informed and is fully aware of the above. Notwithstanding the above, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms.

(x) ***Messrs Christopher & Lee Ong***

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs 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 Trustee and the Obligor in relation to the Programme.

(xi) ***Messrs Adnan, Sundra & Low***

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs Adnan, Sundra & Low confirms that, to the best of its knowledge and belief, there is no existing or potential conflict of interest in its capacity as the legal counsel to the Joint Principal Advisers, Arrangers and Dealers in relation to the Programme.

(xii) ***PricewaterhouseCoopers PLT***

As at the date hereof, PricewaterhouseCoopers PLT confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the auditor in relation to the Programme.

(xiii) ***Allen & Overy LLP***

As at the date hereof and after making enquiries as were reasonable in the circumstances, Allen & Overy LLP confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Trustee and Obligor in relation to the Programme.

(xiv) ***Clifford Chance Pte Ltd***

As at the date hereof and after making enquiries as were reasonable in the circumstances, each of Clifford Chance Pte Ltd confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Joint Principal Advisers, Arrangers and Dealers in relation to the Programme.

(xv) ***Clifford Chance***

As at the date hereof and after making enquiries as were reasonable in the circumstances, Clifford Chance confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Delegate in relation to the Programme.



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<p>* The audited financial statements set out herein have been reproduced from the audited financial statements of Cagamas and its subsidiaries for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, including the page numbers and page references set forth in such financial statements. The audited financial statements have not been specifically prepared for inclusion in this Offering Circular.</p>	
<p>** The unaudited condensed financial statements set out herein has been reproduced from the condensed interim financial statements of Cagamas and its subsidiaries for the six months ended 30 June 2022, including the page numbers and page references set forth in such interim report. The unaudited condensed financial statements have not been specifically prepared for inclusion in this Offering Circular.</p>	

**CAGAMAS BERHAD**  
**Company No. 198601008739 (157931-A)**  
**AND ITS SUBSIDIARY COMPANIES**  
**(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2022**

**Domiciled in Malaysia.**  
**Registered Office:**  
**Level 32, The Gardens North Tower,**  
**Mid Valley City, Lingkaran Syed Putra,**  
**59200 Kuala Lumpur.**

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	Group		Company	
		30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
ASSETS					
Cash and cash equivalents	1	363,016	318,943	345,136	300,433
Deposits and placement with financial institutions	2	124,899	172,021	124,899	172,021
Financial assets at fair value through profit or loss (FVTPL)	3	-	123,132	-	123,132
Financial assets at fair value through other comprehensive income (FVOCI)	4	3,511,206	2,792,094	3,511,206	2,792,094
Financial assets at amortised cost	5	1,362,966	354,353	1,362,966	354,353
Derivative financial instruments	6	76,232	29,607	76,232	29,607
Amount due from counterparties	7	13,472,229	17,141,175	13,472,229	17,141,175
Islamic financing assets	8	11,508,930	10,273,747	11,508,930	10,273,747
Mortgage assets					
- Conventional	9	3,644,379	3,886,956	3,644,379	3,886,956
- Islamic	10	4,479,839	4,691,424	4,479,839	4,691,424
Hire purchase assets					
- Islamic	11	62	62	62	62
Amount due from					
- Related company		615	735	615	735
- Subsidiaries		-	-	3,726	3,708
Other assets	12	6,949	7,570	6,942	7,562
Tax recoverable		25,882	64,194	25,882	64,194
Investment in subsidiaries		_*	_*	_*	_*
Property and equipment		1,687	2,338	1,687	2,338
Intangible assets		16,608	18,357	16,608	18,357
Right of use of assets	13	10,488	11,592	10,488	11,592
TOTAL ASSETS		38,605,987	39,888,300	38,591,826	39,873,490
LIABILITIES					
Short-term borrowings		622,926	302,367	622,926	302,367
Derivative financial instruments	6	9,611	28,595	9,611	28,595
Other liabilities	14	168,827	164,019	168,564	162,801
Lease liability	15	12,570	13,738	12,570	13,738
Deferred taxation		160,663	181,935	160,663	181,935
Loans/financing from subsidiaries	16	-	-	2,135,341	2,572,657
Unsecured bearer bonds and notes	17	16,982,671	19,956,954	14,848,707	17,386,080
Sukuk	18	16,477,482	15,082,028	16,477,482	15,082,028
TOTAL LIABILITIES		34,434,750	35,729,636	34,435,864	35,730,201
Share capital		150,000	150,000	150,000	150,000
Reserves		4,021,237	4,008,664	4,005,962	3,993,289
SHAREHOLDER'S FUNDS		4,171,237	4,158,664	4,155,962	4,143,289
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		38,605,987	39,888,300	38,591,826	39,873,490
NET TANGIBLE ASSETS					
PER SHARE (RM)		27.70	27.60	27.60	27.50

\* denotes USD1 in Cagamas Global P.L.C ("CGP") and RM2 in Cagamas Global Sukuk Berhad ("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 2021 and the accompanying explanatory notes on pages 8 to 61 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 30 August 2022.

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# CAGAMAS BERHAD

(Incorporated in Malaysia)

## CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Note	<b>Group</b>		<b>Company</b>	
		<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>
Interest income	19	417,134	413,212	417,134	413,212
Interest expense	20	(298,173)	(312,298)	(298,224)	(312,284)
Income from Islamic operations	25	59,307	62,587	59,307	62,587
Non-interest (expense)/income	21	(15,528)	5,925	(15,528)	5,925
		<u>162,740</u>	<u>169,426</u>	<u>162,689</u>	<u>169,440</u>
Personnel costs		(15,627)	(15,439)	(15,627)	(15,439)
Administration and general expenses		(13,372)	(14,736)	(13,221)	(14,484)
OPERATING PROFIT		<u>133,741</u>	<u>139,251</u>	<u>133,841</u>	<u>139,517</u>
Allowance for impairment losses		1,849	(1,517)	1,849	(1,517)
PROFIT BEFORE TAXATION		<u>135,590</u>	<u>137,734</u>	<u>135,690</u>	<u>138,000</u>
Taxation		(32,566)	(33,120)	(32,566)	(33,120)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>103,024</u></u>	<u><u>104,614</u></u>	<u><u>103,124</u></u>	<u><u>104,880</u></u>
EARNINGS PER SHARE (SEN)		<u><u>68.68</u></u>	<u><u>69.74</u></u>	<u><u>68.75</u></u>	<u><u>69.92</u></u>
DIVIDEND PER SHARE (SEN)		<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>

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 2021 and the accompanying explanatory notes on pages 8 to 61 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 30 August 2022.

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# CAGAMAS BERHAD

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## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	<b>Group</b>		<b>Company</b>	
	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>
<b>Profit for the financial period</b>	103,024	104,614	103,124	104,880
Other comprehensive income:				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Financial assets at FVOCI				
- Net (loss)/gain on fair value changes before taxation	(77,803)	(59,105)	(77,803)	(59,105)
- Deferred taxation	18,696	14,260	18,696	14,260
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(11,421)	(7,565)	(11,421)	(7,565)
- Deferred taxation	2,577	1,816	2,577	1,816
Other comprehensive (loss)/income for the financial period, net of taxation	(67,951)	(50,594)	(67,951)	(50,594)
Total comprehensive income for the financial period	35,073	54,020	35,173	54,286

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**CAGAMAS BERHAD**

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**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

<u>Group</u>	Issued and fully paid ordinary shares of RM1 each  Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2022	150,000	56	4,413	89,723	3,914,472	4,158,664
Profit for the financial period	-	-	-	-	103,024	103,024
Other comprehensive income	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive income for the financial period	-	(59,107)	(8,844)	-	103,024	35,073
Transfer to retained profits	-	-	-	(5,136)	5,136	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2022	<u>150,000</u>	<u>(59,051)</u>	<u>(4,431)</u>	<u>84,587</u>	<u>4,000,132</u>	<u>4,171,237</u>
Balance as at 1 January 2021	150,000	72,411	11,062	99,778	3,825,542	4,158,793
Profit for the financial period	-	-	-	-	104,614	104,614
Other comprehensive income	-	(44,845)	(5,749)	-	-	(50,594)
Total comprehensive income for the financial period	-	(44,845)	(5,749)	-	104,614	54,020
Transfer to retained profits	-	-	-	(5,228)	5,228	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2021	<u>150,000</u>	<u>27,566</u>	<u>5,313</u>	<u>94,550</u>	<u>3,912,884</u>	<u>4,190,313</u>



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

Company	Issued and fully paid ordinary shares of RM1 each  Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2022	150,000	56	4,413	89,723	3,899,097	4,143,289
Profit for the financial period	-	-	-	-	103,124	103,124
Other comprehensive income	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive income for the financial period	-	(59,107)	(8,844)	-	103,124	35,173
Transfer to retained profits	-	-	-	(5,136)	5,136	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2022	<u>150,000</u>	<u>(59,051)</u>	<u>(4,431)</u>	<u>84,587</u>	<u>3,984,857</u>	<u>4,155,962</u>
Balance as at 1 January 2021	150,000	72,411	11,062	99,778	3,809,964	4,143,215
Profit for the financial period	-	-	-	-	104,880	104,880
Other comprehensive income	-	(44,845)	(5,749)	-	-	(50,594)
Total comprehensive income for the financial period	-	(44,845)	(5,749)	-	104,880	54,286
Transfer to retained profits	-	-	-	(5,228)	5,228	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2021	<u>150,000</u>	<u>27,566</u>	<u>5,313</u>	<u>94,550</u>	<u>3,897,572</u>	<u>4,175,001</u>

**CAGAMAS BERHAD**  
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

	<b>Group</b>		<b>Company</b>	
	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	135,590	137,734	135,690	138,000
Adjustments for non-cash items	(187,763)	(200,684)	(187,353)	(200,216)
Operating loss before working capital changes	(52,173)	(62,950)	(51,663)	(62,216)
Net changes in operating assets and liabilities	3,964,915	942,369	4,016,915	942,669
Zakat paid	(5,094)	-	(5,094)	-
Tax refunded	5,747	-	5,747	-
Tax paid	-	(1,255)	-	(1,255)
Net cash generated from operating activities	3,913,395	878,164	3,965,905	879,198
<b>INVESTING ACTIVITIES</b>				
Purchase of:				
- Financial investment at FVOCI	(2,031,187)	(1,141,406)	(2,031,187)	(1,141,406)
- Financial investment at AC	(1,000,000)	(355,000)	(1,000,000)	(355,000)
Proceeds from sale/redemption of				
- Financial investment at FVTPL	123,450	-	123,450	-
- Financial investment at FVOCI	1,236,766	773,155	1,236,766	773,155
Purchase of:				
- Property and equipment	(284)	(234)	(284)	(234)
- Intangible assets	(217)	(1,180)	(217)	(1,180)
Income received from:				
- Financial investment at FVTPL	1,808	1,887	1,808	1,887
- Financial investment at FVOCI	52,276	38,393	52,276	38,393
Proceeds from disposal of property and equipment	-	9	-	9
Net cash utilised in investing activities	(1,617,388)	(684,376)	(1,617,388)	(684,376)
<b>FINANCING ACTIVITIES</b>				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Proceeds from issuance				
- Unsecured bearer bonds and notes	4,279,019	5,407,644	3,968,000	4,585,000
- Sukuk	3,570,000	2,740,000	3,570,000	2,740,000
Proceeds from loans/financing from subsidiary	-	-	311,019	822,644
Redemption of:				
- Unsecured bearer bonds and notes	(7,829,013)	(4,590,000)	(6,998,000)	(4,590,000)
- Sukuk	(2,190,000)	(3,035,000)	(2,190,000)	(3,035,000)
Repayment of loans/financing from subsidiary	-	-	(831,011)	-
Interest paid	195,897	(358,051)	195,079	(358,289)
Profit paid to Sukuk holders	(253,971)	(287,069)	(253,971)	(287,069)
Lease rental paid	(1,366)	(787)	(1,366)	(787)
Net cash utilised in financing activities	(2,251,934)	(145,763)	(2,252,750)	(146,001)

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**CAGAMAS BERHAD**  
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022  
(CONTINUED)**

	<b><u>Group</u></b>		<b><u>Company</u></b>	
	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>	<b>6 Months to 30 Jun 2022 RM'000</b>	<b>6 Months to 30 Jun 2021 RM'000</b>
Net increase in cash and cash equivalents	44,073	48,025	95,767	48,821
Cash and cash equivalents as at 1 January	318,943	109,071	300,433	89,848
Cash and cash equivalents as at 30 June	<u>363,016</u>	<u>157,096</u>	<u>396,200</u>	<u>138,669</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022**

**A1 General information**

The principal activities of the Company ("Cagamas") 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 2022 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 2022 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 2021. 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 2021. 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 2021.

**A3 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.

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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****A3 Economic entities in the Group (continued)**

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

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

**A4 Amount due from counterparties and Islamic financing assets**

Note A1 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.

**A5 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

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

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

**A6 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 A10 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets.

**CAGAMAS BERHAD**  
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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A7 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.

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

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

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

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note A10.2 to the financial statements.

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

**A8 Financial assets**

(a) Classification

The Group and the Company classify their financial assets in the following measurement categories:

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

(b) Recognition and de-recognition

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



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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A8 Financial assets (continued)**

(c) Measurement

At initial recognition, the Group and the Company measure a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

Debt instruments

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

There are three measurement categories into which the Group and the Company classify their debt instruments:

(i) Amortised cost ("AC")

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

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

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

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

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

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A8 Financial assets (continued)**

(c) Measurement (continued)

Equity instruments

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

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

**A9 Financial liabilities**

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised when extinguished.

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note A18 on hedge accounting.

(b) Borrowings measured at amortised cost

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

Borrowings measured at amortised cost are unsecured bearer bonds and notes and sukuk.

(c) Other financial liabilities measured at amortised cost

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A10 Impairment of assets**

**A10.1 Financial assets**

The Group and the Company have the following financial assets that are subject to the expected credit loss ("ECL") model:

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

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

General approach

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

- **Stage 1: 12 months ECL – not credit impaired**  
For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.
- **Stage 2: Lifetime ECL – not credit impaired**  
For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.
- **Stage 3: Lifetime ECL – credit impaired**  
Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

Simplified approach

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

Significant increase in credit risk

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A10 Impairment of assets (continued)**

**A10.1 Financial assets (continued)**

Significant increase in credit risk (continued)

The following indicators are incorporated:

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

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

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

Definition of default and credit impaired financial assets

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

*Quantitative criteria:*

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

*Qualitative criteria:*

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

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

Financial instruments that are credit-impaired are assessed on individual basis.

Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have been grouped based on shared credit risk characteristics and the days past due for the purpose of ECL measurement. Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have substantially the same risk characteristics and the Group and the Company have therefore concluded that these assets to be assessed on a collective basis. Financial assets at FVOCI and financial instruments that are credit impaired are assessed on individual basis.

Amount due from counterparties, Islamic financing assets and debt instruments which are in default or credit impaired are assessed individually.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****A10 Impairment of assets (continued)****A10.2 Non-financial assets**

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

**A11 Write-off**

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

**A12 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.

**A13 Premium and discount on unsecured bearer bonds, notes and Sukuk**

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

**A14 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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****A15 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.

**A16 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.

**A17 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.

**A18 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.

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

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

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

The Group's and Company's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

**Cash flow hedge**

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****A18 Derivative financial instruments and hedge accounting (continued)**

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

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

**A19 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.

**A20 Employee benefits****(a) Short-term employee benefits**

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

**(b) Defined contributions plans**

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A21 Intangible assets**

(a) Computer software

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

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

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

(b) Service rights to transaction administrator and administrator fees

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

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

**A22 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.

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A23 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 Company's functional and presentation currency.

(b) Foreign currency transactions and balances

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

**A24 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.

**A25 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.

**A26 Leases**

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

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A26 Leases (continued)**

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liability

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

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

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

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A26 Leases (continued)**

Lease liability (continued)

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

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

Reassessment of lease liability

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

Short term leases and leases of low value assets

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

**A27 Auditor's report on preceding Annual Financial Statements**

The audit report on the audited financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

**A28 Seasonality or Cyclical factors**

The business operations of the Group and the Company are not subject to material seasonal or cyclical fluctuations.

**A29 Unusual items due to their nature, size or incidence**

There were 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 2022.

**A30 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 2021.

**A31 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 2021 was paid on 11 May 2022.

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198601008739 (157931 A)

**CAGAMAS BERHAD**  
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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**A32 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.

**A33 Changes in the composition of the Group**

There were no material changes in the composition of the Group during the financial period.

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**1. CASH AND CASH EQUIVALENTS**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	18,326	19,498	446	988
Money at call and deposit and placements maturing with original maturity less than 3 months	40,837	185,392	40,837	185,392
Mudharabah money at call and deposit and placements maturing with original maturity less than 3 months	303,893	114,064	303,893	114,064
	363,056	318,954	345,176	300,444
Less:				
Allowance for impairment losses	(40)	(11)	(40)	(11)
	<u>363,016</u>	<u>318,943</u>	<u>345,136</u>	<u>300,433</u>

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	11	-
Allowance/(reversal) during the period	29	11
At 30 June/ 31 Dec	<u>40</u>	<u>11</u>

**2. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

Licensed Banks	<u>124,899</u>	<u>172,021</u>
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The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 30 June 2022 (2021: Nil).



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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Unit trust	-	123,132

Financial assets classified or designated as FVTPL are not subjected to impairment assessment under MFRS 9.

**4. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<i>Debt instruments:</i>		
Malaysian Government securities	484,056	436,933
Corporate bonds	453,085	248,430
Government investment issues	865,182	830,336
Corporate Sukuk	1,223,087	905,977
Quasi Government Sukuk	485,796	370,418
	<u>3,511,206</u>	<u>2,792,094</u>

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

Maturing within one year	1,112,646	677,907
One to three years	738,528	594,477
Three to five years	336,354	341,312
More than five years	1,323,678	1,178,398
	<u>3,511,206</u>	<u>2,792,094</u>

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

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	304	77
Allowance during the period on new assets purchased	119	266
Loans derecognised during the period due to maturity of assets	(14)	(30)
Reversal during the period due to changes in credit risk	(7)	(9)
At 30 June/ 31 Dec	<u>402</u>	<u>304</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**5. FINANCIAL ASSETS AT AMORTISED COST**

	<u>Group and Company</u>	
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	<u>RM'000</u>	<u>RM'000</u>
Corporate Sukuk	355,465	355,508
Corporate bonds	1,009,152	-
Less: Allowance for impairment losses	(1,651)	(1,155)
	<u>1,362,966</u>	<u>354,353</u>
<u>Stage 1</u>		
At 1 January	1,155	-
Allowance during the period on new assets purchased	496	1,155
	<u>1,651</u>	<u>1,155</u>
At 30 June/ 31 Dec		

**6. DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

	<u>Group and Company</u>					
	<u>30 Jun 2022</u>			<u>31 Dec 2021</u>		
	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
Derivatives designated as cash flow hedges						
<u>IRS/IPRS</u>						
Maturing within one year	765,000	315	(4,666)	1,165,000	12	(13,655)
One to three years	1,490,000	10,300	(4,945)	590,000	2,656	(7,813)
More than five years	160,000	6,958	-	160,000	20,367	-
	<u>2,415,000</u>	<u>17,573</u>	<u>(9,611)</u>	<u>1,915,000</u>	<u>23,035</u>	<u>(21,468)</u>
<u>CCS/ICCS</u>						
Maturing within one year	703,560	31,419	-	1,526,640	6,572	(3,210)
One to three years	1,344,600	27,240	-	1,036,600	-	(3,917)
	<u>2,048,160</u>	<u>58,659</u>	<u>-</u>	<u>2,563,240</u>	<u>6,572</u>	<u>(7,127)</u>
	<u>4,463,160</u>	<u>76,232</u>	<u>(9,611)</u>	<u>4,478,240</u>	<u>29,607</u>	<u>(28,595)</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**7. AMOUNT DUE FROM COUNTERPARTIES**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Relating to:		
Mortgage loans	13,043,723	16,548,478
Hire purchase and leasing debts	428,506	592,697
	<u>13,472,229</u>	<u>17,141,175</u>

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

Maturing within one year	6,914,958	9,612,698
One to three years	5,919,488	6,890,791
Three to five years	226,134	226,134
More than five years	411,665	411,571
	<u>13,472,245</u>	<u>17,141,194</u>
Less: Allowance for impairment losses	(16)	(19)
	<u>13,472,229</u>	<u>17,141,175</u>

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	19	19
Allowance during the period on new assets purchased	3	13
Loans derecognised during the period due to maturity of assets	(2)	(6)
Reversal during the period due to changes in credit risk	(4)	(7)
	<u>16</u>	<u>19</u>
At 30 June/ 31 Dec		

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**8. ISLAMIC FINANCING ASSETS**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Relating to:		
Islamic house financing	9,569,564	8,805,885
Islamic personal financing	1,939,366	1,467,862
	<u>11,508,930</u>	<u>10,273,747</u>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	4,672,306	2,768,566
One to three years	6,836,695	7,505,242
	<u>11,509,001</u>	<u>10,273,808</u>
Less: Allowance for impairment losses	(71)	(61)
	<u>11,508,930</u>	<u>10,273,747</u>

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	61	99
Allowance during the period on new assets purchased	25	26
Loans derecognised during the period due to maturity of assets	(5)	(5)
Reversal during the period due to changes in credit risk	(10)	(59)
	<u>71</u>	<u>61</u>
At 30 June/ 31 Dec		

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**9. MORTGAGE ASSETS – CONVENTIONAL**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Purchase without Recourse ("PWOR")	3,644,379	3,886,956
The maturity structure of mortgage assets - conventional are as follows:		
Maturing within one year	643,851	652,653
One to three years	814,062	846,026
Three to five years	699,399	715,011
More than five years	1,505,469	1,694,605
	3,662,781	3,908,295
Less: Allowance for impairment losses	(18,402)	(21,339)
	3,644,379	3,886,956

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage allocation:		
<u>2022</u>		
Stage 1 (12-months ECL; non credit impaired)	3,640,026	11,382
Stage 2 (Lifetime ECL; non credit impaired)	2,420	497
Stage 3 (Lifetime ECL; credit impaired)	20,335	6,523
At 30 June	3,662,781	18,402
Impairment allowance over gross carrying value (%)		0.50
<u>2021</u>		
Stage 1 (12-months ECL; non credit impaired)	3,878,389	12,086
Stage 2 (Lifetime ECL; non credit impaired)	2,512	465
Stage 3 (Lifetime ECL; credit impaired)	27,394	8,788
At 31 December	3,908,295	21,339
Impairment allowance over gross carrying value (%)		0.55

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**10. MORTGAGE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR	<u>4,479,839</u>	<u>4,691,424</u>
The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	594,420	595,770
One to three years	750,841	755,159
Three to five years	730,679	739,961
More than five years	2,424,878	2,623,166
	<u>4,500,818</u>	<u>4,714,056</u>
Less: Allowance for impairment losses	<u>(20,979)</u>	<u>(22,632)</u>
	<u>4,479,839</u>	<u>4,691,424</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage allocation:		
<u>2022</u>		
Stage 1 (12-months ECL; non credit impaired)	4,478,371	14,070
Stage 2 (Lifetime ECL; non credit impaired)	2,639	555
Stage 3 (Lifetime ECL; credit impaired)	19,808	6,354
	<u>4,500,818</u>	<u>20,979</u>
At 30 June	<u>4,500,818</u>	<u>20,979</u>
Impairment allowance over gross carrying value (%)		<u>0.47</u>
<u>2021</u>		
Stage 1 (12-months ECL; non credit impaired)	4,689,151	14,809
Stage 2 (Lifetime ECL; non credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,457	7,525
	<u>4,714,056</u>	<u>22,632</u>
At 31 December	<u>4,714,056</u>	<u>22,632</u>
Impairment allowance over gross carrying value (%)		<u>0.48</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**11. HIRE PURCHASE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR	62	62

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

Maturing within one year	74	74
Less: Allowance for impairment losses	(12)	(12)
	<u>62</u>	<u>62</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage allocation:		
<u>2022</u>		
Stage 1 (12-month ECL; non-credit impaired)	38	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 30 June	<u>74</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>15.78</u>
<u>2021</u>		
Stage 1 (12-month ECL; non-credit impaired)	38	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	<u>74</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>15.78</u>



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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**12. OTHER ASSETS**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	2,745	2,811	2,745	2,811
Deposits	923	923	922	922
Prepayments	2,277	2,761	2,271	2,754
Management fee receivable	627	675	627	675
Compensation receivable from originator on mortgage assets	366	377	366	377
Other receivables	11	23	11	23
	<u>6,949</u>	<u>7,570</u>	<u>6,942</u>	<u>7,562</u>

**13. RIGHT OF USE OF ASSETS**

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Cost</u>		
At 1 January	15,461	4,916
Modification arising from extension of lease term	-	10,545
At 30 June/ 31 December	<u>15,461</u>	<u>15,461</u>
<u>Accumulated amortisation</u>		
At 1 January	(3,869)	(1,873)
Charge for the period	(1,104)	(1,996)
At 30 June/ 31 December	<u>(4,973)</u>	<u>(3,869)</u>
<u>Net book value</u>		
At 30 June/ 31 December	<u>10,488</u>	<u>11,592</u>

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**14. OTHER LIABILITIES**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	-	5,094	-	5,094
Amount due to Government*	145,705	129,921	145,705	129,921
Accruals	21,676	27,570	21,413	26,371
Other payables	1,446	1,434	1,446	1,415
	<u>168,827</u>	<u>164,019</u>	<u>168,564</u>	<u>162,801</u>

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

**15. LEASE LIABILITY**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
At 1 January	13,738	4,583
Modification arising from extension of lease term	-	10,545
Lease obligation interest expense	198	763
Lease obligation repayment	(1,366)	(2,153)
At 30 June/ 31 December	<u>12,570</u>	<u>13,738</u>

The maturity structure of lease liability are as follows:

Due within 1 year	2,045	2,354
Due in 2 to 5 years	10,525	11,384
Total present value of minimum lease payments	<u>12,570</u>	<u>13,738</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**16. LOANS/FINANCING FROM SUBSIDIARIES**

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

	Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
HKD	-	431,106
USD	952,610	1,119,238
SGD	1,182,731	1,022,313
	<u>2,135,341</u>	<u>2,572,657</u>

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.10% to 1.33% per annum (2021: 0.98% to 1.33% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Maturing within one year	744,223	1,537,003
One to three years	1,391,118	1,035,654
	<u>2,135,341</u>	<u>2,572,657</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**17. UNSECURED BEARER BONDS AND NOTES**

	Year of maturity	30 Jun 2022		Group 31 Dec 2021	
		Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2022	200,000	1.940	200,000	1.940
	2023	680,000		-	
Add: Interest payable		2,333		393	
		882,333		200,393	
(b) Commercial paper	2022	-		1,300,000	1.990 – 2.080
Add: Interest payable		-		1,236	
		-		1,301,236	
(c) Conventional medium-term notes	2022	4,780,586	1.060 – 4.480	9,445,892	0.850 – 4.650
	2023	4,789,354	1.250 – 6.050	4,700,653	1.250 – 6.050
	2024	3,216,764	1.990 – 5.520	1,970,000	2.380 – 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	1,275,000	3.780 – 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
		16,006,704		18,336,545	
Add: Interest payable		94,878		120,264	
Less:					
Deferred financing fees		(1,244)		(1,484)	
Unamortised discount				-	
		16,100,338		18,455,325	
Total		16,982,671		19,956,954	

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**17 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

	Year of maturity	30 Jun 2022		Company 31 Dec 2021	
		Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2022	200,000	1.940	200,000	1.940
	2023	680,000	-		
Add: Interest payable		2,333		393	
		882,333		200,393	
(b) Commercial paper	2022	-	-	1,300,000	1.990 – 2.080
Add: Interest payable		-		1,236	
		-		1,301,236	
(c) Conventional medium-term notes	2022	4,040,000	2.130 – 4.480	7,915,000	2.100 – 4.650
	2023	3,715,000	2.180 – 6.050	3,665,000	2.180 – 6.050
	2024	2,900,000	2.380 – 5.520	1,970,000	2.380 – 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	1,275,000	3.780 – 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
		13,875,000		15,770,000	
Add: Interest payable		91,374		114,451	
		13,966,374		15,884,451	
Total		14,848,707		17,386,080	

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**17. UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

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

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	8,001,553	11,066,290	7,258,707	9,531,080
One to three years	5,761,118	6,670,664	4,370,000	5,635,000
Three to five years	1,650,000	650,000	1,650,000	650,000
More than five years	1,570,000	1,570,000	1,570,000	1,570,000
	<u>16,982,671</u>	<u>19,956,954</u>	<u>14,848,707</u>	<u>17,386,080</u>

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

**(a) Floating Rate Notes ("FRNs")**

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

**(b) Commercial paper ("CP")**

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

**(c) Fixed Rate Conventional Medium-term notes ("CMTN")**

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

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

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****17. UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

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

	<u>Group and Company</u>	
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	RM'000	RM'000
HKD	-	430,850
USD	1,182,365	1,118,649
SGD	951,599	1,021,375
	<u>2,133,964</u>	<u>2,570,874</u>

**18. SUKUK**

		<u>Group and Company</u>			
		<u>30 Jun 2022</u>	<u>31 Dec 2021</u>		
<u>Year of maturity</u>	<u>Amount outstanding</u>	<u>Effective interest rate</u>	<u>Amount outstanding</u>	<u>Effective interest rate</u>	
	RM'000	%	RM'000	%	
(a) Islamic commercial papers	2022	-	-	645,000	1.980 – 1.990
Add: Profit payable		-	2,046		
		-	<u>647,046</u>		
(b) Variable profit rate notes	2023	645,000	-	-	-
Add: Profit payable		2,350	-	-	
		<u>647,350</u>	<u>-</u>		
(c) Islamic medium-term Notes	2022	2,885,000	2.150 – 4.700	3,785,000	1.980 – 3.700
	2023	4,040,000	2.230 – 6.350	3,895,000	2.230 – 6.350
	2024	4,085,000	2.670 – 5.520	3,885,000	2.670 – 5.520
	2025	2,390,000	3.100 – 4.650	455,000	4.550 – 4.650
	2026	370,000	3.150 – 4.920	370,000	3.150 – 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
		<u>15,720,000</u>		<u>14,340,000</u>	
Add: Profit payable		110,132		94,982	
		<u>15,830,132</u>		<u>14,434,982</u>	
		<u>16,477,482</u>		<u>15,082,028</u>	



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**18 SUKUK (CONTINUED)**

The maturity structure of Sukuk is as follows:

	Group and Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Maturing within one year	6,092,482	4,527,028
One to three years	7,460,000	7,780,000
Three to five years	975,000	825,000
More than five years	1,950,000	1,950,000
	<u>16,477,482</u>	<u>15,082,028</u>

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

- (a) **Islamic commercial papers ("ICP")**  
ICPs are Ringgit denominated short-term Islamic instruments with maturities ranging from one to twelve months, issued with or without profit paid, at either a discount from the face value where the relevant ICPs are redeemable at their nominal value upon maturity or at par with profit is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.
- (b) **Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")**  
IMTNs are Ringgit denominated sukuk with fixed profit rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a profit rate. Profit distribution of the IMTNs are normally made on half-yearly basis. The redemption of the relevant IMTNs are at nominal value together with the profit due upon maturity.
- (c) **Variable Profit Rate Notes ("VRN")**  
VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate ("KLIBOR"). Profit distributions of the VRNs are normally made on quarterly or half-yearly basis. At maturity, the face value of the relevant VRNs are redeemed with any outstanding profit amounts due on maturity.
- (d) **Multicurrency Sukuk**  
Under the Multicurrency Sukuk Programme, foreign currency sukuk ("Islamic EMTN") is currently issued based on Shariah principle of Wakalah. The Islamic EMTN issuance is on a fully-paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Islamic EMTNs issued. There is no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****19. INTEREST INCOME**

	<u>Group and Company</u>	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
Amount due from counterparties	248,553	248,975
Mortgage assets	79,622	90,256
Compensation from mortgage assets	3	4
Financial assets designated as FVOCI	40,693	37,866
Financial assets at amortised cost	9,152	-
Deposits and placements with financial institutions	2,072	889
	<u>380,095</u>	<u>377,990</u>
Accretion of discount less amortisation of premium (net)	37,039	35,222
	<u>417,134</u>	<u>413,212</u>

**20. INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
Medium-term	(280,457)	(288,432)	(266,138)	(280,955)
Floating rate notes	(3,889)	-	(3,889)	-
Commercial paper	(10,312)	(22,052)	(10,312)	(22,052)
Deposits and placements of financial Institutions	(3,317)	(1,267)	(3,317)	(1,267)
Loans/financing from subsidiaries	-	-	(14,370)	(7,463)
Lease liability	(198)	(547)	(198)	(547)
	<u>(298,173)</u>	<u>(312,298)</u>	<u>(298,224)</u>	<u>(312,284)</u>

**21. NON-INTEREST INCOME/(EXPENSE)**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	RM'000	RM'000	RM'000	RM'000
Net loss arising from derivatives	(18,405)	(3,004)	(18,405)	(3,004)
Income from financial assets at FVTPL	-	756	-	756
Gain on disposal of:				
- Financial assets at FVOCI	1,116	6,167	1,116	6,167
- Property and equipment	-	1	-	1
Net amount reclassified from hedge reserve into profit or loss	(49,328)	(15,876)	(49,328)	(15,876)
Net gain/(loss) on foreign exchange	48,868	15,750	48,868	15,750
Other non-operating income	2,221	2,131	2,221	2,131
	<u>(15,528)</u>	<u>5,925</u>	<u>(15,528)</u>	<u>5,925</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**22 CONTINGENCIES**

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

The Company has been in discussion with the IRB as the tax treatment was applied consistently and discussed with the relevant authorities prior to adoption by the Company. An adverse decision from this disagreement could lead to additional tax liability (approximately RM103.8 million) and tax penalty (approximately RM15.6 million) for YA 2018 to YA 2020.

IRB issued Notice of Additional Assessment (“Form JA”) on 4 July 2022 in relation to the additional tax payable (RM6.4 mil) and penalty (RM1.0 mil) for YA 2018.

The Company has on 1 August 2022 filed a notice of appeal (“Form Q”) according to Section 99 (1) of the Income Tax Act, 1967 against the Form JA issued by IRB.

The estimated additional tax liability of RM103.8 million is not expected to significantly impact the profit after taxation (“PAT”) of the Company as the Company has consistently recognised temporary differences as deferred tax on the tax treatment currently under dispute.

No provision has been made in the financial statements for the potential tax penalty as the Company is of the view that there are strong justifications for its appeal against the matter raised by the IRB.

**23 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 segment 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 segment during the financial period.

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**23 SEGMENT REPORTING (CONTINUED)**

<b>30 Jun 2022 Group</b>	<b>PWR RM'000</b>	<b>PWOR RM'000</b>	<b>Total RM'000</b>
External revenue	513,425	263,032	776,457
External interest/profit expense	(424,245)	(170,594)	(594,839)
Profit from operations	48,301	87,289	135,590
Taxation	(13,733)	(18,833)	(32,566)
Profit after taxation by segment	34,568	68,456	103,024
Segment assets	29,520,640	9,085,347	38,605,987
Segment liabilities	24,943,727	9,491,023	34,434,750
<u>Other information</u>			
Capital expenditure	382	117	499
Depreciation and amortisation	713	220	933
Amortisation of right of use of assets	2,347	723	3,070
<b>Company</b>			
External revenue	513,425	263,032	776,457
Internal interest/profit expense	(14,370)	-	(14,370)
External interest/profit expense	(409,926)	(170,594)	(580,520)
Total interest/profit expense	(424,296)	(170,594)	(594,890)
Profit from:			
Operations	48,401	87,289	135,690
Taxation	(13,733)	(18,833)	(32,566)
Profit after taxation by segment	34,668	68,456	103,124
Segment assets	29,506,478	9,085,348	38,591,826
Segment liabilities	24,944,840	9,491,024	34,435,864
<u>Other information</u>			
Capital expenditure	382	117	499
Depreciation and amortisation	713	220	933
Amortisation of right of use of assets	2,347	723	3,070

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

**23. SEGMENT REPORTING (CONTINUED)**

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Total</u> RM'000
<b>30 Jun 2021</b>			
<b>Group</b>			
External revenue	461,167	286,519	747,686
External interest/profit expense	(400,227)	(180,949)	(581,176)
Profit from operations	40,052	97,682	137,734
Taxation	(9,073)	(24,047)	(33,120)
Profit after taxation by segment	30,979	73,635	104,614
Segment assets	26,805,819	9,894,299	36,700,118
Segment liabilities	23,555,351	8,954,454	32,509,805
<u>Other information</u>			
Capital expenditure	1,033	381	1,414
Depreciation and amortisation	599	221	820
Amortisation of right of use of assets	1,379	509	1,888
<b>Company</b>			
External revenue	461,167	286,519	747,686
Internal interest/profit expense	(7,463)	-	(7,463)
External interest/profit expense	(392,750)	(180,949)	(573,699)
Total interest/profit expense	(400,213)	(180,949)	(581,162)
Profit from operations	40,318	97,682	138,000
Taxation	(9,073)	(24,047)	(33,120)
Profit after taxation by segment	31,245	73,635	104,880
Segment assets	26,790,989	9,894,297	36,685,286
Segment liabilities	23,555,831	8,954,454	32,510,285
<u>Other information</u>			
Capital expenditure	1,033	381	1,414
Depreciation and amortisation	599	221	820
Amortisation of right of use of assets	1,379	509	1,888

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****24. 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.

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	%	%	%	%
CET 1 capital ratio	41.6	41.0	41.5	40.8
Tier 1 capital ratio	41.6	41.0	41.5	40.8
Total capital ratio	42.9	42.4	42.8	42.2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	RM'000	RM'000	RM'000	RM'000
The capital adequacy ratios are as follows:				
CET 1/Tier 1 capital:				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	4,084,719	4,004,195	4,069,444	3,988,820
	<u>4,234,719</u>	<u>4,154,195</u>	<u>4,219,444</u>	<u>4,138,820</u>
Financial assets at FVOCI reserves	(59,051)	25	(59,051)	25
Deferred tax assets	(23,540)	(20,627)	(23,540)	(20,627)
Less: Regulatory reserves	(84,587)	(89,723)	(84,587)	(89,723)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Tier 1 capital	<u>4,067,541</u>	<u>4,043,870</u>	<u>4,052,266</u>	<u>4,028,495</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Tier 2 capital:				
Allowance for impairment losses	41,574	45,533	41,574	45,533
Add: Regulatory reserves	84,587	89,723	84,587	89,723
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Tier 2 capital	<u>126,161</u>	<u>135,256</u>	<u>126,161</u>	<u>135,256</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total capital	<u>4,193,702</u>	<u>4,179,126</u>	<u>4,178,427</u>	<u>4,163,751</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	9,133,268	9,212,424	9,133,411	9,212,422
Operational risk	639,653	649,569	639,653	649,569
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total risk-weighted assets	<u>9,772,921</u>	<u>9,861,993</u>	<u>9,773,064</u>	<u>9,861,991</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

25. ISLAMIC OPERATIONS

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

		<u>Group</u>		<u>Company</u>	
	Note	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and cash equivalents	(a)	303,924	106,288	303,912	106,275
Deposits and placements with financial institutions		-	50,139	-	50,139
Financial assets at fair value through profit or loss (FVTPL)		-	123,132	-	123,132
Financial assets at fair value through other comprehensive income (FVOCI)	(b)	1,182,265	794,037	1,182,265	794,037
Financial assets at amortised cost		354,310	354,353	354,310	354,353
Derivative financial instruments		6,442	2,656	6,442	2,656
Financing assets	(c)	11,508,930	10,273,747	11,508,930	10,273,747
Mortgage assets	(d)	4,478,200	4,689,674	4,478,200	4,689,674
Hire purchase assets	(e)	55	55	55	55
Other assets and prepayments		289,135	289,113	291,667	291,639
Tax Recoverable		11,967	25,968	11,967	25,968
<b>TOTAL ASSETS</b>		<b>18,135,228</b>	<b>16,709,162</b>	<b>18,137,748</b>	<b>16,711,675</b>
<b>LIABILITIES</b>					
Derivative financial instruments		1,768	4,176	1,768	4,176
Other liabilities	(f)	4,560	10,534	3,282	9,311
Deferred taxation		99,505	100,788	99,505	100,788
Sukuk	(g)	16,477,482	15,082,028	16,477,482	15,082,028
<b>TOTAL LIABILITIES</b>		<b>16,583,315</b>	<b>15,197,526</b>	<b>16,582,037</b>	<b>15,196,303</b>
<b>ISLAMIC OPERATIONS' FUNDS</b>		<b>1,551,913</b>	<b>1,511,636</b>	<b>1,555,711</b>	<b>1,515,372</b>
<b>TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS</b>		<b>18,135,228</b>	<b>16,709,162</b>	<b>18,137,748</b>	<b>16,711,675</b>



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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

25. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

		<u>Group</u>		<u>Company</u>	
	Note	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
Total income attributable		359,323	334,474	359,323	334,474
Income attributable to the Sukuk holders	(h)	(296,666)	(269,425)	(296,666)	(269,425)
Non-profit (expense)/income		(3,350)	(2,462)	(3,350)	(2,462)
Total net income attributable	(i)	59,307	62,587	59,307	62,587
Administration and general expenses		(1,005)	(1,015)	(943)	(941)
Allowance for impairment losses		(28)	(256)	(28)	(256)
PROFIT BEFORE TAXATION		58,274	61,316	58,336	61,390
Taxation		(14,001)	(14,733)	(14,001)	(14,733)
PROFIT FOR THE FINANCIAL PERIOD		44,273	46,583	44,335	46,657

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

25 ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

	Group		Company	
Note	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
Profit for the financial period	44,273	46,583	44,335	46,657
Other comprehensive (loss)/income:				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Financial investment at FVOCI				
- Net loss on fair value changes before taxation	(11,320)	(6,313)	(11,320)	(6,313)
- Deferred taxation	2,733	1,530	2,733	1,530
Cash flow hedge				
- Net gain on cash flow hedge before taxation	6,041	3,783	6,041	3,783
- Deferred taxation	(1,450)	(908)	(1,450)	(908)
Other comprehensive loss for the financial period, net of taxation	(3,996)	(1,908)	(3,996)	(1,908)
Total comprehensive income for the financial period	40,277	44,675	40,339	44,749

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

25. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

Group	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Non-distributable		Distributable	Total RM'000
			Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2022	294,159	(622)	(692)	49,203	1,169,588	1,511,636
Profit for the financial period	-	-	-	-	44,273	44,273
Other comprehensive income/(loss)	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive income/(loss) for the financial period	-	(8,587)	4,591	-	44,273	40,277
Transfer to retained profits	-	-	-	(2,470)	2,470	-
Balance as at 30 June 2022	294,159	(9,209)	3,899	46,733	1,216,331	1,551,913
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,080,858	1,429,156
Profit for the financial period	-	-	-	-	46,583	46,583
Other comprehensive income/(loss)	-	(4,783)	2,875	-	-	(1,908)
Total comprehensive income/(loss) for the financial period	-	(4,783)	2,875	-	46,583	44,675
Transfer to retained profits	-	-	-	(2,494)	2,494	-
Balance as at 30 June 2021	294,159	2,070	(3,774)	51,441	1,129,935	1,473,831

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

25. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022**

Company	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Non-distributable		Distributable	Total RM'000
			Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2022	294,159	(622)	(692)	49,203	1,173,324	1,515,372
Profit for the financial period	-	-	-	-	44,335	44,335
Other comprehensive income/(loss)	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive income/(loss) for the financial period	-	(8,587)	4,591	-	44,335	40,339
Transfer to retained profits	-	-	-	(2,470)	2,470	-
Balance as at 30 June 2022	294,159	(9,209)	3,899	46,733	1,220,129	1,555,711
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,084,463	1,432,761
Profit for the financial period	-	-	-	-	46,657	46,657
Other comprehensive income/(loss)	-	(4,783)	2,875	-	-	(1,908)
Total comprehensive income/(loss) for the financial period	-	(4,783)	2,875	-	46,657	44,749
Transfer to retained profits	-	-	-	(2,494)	2,494	-
Balance as at 30 June 2021	294,159	2,070	(3,774)	51,441	1,133,614	1,477,510

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 JUNE 2022 (Continued)****25 ISLAMIC OPERATIONS (CONTINUED)****CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 June 2022**

	<u>Group</u>		<u>Company</u>	
	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	58,274	61,316	58,336	61,390
Adjustment for non-cash items	(87,498)	(107,812)	(87,498)	(107,812)
Operating loss before working capital changes	(29,224)	(46,496)	(29,162)	(46,422)
Change in operating assets and liabilities	(641,305)	1,235,604	(641,366)	1,235,530
Zakat paid	(5,094)	(1,255)	(5,094)	(1,255)
Net cash (utilised in)/generated from operating activities	(675,623)	1,187,853	(675,622)	1,187,853
<b>INVESTING ACTIVITIES</b>				
Purchase of:				
- Financial investment at FVOCI	(1,158,229)	(483,996)	(1,158,229)	(483,996)
- Financial investment at AC	-	(355,000)	-	(355,000)
Sale/redemption of:				
- Financial investment at FVTPL	123,450	-	123,450	-
- Financial investment at FVOCI	759,836	201,276	759,836	201,276
Income received from:				
- Financial investment at FVTPL	1,808	-	1,808	-
- Financial investment at FVOCI	12,925	1,887	12,925	1,887
- Financial investment at AC	7,440	6,189	7,440	6,189
Net cash utilised in investing activities	(252,770)	(629,644)	(252,770)	(629,644)

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

## 25. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of Sukuk	3,570,000	2,740,000	3,570,000	2,740,000
Redemption of Sukuk	(2,190,000)	(3,035,000)	(2,190,000)	(3,035,000)
Profit paid to Sukuk holders	(253,971)	(287,070)	(253,971)	(287,070)
Net cash utilised in financing activities	<u>1,126,029</u>	<u>(582,070)</u>	<u>1,126,029</u>	<u>(582,070)</u>
Net increase/(decrease) in cash and cash equivalents	197,636	(23,861)	197,637	(23,861)
Cash and cash equivalents as at 1 January	<u>106,288</u>	<u>53,643</u>	<u>106,275</u>	<u>53,633</u>
Cash and cash equivalents as at 30 June	<u><u>303,924</u></u>	<u><u>29,782</u></u>	<u><u>303,912</u></u>	<u><u>29,772</u></u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
<b>(a) Cash and short-term funds</b>				
Cash and bank balances with banks and other financial institutions	71	252	59	239
Mudharabah money at call and deposit placements maturing with original maturity less than 3 months	303,893	106,047	303,893	106,047
	<u>303,964</u>	<u>106,299</u>	<u>303,952</u>	<u>106,286</u>
Less: Allowance for impairment losses	(40)	(11)	(40)	(11)
	<u><u>303,924</u></u>	<u><u>106,288</u></u>	<u><u>303,912</u></u>	<u><u>106,275</u></u>

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
At 1 January	11	-
Write-back during the year	29	11
At 30 June/ 31 Dec	<u><u>40</u></u>	<u><u>11</u></u>

**(b) Financial assets at fair value through other comprehensive income (FVOCI)**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<i>At fair value:</i>		
Corporate Sukuk	758,137	548,605
Government investment issues	130,669	137,000
Quasi government securities	293,459	108,432
	<u><u>1,182,265</u></u>	<u><u>794,037</u></u>



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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)****(b) Financial assets at fair value through other comprehensive income (FVOCI) (continued)**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
The maturity structure of financial assets at FVOCI are as follows:		
Maturing within one year	672,869	378,020
One to three years	296,293	210,473
Three to five years	59,042	65,313
More than five years	154,061	140,231
	<u>1,182,265</u>	<u>794,037</u>

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

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	58	3
Allowance during the year on new assets purchased	79	57
Loans derecognised during the period due to maturity of assets	(6)	-
Reversal during the year due to changes in credit risk	(6)	(2)
At 30 June/ 31 Dec	<u>125</u>	<u>58</u>

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)****(c) Financing assets**

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Relating to:		
House financing	9,569,569	8,805,885
Personal financing	1,939,361	1,467,862
	<u>11,508,930</u>	<u>10,273,747</u>

The maturity structure of financing assets are as follows:

Maturing within one year	4,672,306	2,768,566
One to three years	6,836,695	7,505,242
	<u>11,509,001</u>	<u>10,273,808</u>
Less: Allowance for impairment losses	(71)	(61)
	<u>11,508,930</u>	<u>10,273,747</u>

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

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	61	99
Allowance during the year on new assets purchased	26	26
Loans derecognised during the period due to maturity of assets	(6)	(5)
Reversal during the year due to changes in credit risk	(10)	(59)
	<u>71</u>	<u>61</u>
At 30 June/ 31 Dec		

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)***(d) Mortgage assets*

	<u>Group and Company</u>	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
PWOR	4,478,200	4,689,674

The maturity structure of mortgage assets are as follows:

Maturing within one year	593,966	595,295
One to three years	750,028	754,333
Three to five years	730,449	739,680
More than five years	2,424,733	2,622,993
	4,499,176	4,712,301
Less: Allowance for impairment losses	(20,976)	(22,627)
	4,478,200	4,689,674

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>2022</u>		
Stage 1 (12-months ECL; non credit impaired)	4,476,729	14,067
Stage 2 (Lifetime ECL; non credit impaired)	2,639	555
Stage 3 (Lifetime ECL; credit impaired)	19,808	6,354
At 30 June	4,499,176	20,976
Impairment allowance over gross carrying value (%)		0.47
<u>2021</u>		
Stage 1 (12-months ECL; non credit impaired)	4,687,397	14,804
Stage 2 (Lifetime ECL; non credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,456	7,525
At 31 December	4,712,301	22,627
Impairment allowance over gross carrying value (%)		0.48

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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)**

	<u>Group and Company</u>	
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
	RM'000	RM'000
(e) <i>Hire purchase assets</i>		
PWOR	55	55

The maturity structure of hire purchase assets are as follows:

Maturing within one year	66	66
Less: Allowance for impairment losses	(11)	(11)
	<u>55</u>	<u>55</u>

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

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage allocation:		
<u>2022</u>		
Stage 1 (12-months ECL; non credit impaired)	32	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
	<u>66</u>	<u>11</u>
At 30 June	<u>66</u>	<u>11</u>
Impairment allowance over gross carrying value (%)		<u>16.55</u>

2021

Stage 1 (12-months ECL; non credit impaired)	32	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
	<u>66</u>	<u>11</u>
At 31 December	<u>66</u>	<u>11</u>
Impairment allowance over gross carrying value (%)		<u>16.55</u>

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)***(f) Other liabilities*

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
Zakat	-	5,094	--	5,094
Other payables	4,560	5,440	3,282	4,217
	<u>4,560</u>	<u>10,534</u>	<u>3,282</u>	<u>9,311</u>

*(g) Sukuk*

	<u>Group and Company</u>	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Commercial papers	-	647,046
Variable profit rate notes	647,350	-
Medium-term notes	15,830,132	14,434,982
	<u>16,477,482</u>	<u>15,082,028</u>

The maturity structure of Sukuk are as follows:

Maturing within one year	6,092,482	4,527,028
One to three years	7,460,000	7,780,000
Three to five years	975,000	825,000
More than five years	1,950,000	1,950,000
	<u>16,477,482</u>	<u>15,082,028</u>

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****25. ISLAMIC OPERATIONS (CONTINUED)***(h) Income attributable to the Sukuk holders*

	<u>Group and Company</u>	
	30 Jun 2022	30 Jun 2021
	RM'000	RM'000
Mortgage assets	95,448	99,945
Hire purchase assets	52	56
Financing assets	201,166	169,363
Short-term borrowings	-	61
	<u>296,666</u>	<u>269,425</u>

Income attributable to the Sukuk holders by concept is as follows:

Bai Al-Dayn	<u>296,666</u>	<u>269,425</u>
-------------	----------------	----------------

*(i) Total income attributable*

Income from:

Mortgage assets	38,565	50,051
Hire purchase assets	(52)	(56)
Financing assets	7,937	7,122
Financial assets at FVOCI	14,080	6,913
Deposit and placements with financial institutions	2,127	1,020
Non-profit expense	(3,350)	(2,463)
	<u>59,307</u>	<u>62,587</u>

Total net income analysed by concept are as follows:

Bai Al-Dayn	43,100	54,159
Murabahah	6,731	5,791
Ijarah	790	206
Mudharabah	2,971	208
Musarakah	2,083	616
Wakalah	1,546	622
Tawarruq	1,717	643
Qard Al-Hasan	369	342
	<u>59,307</u>	<u>62,587</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**
**25. ISLAMIC OPERATIONS (CONTINUED)**
*(j) Capital adequacy*

	<u>Group</u>		<u>Company</u>	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
		%	%	%
CET 1 capital ratio	27.1	29.1	27.1	29.2
Tier 1 capital ratio	27.1	29.1	27.1	29.2
Total capital ratio	28.3	30.6	28.4	30.7

The capital adequacy ratios are as follows:

CET 1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	1,263,064	1,218,791	1,266,862	1,222,527
	1,557,223	1,512,950	1,561,021	1,516,686
Financial assets at FVOCI reserve	(9,209)	(622)	(9,209)	(622)
Deferred tax assets	(6,229)	(6,785)	(6,229)	(6,785)
Less: Regulatory reserves	(46,733)	(49,203)	(46,733)	(49,203)
Total CET 1/Tier 1 capital	1,495,052	1,456,340	1,498,850	1,460,076
Tier 2 capital:				
Add: Regulatory reserves	46,733	49,203	46,733	49,203
Allowance for impairment losses	22,384	23,933	22,384	23,933
Total Tier 2 capital	69,117	73,136	69,117	73,136
Total capital	1,564,169	1,529,476	1,567,967	1,533,212

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

Credit risk	5,295,177	4,773,247	5,297,707	4,775,770
Operational risk	226,732	225,058	226,732	225,058
Total risk-weighted assets	5,521,909	4,998,305	5,524,439	5,000,828

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.



**CAGAMAS BERHAD**  
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**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

26. BUSINESS REVIEW

Market Environment

In 2022, global growth is projected to continue on its recovery path, supported by the sustained reopening of the economy and stronger labour markets<sup>1</sup>. However, the military conflict in Ukraine and prolonged lockdown in China are expected to dampen the pace of the global recovery. Rising commodity prices have also led to higher global inflation and central banks in major economies have stepped up the pace of monetary policy tightening to tackle the higher inflation. Going forward, the pace of global growth is expected to moderate, and will continue to be affected by the elevated cost pressures, geopolitical conflict, global supply chain disruptions, and financial market volatility.

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). The growth is attributed to the low base from the Full Movement Control Order (FMCO) last year as well as particularly robust growth in April and May 2022 from the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders as well as the Malaysian Government's consistent policy support, specifically initiatives under the expansionary Budget 2022, spill over effect from Budget 2021 and previous stimulus and assistance packages<sup>2</sup>. In terms of economic activity, the services and manufacturing sectors continued to drive growth. The Malaysian economy is projected to expand further for the remainder of the year underpinned by firm domestic demand as external demand is expected to moderate, weighed by headwinds to global growth.

Malaysia's banking system continued to record healthy liquidity positions, with the aggregate Liquidity Coverage Ratio at 148.4%<sup>3</sup>. Banks' funding sources remained stable and supportive of credit intermediation in the economy amid sustained growth in deposits. Overall gross and net impaired loans ratios remained broadly stable at 1.7% and 1% respectively, reflecting the marginal increase in impairments from the business and household segments, following the tapering of repayment assistance measures since the first quarter of 2022. On 6 July 2022, Bank Negara Malaysia (BNM) increased the Overnight Policy Rate (OPR) by 25 basis points to 2.25 percent as the unprecedented Covid-19-driven conditions that necessitated a historically low OPR continued to recede<sup>4</sup>. At the current OPR level, BNM believed the stance of monetary policy remains accommodative and supportive of economic growth.

Malaysia's fixed income market saw yields generally increased, tracking the increase in global bond yields as central banks tightened monetary policies amid rising inflationary pressure. Notably, the benchmark 10-year Malaysian Government Securities ("MGS") yield rising by 66 basis points to 4.24% at the end of 1H2022, from 3.58% at the start of the year. Nonetheless, the MYR bond market remains healthy, supported by its depth and liquidity, as evident by the successful issuance of RM87.5 billion of MGS and Malaysian Government Investment Issue ("MGII") in 1H2022.

<sup>1</sup> BNM, Economic and Financial Developments, Second Quarter 2022

<sup>2</sup> Ministry of Finance Malaysia, Press Release June 2022

<sup>3</sup> BNM, Monthly Highlights, June 2022

<sup>4</sup> BNM, Monetary Policy Statement, July 2022

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)**

26. BUSINESS REVIEW (CONTINUED)

Financial Performance

The Group's net interest income decreased due to maturity of PWR assets during the period and rundown in PWOR assets.

The Group recorded a higher reversal of impairment losses arising from reduction in principal balance and improvement in PWOR asset staging. As a result, the Group registered a pre-tax profit of RM135.6 million for the period ended 30 June 2022 as compared to RM137.7 million in the previous corresponding period.

The total assets of the Group as at 30 June 2022 stood at RM38.6 billion, a decrease of 3.2% since 31 December 2021.

Purchase of Loans and Financing

Cagamas recorded RM4.5 billion of purchases of PWR loans and financing (1H2021: RM5.0 billion) in the 1H2022. As at 1H2022, residential mortgage continued to dominate Cagamas' portfolio at 93.8% (1H2021: 98.5%), personal loans at 4.4% (1H2021: Nil) and hire purchase loans and financing at 1.8% (1H2021: 1.5%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2022, Cagamas issued a total of RM7.53 billion worth of bonds and sukuk, through 14 issuance exercises. From the total issuances, 53% or RM3.96 billion were raised via conventional debt issuances and 47% or RM3.57 billion were raised via sukuk issuances.

Cagamas also continued to raise funding at a competitive price in foreign currency issuance through a private placement deal. During the 1H2022, Cagamas printed Singapore dollar ("SGD") with a value of RM308 million was successfully priced under the Company's Multicurrency EMTN programmes.

Cagamas' local and foreign currency capital programmes have been assigned long term issuer rating of A3 by Moody's Investors Service ("Moody's") which is in line with Malaysian sovereign ratings. RAM Rating Services Berhad ("RAM Ratings") assigned Cagamas' Global, ASEAN and national-scale corporate credit ratings at gA2/Stable/gP1, seaAAA/Stable/seaP1 and AAA/Stable/P1, respectively. In addition, Malaysian Rating Corporation Berhad ("MARC") assigned Cagamas' bonds and sukuk issues ratings at AAA/MARC-1 and AAAIS/MARC-1IS, respectively. Reaffirmation of these ratings reflects Cagamas' ability to attract investment in its bonds and sukuk, underpinned by its strong credit rating, track record of strong capitalisation, robust asset quality and stable profitability.

Capital Management

The Group's core capital ratio as at 30 June 2022 improved to 41.6% as compared to 41.0% as at 31 December 2021. As at the reporting date, TCR remains stable at 42.9%, 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.

Total shareholder's funds for the Group stands at RM4.2 billion arising from profits generated during the period, while net tangible assets per share increased by 0.4% to RM27.70 per share as at 30 June 2022.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)****26. BUSINESS REVIEW (CONTINUED)****Information About Company Employees, Social and Community Issues Including the Impact of the Company's Business on the Environment**

Cagamas continued with the split team rotations from January to April 2022, which involved working from home as a precautionary measure to protect the health and well-being of our staff, preventing spread of COVID-19, and ensuring the Company stays resilient and continues to operate with minimal disruptions as well as to test the robustness of our business continuity plan. Effective from 9 May 2022, Cagamas had reverted to 100% Work-In-Office arrangement with continuous safety measures as we slowly transition into the endemic phase. These includes requirement for weekly RTK self-test as an early detection to minimise the spreading of Covid-19 in the office, supply of test-kit, hand sanitiser and facemask to all staff, daily disinfection of high-touch items / areas, and continuous advisory on COVID-19 to keep staff informed on the latest Management's planning and decision among others. In consideration of the adjustment period towards endemic phase, Cagamas does provide WFH flexibility for case-to-case basis for parents who need to attend to their small children contracted with communicable diseases (including Covid-19 and HFMD).

Cagamas works to enhance education in our communities, build sustainable economic growth and invest in the future of the nation's workforce through its Corporate Social Responsibility ("CSR") programmes and Zakat initiatives.

As at May 2022, under its Cagamas Zakat Wakalah Programme ("ZWP"), Cagamas has provided financial aid to 158 flood victims and asnaf students at Sekolah Kebangsaan Seksyen 27(2), Shah Alam, Selangor and Sekolah Kebangsaan Taman Bukit Subang, Shah Alam, Selangor. The ZWP also organised a "Back to School 2022" programme with 60 asnaf students from Sekolah Kebangsaan Marian Convent, Setapak, Kuala Lumpur, which involved purchases of school uniforms and supplies. The ZWP also donated care packs containing food supplies and food sponsors to assist 380 asnaf recipients in Kuala Lumpur and Selangor through various programmes organised by the suraus, non-profit organizations, and tahfiz schools during the month of Ramadhan. Apart from sponsoring these activities, the ZWP has also assisted in the purchase of 27 units of wheelchairs for eligible asnaf in Kelantan and Kuala Lumpur and business equipment for baking and pastry to assist eligible recipients in Selangor and Terengganu to improve productivity and income in their respective micro-businesses. In addition, Cagamas has also helped in medical support by purchasing a hearing aid and financial assistance for heart surgery and brain tumour operations for eligible asnaf.

The Cagamas Scholarship Programme ("CSP") continues to see the Company reaching out to deserving Malaysians who need financial aid to pursue their education. As at 2022, the CSP has sponsored a total of 31 scholars with 15 scholars who have graduated.

Cagamas also organised its second virtual Investors Briefing, which was broadcasted from the Cagamas office in Kuala Lumpur and attended by over 65 registered attendees from across the region. The briefing was led by President/Chief Executive Officer, Datuk Chung Chee Leong, who presented on the Company's financial performance in 2021 as well as its business initiatives for 2022.

With the endemic phase for Covid-19, Cagamas' stakeholder engagements have started to include physical participation in conferences as speakers/panellists on the topics of housing finance and capital market, both locally and internationally.

Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

Lodged by:  
CAGAMAS BERHAD  
Registration number: 198601008739 (157931-A)  
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Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

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

**PRINCIPAL ACTIVITIES**

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

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

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

**FINANCIAL RESULTS**

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

**DIVIDENDS**

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIVIDENDS (CONTINUED)**

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

**SHARE CAPITAL**

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

**RESERVES AND PROVISIONS**

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

**RATING PROFILE OF THE BONDS AND SUKUK**

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

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

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

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

**RELATED PARTY TRANSACTIONS**

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



**CAGAMAS BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

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

Dato' Bakarudin Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yaw Hin

Ho Chai Huey

Datuk Seri Tajuddin Atan

Datuk Chung Chee Leong

Datuk Azizan Haji Abd Rahman

(Resigned w.e.f. 09.03.2022)

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

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

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

**DIRECTORS' BENEFITS AND REMUNERATION**

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

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

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

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

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

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

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

In the opinion of the Directors:

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

**SUBSIDIARIES**

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

**ULTIMATE HOLDING COMPANY**

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

**BUSINESS REVIEW FOR THE FINANCIAL YEAR 2021**

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

**AUDITORS' REMUNERATION**

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

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CAGAMAS BERHAD  
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## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

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

This report was approved by the Board of Directors on 23 March 2022.

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

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

\* denotes USD1 in CGP and RM2 in CGS.

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	208,875	223,922	209,078	223,941
Other comprehensive income:				
<b>Items that may be subsequently reclassified to income statement</b>				
Financial assets at FVOCI				
- Net (loss)/gain on fair value changes before taxation	(95,276)	45,811	(95,276)	45,811
- Deferred taxation	22,921	(10,976)	22,921	(10,976)
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(8,749)	4,992	(8,749)	4,992
- Deferred taxation	2,100	(1,198)	2,100	(1,198)
Other comprehensive (loss)/income for the financial year, net of taxation	(79,004)	38,629	(79,004)	38,629
Total comprehensive income for the financial year	129,871	262,551	130,074	262,570

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	281,174	301,391	281,377	301,368
<u>Adjustments for the investment items</u> <u>and items not involving the movement</u> <u>of cash and cash equivalents:</u>				
Amortisation of premium less accretion of discount on:				
- Financial assets at FVOCI	4,516	(6,532)	4,516	(6,532)
- Unsecured bearer bonds and notes	9	(3,410)	9	(3,410)
- Sukuk	-	(7,568)	-	(7,568)
Accretion of discount on:				
Mortgage assets				
- Conventional	(77,821)	(98,980)	(77,821)	(98,980)
- Islamic	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) for impairment losses on:				
- Cash and cash equivalents	11	(105)	11	(105)
- Financial assets at FVOCI	227	(51)	227	(51)
- Financial assets at amortised cost	1,155	-	1,155	-
- Amount due from counterparties/ Islamic financing assets	(38)	(594)	(38)	(594)
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	(10,445)	(14,204)	(10,445)	(14,204)
Interest income	(761,044)	(859,224)	(761,044)	(859,224)
Income from derivatives	(61,844)	(101,763)	(61,844)	(101,763)
Income from Islamic operations	(607,236)	(699,938)	(607,236)	(699,938)
Interest expense	625,016	739,787	625,016	740,160
Interest expense on derivatives	73,750	110,754	73,750	110,754
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Depreciation of property and equipment	1,652	1,582	1,652	1,582
Amortisation of intangible assets	3,843	3,608	3,843	3,608
Amortisation of right-of-use asset	1,996	937	1,996	937
Gain on disposal of:				
- Property and equipment	(3)	(10)	(3)	(10)
- Financial assets at FVOCI	(8,318)	(9,467)	(8,318)	(9,467)
Operating loss before working capital changes	(40,999)	(25,814)	(40,796)	(25,464)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

<u>Group</u>	<u>Lease liability</u> RM'000	<u>Unsecured bonds and notes</u> RM'000	<u>Sukuk</u> RM'000	<u>Total</u> RM'000
<u>2021</u>				
As at 1 January	4,583	17,482,979	14,063,392	31,550,954
Proceeds from issuance	-	14,540,197	7,255,000	21,795,197
Repayment and redemption	(2,153)	(10,171,987)	(6,225,000)	(16,399,140)
Interest/profit paid	-	(2,521,674)	(560,142)	(3,081,816)
Exchange fluctuation	-	7,429	-	7,429
Other non-cash movement	11,308	620,010	548,778	1,180,096
As at 31 December	<u>13,738</u>	<u>19,956,954</u>	<u>15,082,028</u>	<u>35,052,720</u>
<u>2020</u>				
As at 1 January	4,791	20,661,027	15,849,883	36,515,701
Proceeds from issuance	-	8,581,426	3,085,000	11,666,426
Repayment and redemption	(2,649)	(11,802,132)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(793,078)	(685,506)	(1,478,584)
Exchange fluctuation	-	101,931	-	101,931
Other non-cash movement	2,441	733,805	659,015	1,395,261
As at 31 December	<u>4,583</u>	<u>17,482,979</u>	<u>14,063,392</u>	<u>31,550,954</u>

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

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

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

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

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

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

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

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

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

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

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

The Islamic operations of the Group and the Company refer to:

- (a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
- (b) issuance of Sukuk under Shariah principles; and
- (c) acquisition, investment in and trading of Islamic financial instruments.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

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

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

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'

The Group has adopted Amendments to MFRS 16 'COVID-19-Related Rent Concessions' and Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2' for the first time in the December 2021 financial statements, which resulted in changes in accounting policies.

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

The Group adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate (insert as applicable: for instruments measured at amortised cost to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ('IBOR') reform. As a result, no immediate gain or loss is recognised in profit or loss.

The amendments also provide reliefs that enable and require the Group to continue the MFRS 9 hedge accounting in circumstances when the Group updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because none of the IBOR-based contracts of the Group were modified in 2020. For contracts modified as a result of IBOR reform during the year, the Group applies the Phase 2 amendments as described in Note 2.1(c).

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.
- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

The amendments shall be applied retrospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

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

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

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

- Hedge designation: When the Phase 1 amendments cease to apply, the Group and the Company will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
  - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - c) amending the description of the hedging instrument.

The Group and the Company will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group and the Company to discontinue its hedge relationships. As of the financial year ended 31 December 2021, the Group and the Company has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform as the replacement of KLIBOR is not yet effective.

Amounts accumulated in the cash flow hedge reserve: When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as Kuala Lumpur Interbank Offered Rate ("KLIBOR") and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As at 31 December 2021, the Group and the Company has no exposures which are referred to other IBORs except for KLIBOR. The Group and the Company hold the following financial instruments which are referenced to KLIBOR and have yet to transition to an alternative interest rate benchmark:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Economic entities in the Group**

**Subsidiaries**

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Amount due from counterparties and Islamic financing assets**

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

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

**2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

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

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

**2.5 Investment in subsidiaries**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Property and equipment and depreciation**

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

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

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

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

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

**2.7 Financial assets**

**(a) Classification**

The Group and the Company classify their financial assets in the following measurement categories:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets**

**(b) Recognition and derecognition**

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

**(c) Measurement**

At initial recognition, the Group and the Company measure a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

**Debt instruments**

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

There are three measurement categories into which the Group and the Company classify their debt instruments:

**(i) Amortised cost**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets (continued)**

**(c) Measurement (continued)**

Debt instruments (continued)

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

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

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

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

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

Equity instruments

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets**

**2.8.1 Financial assets**

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

The Group and the Company have four of their financial assets that are subject to the ECL model:

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

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

The measurement of ECL reflects:

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

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

General approach

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

General approach (continued)

- **Stage 2: Lifetime ECL – not credit impaired**

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

- **Stage 3: Lifetime ECL – credit impaired**

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

Simplified approach

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

Significant increase in credit risk

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

The following indicators are incorporated:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

Significant increase in credit risk (continued)

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

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

Definition of default and credit impaired financial assets

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

*Quantitative criteria:*

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

*Qualitative criteria:*

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.2 Non-financial assets**

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

**2.9 Write-off**

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

**2.10 Financial liabilities**

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

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.17 on hedge accounting.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.10 Financial liabilities (continued)**

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

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

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

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

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

**2.11 Income recognition on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

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

**2.12 Premium and discount on unsecured bearer bonds, notes and Sukuk**

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

**2.13 Current and deferred tax**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.13 Current and deferred tax (continued)**

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

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

**2.14 Cash and cash equivalents**

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

**2.15 Offsetting financial instruments**

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

**2.16 Segment reporting**

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

**2.17 Derivative financial instruments and hedge accounting**

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 9 to the financial statements.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.17 Derivative financial instruments and hedge accounting (continued)**

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

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

The Group's and Company's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

*Cash flow hedge*

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.18 Provisions**

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

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

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

**2.19 Zakat**

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2019: 2.5%) of the zakat base.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.20 Employee benefits**

**(a) Short-term employee benefits**

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

**(b) Defined contributions plans**

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

**2.21 Intangible assets**

**(a) Computer software**

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.21 Intangible assets (continued)**

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

**2.22 Share capital**

**(a) Classification**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

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

**(b) Dividends to the shareholder of the Company**

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

**2.23 Currency translations**

**(a) Functional and presentation currency**

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

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

**(b) Foreign currency transactions and balances**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.24 Contingent liabilities and contingent assets**

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

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

**2.25 Deferred financing fees**

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

**2.26 Leases**

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

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

**Lease term**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.26 Leases (continued)**

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.26 Leases (continued)**

Lease liabilities (continued)

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

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

Reassessment of lease liabilities

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

Short-term leases and leases of low value assets

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

**3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

**(a) Fair value of financial assets at FVTPL, FVOCI and derivatives (Note 7, 8, 10 and 47)**

The estimates and assumptions considered most likely to have an impact on the Group's and the Company's results and financial positions are those relating to the fair valuation of derivatives, unquoted financial assets at FVTPL and FVOCI for which valuation models are used. The Group and the Company have exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)**

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

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

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

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

Due to the COVID-19 pandemic, the negative case has been assigned with a higher weightage for the ECL.

**(c) Accretion of discount on mortgage assets and hire purchase assets (Note 13, 14 and 15)**

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

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**4.1 Risk management structure**

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

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

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

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

**4.2 Credit risk management**

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

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

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

**4.3 Market risk management**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**4.3 Market risk management (continued)**

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

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

**4.4 Liquidity risk management**

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

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

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

- (a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company to meet the cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group and the Company against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

**4.5 Operational risk management**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**4.5 Operational risk management (continued)**

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

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

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

**5 CASH AND CASH EQUIVALENTS**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5 CASH AND CASH EQUIVALENTS (CONTINUED)**

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Stage 1		
As at 1 January	-	105
Allowance/(reversal) during the year	11	(105)
As at 31 December	<u>11</u>	<u>-</u>

**6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>172,021</u>	<u>102,886</u>	<u>172,021</u>	<u>102,886</u>

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

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unit trusts	<u>123,132</u>	<u>193,466</u>

Financial assets classified or designated as FVTPL are not subjected to impairment assessment under MFRS 9.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

Maturing within one year	677,907	342,574
One to three years	594,477	727,173
Three to five years	341,312	334,100
More than five years	1,178,398	979,469
	<u>2,792,094</u>	<u>2,383,316</u>

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

**9 FINANCIAL ASSETS AT AMORTISED COST**

Corporate Sukuk	<u>354,353</u>	<u>-</u>
The maturity structure of financial assets at amortised cost are as follows:		
More than five years	355,508	-
Less: Allowance for impairment losses	(1,155)	-
	<u>354,353</u>	<u>-</u>

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

The Group and the Company will issue short duration bonds/Sukuk and enter into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group and the Company pay fixed rate interest/profit to the swap counterparty and receive floating rate interest/profit to pay to the bondholders/Sukuk holders.

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

- (i)* At inception, the Group and the Company will swap the proceeds from the foreign currency bonds/Sukuk to the functional currency at the pre-agreed exchange rate with CCS/ICCS counterparty.
- (ii)* In the interim, the Group and the Company will receive interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/Sukuk holders for coupon payment. Simultaneously, the Group and the Company pay interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.
- (iii)* On maturity, the Group and the Company will pay principal in functional currency at the same pre-agreed exchange rate to the CCS/ICCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/Sukuk which will then be used to redeem the bonds/Sukuk. The Group's and the Company's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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

Designated as cashflow hedges

<u>Group and Company</u>	<u>Contract/ Notional amount</u> RM'000	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	<u>Average fixed interest rate</u> %
<u>2021</u>				
<i>IRS/IPRS</i>				
Maturing within one year	1,165,000	12	(13,655)	3.08
One to three years	590,000	2,656	(7,813)	3.22
Three to five years	-	-	-	-
More than five years	160,000	20,367	-	4.66
	<u>1,915,000</u>	<u>23,035</u>	<u>(21,468)</u>	
<i>CCS</i>				
Maturing within one year	1,526,640	6,572	(3,210)	2.22
One to three years	1,036,600	-	(3,917)	2.59
	<u>2,563,240</u>	<u>6,572</u>	<u>(7,127)</u>	
	<u>4,478,240</u>	<u>29,607</u>	<u>(28,595)</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

Designated as cashflow hedges (continued)

<u>Group and Company</u>	<u>Contract/ Notional amount</u> RM'000	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	<u>Average fixed interest rate</u> %
<u>2020</u>				
<i>IRS/IPRS</i>				
Maturing within one year	1,100,000	13,994	(2,803)	3.82
One to three years	1,355,000	-	(41,133)	3.53
Three to five years	-	-	-	-
More than five years	160,000	38,802	-	4.66
	<u>2,615,000</u>	<u>52,796</u>	<u>(43,936)</u>	
 <i>CCS</i>				
Maturing within one year	669,927	5,108	(2,027)	3.33
	<u>3,284,927</u>	<u>57,904</u>	<u>(45,963)</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

(i) Reconciliation of components of equity

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Cash flow hedge</u>		
As at 1 January	11,062	7,268
Effective portion of changes in fair value:		
- Interest rate risk	30,509	(68,733)
Net amount reclassified to profit or loss:		
- Foreign exchange fluctuations (Note 33)	(39,258)	73,725
Income tax effects	2,100	(1,198)
	<u>4,413</u>	<u>11,062</u>
As at 31 December	<u>4,413</u>	<u>11,062</u>

**11 AMOUNT DUE FROM COUNTERPARTIES**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)**

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

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	19	59
Allowance during the year on new assets purchased	13	11
Loans derecognised during the year due to maturity of assets	(6)	(9)
Reversal during the year due to changes in credit risk	(7)	(42)
	<u>19</u>	<u>19</u>
As at 31 December	<u>19</u>	<u>19</u>

**12 ISLAMIC FINANCING ASSETS**

Relating to:

Islamic house financing	8,805,885	9,662,661
Islamic personal financing	1,467,862	-
	<u>10,273,747</u>	<u>9,662,661</u>

The maturity structure Islamic financing assets are as follows:

Maturing within one year	2,768,566	3,528,607
One to three years	7,505,242	5,218,907
Three to five years	-	915,246
	<u>10,273,808</u>	<u>9,662,760</u>
Less: Allowance for impairment losses	(61)	(99)
	<u>10,273,747</u>	<u>9,662,661</u>

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 MORTGAGE ASSETS – CONVENTIONAL**

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Purchase without recourse ("PWOR")	3,886,956	4,366,916
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	652,653	729,768
One to three years	846,026	923,536
Three to five years	715,011	774,026
More than five years	1,694,605	1,965,556
	3,908,295	4,392,886
Less:		
Allowance for impairment losses	(21,339)	(25,970)
	3,886,956	4,366,916

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 MORTGAGE ASSETS – ISLAMIC**

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15 HIRE PURCHASE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
PWOR	62	34
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	74	46
Less: Allowance for impairment losses	(12)	(12)
	62	34

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16 AMOUNT DUE FROM SUBSIDIARIES**

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

**17 OTHER ASSETS**

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

**18 INVESTMENT IN SUBSIDIARIES**

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
Unquoted shares at cost	-*	-*

\* denotes USD1 in CGP and RM2 in CGS.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 PROPERTY AND EQUIPMENT**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20 INTANGIBLE ASSETS**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 RIGHT-OF-USE ASSET**

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

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

**22 OTHER LIABILITIES**

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 LEASE LIABILITY**

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
As at 1 January	4,583	4,791
Modification arising from extension of lease term	10,545	-
Lease obligation interest expense (Note 36)	763	2,441
Lease obligation repayment	(2,153)	(2,649)
As at 31 December	<u>13,738</u>	<u>4,583</u>

The maturity structure of lease liability are as follows:

Due within 1 year	2,354	495
Due in 2 to 5 years	11,384	4,088
Total present value of minimum lease payments	<u>13,738</u>	<u>4,583</u>

**24 DEFERRED TAXATION**

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

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

The movements of deferred tax are as follows:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24 DEFERRED TAXATION (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24 DEFERRED TAXATION (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 LOANS/FINANCING FROM SUBSIDIARY**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 UNSECURED BEARER BONDS AND NOTES**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

					Company
			<u>2021</u>		<u>2020</u>
	<u>Year of</u>	<u>Amount</u>	<u>Effective</u>	<u>Amount</u>	<u>Effective</u>
	<u>maturity</u>	<u>outstanding</u>	<u>interest rate</u>	<u>outstanding</u>	<u>interest rate</u>
		RM'000	%	RM'000	%
(a) Floating rate notes	2022	200,000	1.940	-	-
Add:					
Interest payable		393		-	
		<u>200,393</u>		<u>-</u>	
(b) Commercial paper	2021	-	-	2,800,000	1.900-2.050
	2022	1,300,000	1.990-2.080	-	-
Add:					
Interest payable		1,236		6,388	
		<u>1,301,236</u>		<u>2,806,388</u>	
(c) Conventional medium-term notes	2021	-	-	3,815,000	2.000-5.380
	2022	7,915,000	2.100-4.650	6,850,000	2.130-4.650
	2023	3,665,000	2.180-6.050	570,000	2.180-6.050
	2024	1,970,000	2.380-5.520	430,000	4.000-5.520
	2025	640,000	4.550-4.850	640,000	4.550-4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140-4.900	275,000	4.140-4.900
	2028	890,000	4.750-6.500	890,000	4.750-6.500
	2029	245,000	5.500-5.750	245,000	5.500-5.750
	2035	160,000	5.070	160,000	5.070
		<u>15,770,000</u>		<u>13,885,000</u>	
Add:					
Interest payable		114,451		120,199	
Less:					
Unamortised discount		-		(9)	
		<u>15,884,451</u>		<u>14,005,190</u>	
Total		<u>17,386,080</u>		<u>16,811,578</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

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

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

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

(a) Floating Rate Notes ("FRNs")

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

(b) Commercial paper ("CP")

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

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

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

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

**27 SUKUK**

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27 SUKUK (CONTINUED)**

The maturity structure of Sukuk are as follows:

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

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

(a) Islamic commercial papers ("ICP")

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

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

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

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

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

(d) Multicurrency Sukuk

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28 SHARE CAPITAL**

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

**29 RESERVES**

(a) Financial assets at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial assets at FVOCI, net of taxation.

The amount of gain or loss recognised in OCI during the year and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the financial year are as per the following:

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

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group and the Company have adopted the Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30 NET TANGIBLE ASSETS AND EARNINGS PER SHARE**

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,140,307,000 of the Group and RM4,124,932,000 of the Company respectively (2020: RM4,138,448,000 of the Group and RM4,122,871,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM208,875,000 of the Group and RM209,078,000 of the Company respectively (2020: RM223,922,000 of the Group and RM223,941,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

**31 INTEREST INCOME**

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

**32 INTEREST EXPENSE**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**33 NON-INTEREST INCOME/(EXPENSE)**

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

**34 PERSONNEL COSTS**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**35 ALLOWANCE FOR IMPAIRMENT LOSSES**

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

**36 PROFIT BEFORE TAXATION AND ZAKAT**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 DIRECTORS' REMUNERATION**

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

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yiau Hin

Ho Chai Huey

Datuk Seri Tajuddin Atan

Datuk Azizan Haji Abd Rahman

(Resigned w.e.f. 09.03.2022)

Executive Director

Datuk Chung Chee Leong

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

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

For the financial year ended 31 December 2021, a total of RM196,428 (2020: RM196,428) has been paid by the Group in relation to insurance premium paid for Directors and Officers of the Group and Company.

**38 TAXATION**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 TAXATION (CONTINUED)**

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

(b) Reconciliation of income tax expense

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

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

- (c) In order to support the Government's initiative to assist parties affected by the pandemic, it has been proposed in Budget 2022 that for year of assessment ("YA") 2022, a special one-off tax which is called 'Cukai Makmur' will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022. The Company has assessed that it is not significantly impacted by the Cukai Makmur.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 DIVIDENDS**

Dividends of the Group and the Company are as follows:

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

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

**40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Related parties and relationships**

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

<u>Related parties</u>	<u>Relationships</u>
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSR")	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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

**(a) Related parties and relationships (continued)**

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

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

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total salaries and other employees' benefits paid to the Group's key management personnel was RM8,677,505 (2020: RM8,053,839).

The total remuneration paid to the Directors is disclosed in Note 37 to the financial statements.

**41 CAPITAL COMMITMENTS AND CONTINGENCIES**

a) Capital commitments

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

b) Contingencies

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

The Company is currently in discussion with the IRB as the tax treatment has been applied consistently and discussed with the relevant authorities prior to adoption by the Company. An adverse decision from this disagreement could lead to additional tax liability and tax penalty for YA 2018 to YA 2020. The estimate is approximately RM103.8 million and RM39.0 million respectively. The estimated additional tax liability of RM103.8 million is not expected to significantly impact the profit after taxation ("PAT") of the Company as the Company has consistently recognised temporary differences as deferred tax on the tax treatment currently under dispute.

In view of uncertainty of the tax treatment by IRB, no provision has been made in the financial statements up to the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 FINANCIAL INSTRUMENTS BY CATEGORY**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 INTEREST/PROFIT RATE RISK**

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

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

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

<u>Group and Company</u>	<u>+100 basis</u>		<u>-100 basis</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<i>Impact to equity:</i>				
Financial assets at FVOCI reserves	(105,106)	(99,527)	114,374	108,754
Derivatives financial instruments	-	-	-	-
Taxation effects on the above at tax rate of 24%	25,225	23,886	(27,450)	(26,101)
Effect on shareholder's funds	<u>(79,881)</u>	<u>(75,641)</u>	<u>86,924</u>	<u>82,653</u>
As percentage of shareholder's funds	<u>(1.9%)</u>	<u>(1.8%)</u>	<u>2.1%</u>	<u>2.0%</u>
<i>Impact to income statements:</i>				
Net interest income	14,666	12,319	(14,708)	(12,316)
Taxation effects at the rate of 24%	(3,520)	(2,957)	3,530	2,956
Effect on net interest income	<u>11,146</u>	<u>9,362</u>	<u>(11,178)</u>	<u>(9,360)</u>
As percentage of profit after tax	<u>5.3%</u>	<u>4.2%</u>	<u>(5.4%)</u>	<u>(4.2%)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK**

**44.1 Credit risk concentrations**

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

Industrial analysis based on its industrial distribution

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:

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

Neither more than 90 days past due nor individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets are classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

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

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

\* These assets have been provided for under collective assessment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

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

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

**44.3 Amount due from related company**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.4 Credit quality**

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.4 Credit quality**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.5 Credit risk mitigation**

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

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

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

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

The Company has assessed that its:

- Mortgage and Islamic mortgage assets are not impacted by COVID-19 as the Government of Malaysia does not provide deferment or moratorium on housing loans taken by civil servants with LPPSA.
- Amount due from counterparties and Islamic financing assets are not impacted as defaulted loans and financings will be replaced and repurchased under first recourse to regulated counterparties.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 CREDIT RISK (CONTINUED)**

**44.7 Offsetting financial instruments**

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

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

**45 LIQUIDITY RISK**

**45.1 Funding approach**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 LIQUIDITY RISK (CONTINUED)**

**45.2 Liquidity pool**

The liquidity pool comprised the following cash and unencumbered assets:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 LIQUIDITY RISK (CONTINUED)**

**45.3 Contractual maturity of financial liabilities**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 LIQUIDITY RISK (CONTINUED)**

**45.3 Contractual maturity of financial liabilities**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 LIQUIDITY RISK (CONTINUED)**

**45.4 Derivative liabilities**

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

The following table analyses the Group and the Company's derivatives financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FOREIGN EXCHANGE RISK**

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

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

**46.1 Exposure to foreign currency risk**

<u>GROUP</u>	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000
<u>2021</u>			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Unsecured bearer bonds and notes	430,850	1,118,649	1,021,375
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401
<u>COMPANY</u>			
<u>2021</u>			
Derivatives financial instruments	431,383	1,118,056	1,021,961
Loans/financing from subsidiary	431,106	1,119,238	1,022,313
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Loans/financing from subsidiary	163,296	112,839	395,624



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FOREIGN EXCHANGE RISK (CONTINUED)**

**46.2 Currency risk sensitivity analysis**

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

	Equity	Group Profit	Equity	Company Profit
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
<u>2020</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**47.1 Fair value of financial instruments carried at fair value**

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

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

**47.2 Fair value of financial instruments carried other than fair value**

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

- (a) Cash and cash equivalents and deposits and placements with financial institutions

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

- (b) Other financial assets

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

(c) Amount due from related company and subsidiaries

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

(d) Other financial liabilities

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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

The fair value of financial assets at amortised cost is based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets yield to maturity at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the short-term borrowing is estimated at their carrying amount due to short tenure of less than one year.

The fair value of the unsecured bearer bonds and notes and Sukuk are derived based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

**48 SEGMENT REPORTING**

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

**(a) PWR**

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

**(b) PWOR**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

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

	<u>PWR</u>	<u>PWOR</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
<u>2021</u>			
External revenue	949,152	556,353	1,505,505
Internal interest/profit expense	(15,482)	-	(15,482)
External interest/profit expense	(800,748)	(356,872)	(1,157,620)
Total interest/profit expense	(816,230)	(356,872)	(1,173,102)
Profit from operations	87,867	193,510	281,377
Zakat	(3,892)	(1,202)	(5,094)
Taxation	(21,385)	(45,820)	(67,205)
Profit after taxation and zakat by segment	62,590	146,488	209,078
Segment assets	30,454,876	9,418,614	39,873,490
Segment liabilities	26,555,539	9,174,662	35,730,201
<u>Other information:</u>			
Capital expenditure	1,986	614	2,600
Depreciation and amortisation	4,197	1,298	5,495

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 SEGMENT REPORTING (CONTINUED)**

(b) PWOR (continued)

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 CAPITAL ADEQUACY**

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

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholder and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

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

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

The regulatory capital comprise of two tiers:

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 CAPITAL ADEQUACY**

Components of CET1, Tier 1 and Tier 2 capital:

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS**

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	83,998	85,626	84,129	85,778

Other comprehensive income:

**Items that may be subsequently  
reclassified to income statement**

Financial assets at FVOCI				
- Net gain on fair value changes before taxation	(9,853)	3,875	(9,853)	3,875
- Deferred taxation	2,378	(929)	2,378	(929)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	7,838	(5,911)	7,838	(5,911)
- Deferred taxation	(1,881)	1,419	(1,881)	1,419

Other comprehensive loss/  
(gain) for the financial year  
net of taxation

	(1,518)	(1,546)	(1,518)	(1,546)
Total comprehensive income for the financial year	82,480	84,080	82,611	84,232

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	117,927	117,054	118,058	117,206
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
Financial assets at FVOCI Sukuk	2,065	(6,255)	2,065	(6,255)
	-	(7,568)	-	(7,568)
Accretion of discount on: Mortgage assets	(76,986)	(86,903)	(76,986)	(86,903)
Allowance/(reversal) of impairment losses on:				
Cash and cash equivalents	11	(105)	11	(105)
Financial assets at FVOCI	55	(6)	55	(6)
Financial assets at amortised cost	1,155	-	1,155	-
Financing assets	(38)	(554)	(38)	(554)
Mortgage assets and hire purchase assets	(5,814)	(6,636)	(5,814)	(6,636)
Income from:				
Financial assets at FVOCI	(18,858)	(11,829)	(18,858)	(11,829)
Islamic operations	(591,841)	(660,654)	(591,841)	(660,654)
Income from derivatives	(13,119)	(39,284)	(13,119)	(39,284)
Profit attributable to Sukuk holders	548,778	666,583	548,778	666,583
Profit attributable to derivatives	20,609	38,293	20,609	38,293
Gain on disposal of financial asset at FVOCI	83	(670)	83	(670)
Operating loss before working capital changes	(15,973)	1,466	(15,842)	1,618

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

	<u>Group</u>		<u>Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	RM'000	RM'000	RM'000	RM'000
<b>FINANCING ACTIVITY</b>				
Proceed from issuance of Sukuk	7,255,000	3,085,000	7,255,000	3,085,000
Redemption of Sukuk	(6,225,000)	(4,845,000)	(6,225,000)	(4,845,000)
Profit paid to Sukuk holders	(560,142)	(685,506)	(560,142)	(685,506)
Net from financing activity	<u>469,858</u>	<u>(2,445,506)</u>	<u>469,858</u>	<u>(2,445,506)</u>
Net change in cash and cash equivalents	52,645	(83,273)	52,642	(83,267)
Cash and cash equivalents as at 1 January	<u>53,643</u>	<u>136,916</u>	<u>53,633</u>	<u>136,900</u>
Cash and cash equivalents as at 31 December	<u><u>106,288</u></u>	<u><u>53,643</u></u>	<u><u>106,275</u></u>	<u><u>53,633</u></u>
<u>Group and Company</u>			<u>Sukuk</u>	<u>Total</u>
			RM'000	RM'000
<u>2021</u>				
As at 1 January			14,063,392	14,063,392
Proceeds from issuance			7,255,000	7,255,000
Repayment and redemption			(6,225,000)	(6,225,000)
Profit paid			(560,142)	(560,142)
Other non-cash movement			548,778	548,778
As at 31 December			<u><u>15,082,028</u></u>	<u><u>15,082,028</u></u>
<u>2020</u>				
As at 1 January			15,849,883	15,849,883
Proceeds from issuance			3,085,000	3,085,000
Repayment and redemption			(4,845,000)	(4,845,000)
Profit paid			(685,506)	(685,506)
Other non-cash movement			659,015	659,015
As at 31 December			<u><u>14,063,392</u></u>	<u><u>14,063,392</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(a) Cash and cash equivalents*

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(b) Financial assets at FVOCI*

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

The maturity structure of financial assets at FVOCI as follows:

Maturing within one year	378,020	99,139
One to three years	210,473	119,458
Three to five years	65,313	20,880
More than five years	140,231	79,801
	<u>794,037</u>	<u>319,278</u>

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

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

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

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

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

*(c) Financing assets*

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

The maturity structure of financing assets are as follows:

Maturing within one year	2,768,566	3,528,607
One to three years	7,505,242	5,218,907
Three to five years	-	915,246
	<u>10,273,808</u>	<u>9,662,760</u>
Less:		
Allowance for impairment losses	(61)	(99)
	<u>10,273,747</u>	<u>9,662,661</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(c) Financing assets (continued)*

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

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

*(d) Mortgage assets*

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

The maturity structure of mortgage assets are as follows:

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets (continued)*

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets (continued)*

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets (continued)*

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(e) Hire purchase assets*

	<u>Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
PWOR	55	26
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	66	37
Less: Allowance for impairment losses	(11)	(11)
	55	26

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

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(e) Hire purchase assets (continued)*

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

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

*(f) Other liabilities*

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(g) Sukuk*

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

The maturity structure of Sukuk are as follows:

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

*(h) Income attributable to the Sukuk holders*

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(i) Total net income attributable*

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

Total net income attributable analysed by concept are as follows:

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(j) Capital adequacy*

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

Components of CET1, Tier 1 and Tier 2 capital:

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 ISLAMIC OPERATIONS (CONTINUED)**

*(j) Capital adequacy (continued)*

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

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

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

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

*(k) Shariah advisor*

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

**51 APPROVAL OF FINANCIAL STATEMENTS**

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

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD  
(Incorporated in Malaysia)

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

We, Dato' Bakarudin Ishak and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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



DATO' BAKARUDIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR

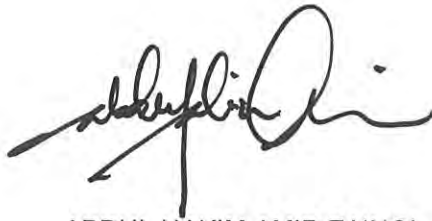
Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD  
(Incorporated in Malaysia)

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

I, Abdul Hakim Amir Zainol, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 136 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.



ABDUL HAKIM AMIR ZAINOL  
MIA No. CA-48822

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

23 MAR 2022



Before me,  
COMMISSIONER FOR OATHS

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 136.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

-----  
PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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





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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

OTHER MATTERS

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

*Pricewaterhousecoopers PLT*  
PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
23 March 2022

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



Registration No.

198601008739 (157931-A)
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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020.

**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.

**FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>223,922</u>	<u>223,941</u>

**DIVIDENDS**

The dividends paid by the Company since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 5 May 2020	22,500
In respect of the financial year ended 31 December 2020,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 3 September 2020	7,500
	<u>30,000</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIVIDENDS (CONTINUED)**

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2020 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 corporate credit ratings of Cagamas Berhad's Global, ASEAN and National-scale at  $gA2/Stable/gP1$ ,  $_{\text{SEA}}AAA/Stable/_{\text{SEA}}P1$  and  $AAA/Stable/P1$ , respectively. In addition, RAM has also assigned Cagamas' bonds and sukuk issues rating at  $AAA/Stable$  and  $P1$  respectively.

Meanwhile, Malaysian Rating Corporation Berhad ("MARC") has also assigned Cagamas Berhad's bonds and sukuk issues ratings at  $AAA/AAA_{IS}$  and  $MARC-1/MARC-1_{IS}$  respectively. Moody's Investors Service ("Moody's") has assigned long term local and foreign currency issuer ratings of  $A3$  that is in line with Malaysian sovereign ratings.

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

**RELATED PARTY TRANSACTIONS**

Most of the transactions of the Group and the Company involving mortgage loans, hire purchase and leasing debts, financial asset at fair value through other comprehensive income ("FVOCI"), Islamic financing facilities as well as issuance of unsecured bearer bonds and sukuk are done with various financial institutions including those who are substantial shareholders of Cagamas Holdings Berhad ("CHB").

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

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

Dato' Bakarudin Ishak (Chairman)	
Dato' Halipah Esa	
Dato' Wee Yiau Hin	
Datuk Azizan Haji Abd Rahman	
Ho Chai Huey	
Datuk Seri Tajuddin Atan	(appointed w.e.f. 1 May 2020)
Datuk Chung Chee Leong	
Dato' Md Agil Mohd Natt	(retired w.e.f. 1 May 2020)
Philip Tan Puay Koon	(retired w.e.f. 12 August 2020)

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato' Wee Yiau Hin and Datuk Azizan Haji Abd Rahman retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 23.2 of the Company's Constitution, Datuk Seri Tajuddin Atan retires at the forthcoming Annual General Meeting and being eligible, offers himself 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 36 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year were the Group and the Company 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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

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

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

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

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

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

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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**SUBSIDIARIES**

Details of subsidiaries are set in Note 17 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 2020**

Cagamas recorded RM7.0 billion of purchases of loans and financing under PWR scheme (2019: RM5.0 billion) and no purchase of loans under PWOR scheme (2019: Nil). Cagamas' net outstanding loans and financing declined by 12.2% to RM33.2 billion (2019: RM37.8 billion). As at the end of 2020, residential mortgage dominated Cagamas' portfolio at 98.0% (2019: 98.6%) and followed by hire purchase loans and financing at 2.0% (2019: 1.4%). Cagamas' Islamic asset portfolio against conventional assets increased to a ratio of 45:55 (2019: 43:57), while PWR and PWOR loans and financing portfolios were at 68% and 32% respectively (2019: 70% and 30% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.61% (2019: 0.72%), while net impaired loans and financing is at 0.09% (2019: 0.11%).

**SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

Details of the significant event during the financial year are set out in Note 51 to the financial statements.

**SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR**

Details of the subsequent event after the financial year are set out in Note 52 to the financial statements.

**AUDITORS' REMUNERATION**

Details of the auditors' remuneration are set out in Note 35 to the financial statements.

Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

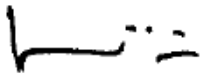
## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

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

This report was approved by the Board of Directors on 25 March 2021.

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds	5	109,071	341,307	89,848	322,000
Deposits and placements with financial institutions	6	102,886	-	102,886	-
Financial asset at fair value through profit or loss (FVTPL)	7	193,466	141,383	193,466	141,383
Financial asset at fair value through other comprehensive income (FVOCI)	8	2,383,316	2,308,565	2,383,316	2,308,565
Derivative financial instruments	9	57,904	58,422	57,904	58,422
Amount due from counterparties	10	14,069,195	16,657,154	14,069,195	16,657,154
Islamic financing assets	11	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets					
- Conventional	12	4,366,916	4,836,313	4,366,916	4,836,313
- Islamic	13	5,115,509	5,510,428	5,115,509	5,510,428
Hire purchase assets					
- Islamic	14	34	136	34	136
Amount due from					
- Related company		1,375	1,420	1,375	1,420
- Subsidiaries	15	-	-	3,565	3,431
Other assets	16	7,431	8,027	7,417	7,978
Tax recoverable		87,885	-	87,885	-
Investment in subsidiaries	17	-*	-*	-*	-*
Property and equipment	18	3,245	3,923	3,245	3,923
Intangible assets	19	20,344	21,380	20,344	21,380
Right-of-use asset	20	3,043	3,980	3,043	3,980
<b>TOTAL ASSETS</b>		<b>36,184,281</b>	<b>40,734,670</b>	<b>36,168,609</b>	<b>40,718,745</b>
<b>LIABILITIES</b>					
Short-term borrowings		125,145	-	125,145	-
Derivative financial instruments	9	45,963	152,309	45,963	152,309
Other liabilities	21	133,305	121,688	132,896	121,351
Lease liability	22	4,583	4,791	4,583	4,791
Provision for taxation		41	18,170	-	16,999
Deferred taxation	23	170,080	560	170,080	560
Loans/financing from subsidiaries	24	-	-	671,757	2,594,966
Unsecured bearer bonds and notes	25	17,482,979	20,661,027	16,811,578	18,067,241
Sukuk	26	14,063,392	15,849,883	14,063,392	15,849,883
<b>TOTAL LIABILITIES</b>		<b>32,025,488</b>	<b>36,808,428</b>	<b>32,025,394</b>	<b>36,808,100</b>
Share capital	27	150,000	150,000	150,000	150,000
Reserves	28	4,008,793	3,776,242	3,993,215	3,760,645
<b>SHAREHOLDER'S FUNDS</b>		<b>4,158,793</b>	<b>3,926,242</b>	<b>4,143,215</b>	<b>3,910,645</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<b>36,184,281</b>	<b>40,734,670</b>	<b>36,168,609</b>	<b>40,718,745</b>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	29	<b>27.59</b>	<b>26.02</b>	<b>27.49</b>	<b>25.93</b>

\*denotes USD1 in CGP and RM2 in CGS.

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Interest income	30	958,480	1,248,717	958,480	1,248,717
Interest expense	31	(736,376)	(951,279)	(736,749)	(956,380)
Income from Islamic operations	49	112,549	133,658	112,549	133,658
Non-interest income/(expense)	32	8,766	(38,834)	8,766	(38,841)
		<u>343,419</u>	<u>392,262</u>	<u>343,046</u>	<u>387,154</u>
Personnel costs	33	(31,298)	(31,308)	(31,298)	(31,308)
Administration and general expenses		<u>(25,684)</u>	<u>(24,930)</u>	<u>(25,334)</u>	<u>(24,567)</u>
OPERATING PROFIT		<u>286,437</u>	<u>336,024</u>	<u>286,414</u>	<u>331,279</u>
Write-back/(allowance) of impairment losses	34	<u>14,954</u>	<u>(18,026)</u>	<u>14,954</u>	<u>(18,026)</u>
PROFIT BEFORE TAXATION AND ZAKAT	35	<u>301,391</u>	<u>317,998</u>	<u>301,368</u>	<u>313,253</u>
Zakat		<u>(1,255)</u>	<u>(926)</u>	<u>(1,255)</u>	<u>(926)</u>
Taxation	37	<u>(76,214)</u>	<u>(76,672)</u>	<u>(76,172)</u>	<u>(75,502)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>223,922</u></u>	<u><u>240,400</u></u>	<u><u>223,941</u></u>	<u><u>236,825</u></u>
EARNINGS PER SHARE (SEN)	29	<u><u>149.28</u></u>	<u><u>160.27</u></u>	<u><u>149.29</u></u>	<u><u>157.88</u></u>

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	223,922	240,400	223,941	236,825
Other comprehensive income:				
<b>Items that may be subsequently reclassified to income statement</b>				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	45,811	46,874	45,811	46,874
- Deferred taxation	(10,976)	(11,250)	(10,976)	(11,250)
Cash flow hedge				
- Net gain on cash flow hedge	4,992	56,550	4,992	56,550
- Deferred taxation	(1,198)	(13,572)	(1,198)	(13,572)
Other comprehensive income for the financial year, net of taxation	38,629	78,602	38,629	78,602
Total comprehensive income for the financial year	262,551	319,002	262,570	315,427

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

Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Group							
Balance as at 1 January 2020		150,000	37,576	7,268	109,779	3,621,619	3,926,242
Profit for the financial year		-	-	-	-	223,922	223,922
Other comprehensive income	28	-	34,835	3,794	-	-	38,629
Total comprehensive income for the financial year		-	34,835	3,794	-	223,922	262,551
Transfer to retained profits		-	-	-	(10,001)	10,001	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2020		150,000	72,411	11,062	99,778	3,825,542	4,158,793

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	<u>Note</u>	Issued and fully paid ordinary shares of RM1 each  Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
			Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Group							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,376,526	3,637,240
Profit for the financial year		-	-	-	-	240,400	240,400
Other comprehensive income	28	-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial year		-	35,624	42,978	-	240,400	319,002
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		<u>150,000</u>	<u>37,576</u>	<u>7,268</u>	<u>109,779</u>	<u>3,621,619</u>	<u>3,926,242</u>

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

Registration No.

198601008739 (157931-A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	<u>Note</u>	Issued and fully paid ordinary shares of RM1 each	<u>Non-distributable</u>			<u>Distributable</u>	<u>Total equity RM'000</u>
		<u>Share capital RM'000</u>	<u>Financial asset at FVOCI reserves RM'000</u>	<u>Cash flow hedge reserves RM'000</u>	<u>Regulatory reserves RM'000</u>	<u>Retained profits RM'000</u>	
Company							
Balance as at 1 January 2020		150,000	37,576	7,268	109,779	3,606,022	3,910,645
Profit for the financial year		-	-	-	-	223,941	223,941
Other comprehensive income	28	-	34,835	3,794	-	-	38,629
Total comprehensive income for the financial year		-	34,835	3,794	-	223,941	262,570
Transfer to retained profits		-	-	-	(10,001)	10,001	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2020		<u>150,000</u>	<u>72,411</u>	<u>11,062</u>	<u>99,778</u>	<u>3,809,964</u>	<u>4,143,215</u>

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

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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Company							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,364,504	3,625,218
Profit for the financial year		-	-	-	-	236,825	236,825
Other comprehensive income	28	-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial year		-	35,624	42,978	-	236,825	315,427
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		150,000	37,576	7,268	109,779	3,606,022	3,910,645

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

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>Group</u> <u>2020</u> RM'000	<u>2019</u> RM'000	<u>Company</u> <u>2020</u> RM'000	<u>2019</u> RM'000
<b>OPERATING ACTIVITIES</b>					
Profit before taxation and zakat		301,391	317,998	301,368	313,253
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- Financial asset at FVOCI		(6,532)	(9,810)	(6,532)	(9,810)
- Unsecured bearer bonds and notes		(3,410)	(3,598)	(3,410)	(3,598)
- Sukuk		(7,568)	(13,149)	(7,568)	(13,149)
Accretion of discount on:					
Mortgage assets					
- Conventional		(98,980)	(118,376)	(98,980)	(118,376)
- Islamic		(86,903)	(94,928)	(86,903)	(94,928)
Allowance/(write-back) for impairment losses on:					
- Cash and short-term funds		(105)	105	(105)	105
- Financial asset at FVOCI		(51)	128	(51)	128
- Amount due from counterparties/ Islamic financing assets		(594)	18	(594)	18
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		(14,204)	17,775	(14,204)	17,775
Interest income		(859,224)	(1,125,099)	(859,224)	(1,125,099)
Income from derivatives		(101,763)	(250,423)	(101,763)	(250,423)
Income from Islamic operations		(699,938)	(678,337)	(699,938)	(678,337)
Interest expense		737,346	948,756	737,719	953,857
Interest expense on derivatives		110,754	261,346	110,754	261,346
Profit attributable to sukuk holders		666,583	641,755	666,583	641,755
Profit attributable to derivatives		38,293	47,423	38,293	47,423
Depreciation of property and equipment		1,582	1,828	1,582	1,828
Amortisation of intangible assets		3,608	3,563	3,608	3,563
Amortisation of right-of-use asset		937	936	937	936
Interest on lease liability		2,441	2,523	2,441	2,523
Gain on disposal of:					
- Property and equipment		(10)	(23)	(10)	(23)
- Financial asset at FVOCI		(9,467)	(7,636)	(9,467)	(7,636)
Operating loss before working capital changes		(25,814)	(57,225)	(25,464)	(56,869)



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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Change in deposits and placements with financial institutions		(102,861)	-	(102,861)	-
Change in amount due from counterparties		2,531,678	3,785,374	2,531,678	3,785,374
Change in Islamic financing assets		1,169,597	(813,711)	1,169,597	(813,711)
Change in mortgage assets:					
- Conventional		567,569	627,799	567,569	627,799
- Islamic		478,637	494,735	478,637	494,735
Change in Islamic hire purchase assets		103	647	103	647
Change in other assets		596	(7,524)	562	(5,552)
Change in deferred financing fees		535	2,353	-	-
Change in derivatives		6,983	357,238	8,049	351,846
Change in short-term borrowings		124,826	-	124,826	-
Change in other liabilities		11,332	39,421	11,125	40,287
Cash generated from/(utilised in) operations		4,763,181	4,429,107	4,763,821	4,424,556
Interest received		848,685	1,089,409	848,685	1,089,409
Profit received from Islamic assets		679,871	659,065	679,871	659,065
Interest received on derivatives		118,301	208,544	118,301	208,544
Profit received on derivatives		45,712	49,957	45,712	49,957
Interest paid		(348)	(884)	(348)	(884)
Interest paid on derivatives		(133,898)	(267,785)	(133,898)	(267,785)
Profit paid on derivatives		(44,003)	(48,042)	(44,003)	(48,042)
Payment of:					
- Zakat		(926)	(734)	(926)	(734)
- Taxation		(24,880)	(69,301)	(23,710)	(69,281)
Net cash generated from operating activities		6,251,695	6,049,336	6,253,505	6,044,805
<b>INVESTING ACTIVITIES</b>					
Purchase of:					
- Financial asset at FVTPL		(280,000)	(142,766)	(280,000)	(142,766)
- Financial asset at FVOCI		(3,518,392)	(3,234,578)	(3,518,392)	(3,234,578)
Net proceeds from sale/redemption of:					
- Financial asset at FVTPL		226,006	-	226,006	-
- Financial asset at FVOCI		3,495,295	3,390,912	3,495,295	3,390,912
Purchase of:					
- Property and equipment		(904)	(1,058)	(904)	(1,058)
- Intangible assets		(2,572)	(2,094)	(2,572)	(2,094)
Income received from:					
- Financial asset at FVTPL		2,713	1,383	2,713	1,383
- Financial asset at FVOCI		85,852	81,546	85,852	81,546
Proceeds from disposal of property and equipment		10	23	10	23

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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

		Group		Company	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
Net cash generated from investing activities		8,008	93,368	8,008	93,368
FINANCING ACTIVITIES					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Proceeds from issuance of:					
- Unsecured bearer bonds and notes		8,581,426	6,247,983	8,185,000	6,246,792
- Sukuk		3,085,000	3,995,000	3,085,000	3,995,000
Proceeds from loans/financing from subsidiaries		-	-	396,426	-
Redemption of:					
- Unsecured bearer bonds and notes		(11,802,132)	(11,613,748)	(9,395,000)	(9,526,791)
- Sukuk		(4,845,000)	(2,932,000)	(4,845,000)	(2,932,000)
Repayment of loans/financing from subsidiaries		-	-	(2,407,132)	(2,080,375)
Interest paid		(793,078)	(1,002,576)	(794,804)	(1,007,997)
Profit paid to sukuk holders		(685,506)	(650,195)	(685,506)	(650,195)
Lease rental paid		(2,649)	(2,648)	(2,649)	(2,648)
Net cash utilised in financing activity		(6,491,939)	(5,988,184)	(6,493,665)	(5,988,214)
Net change in cash and cash equivalents		(232,236)	154,520	(232,152)	149,959
Effect of foreign exchange translation		-	(5)	-	(5)
Cash and cash equivalents as at 1 January		341,307	186,792	322,000	172,046
Cash and cash equivalents as at 31 December		109,071	341,307	89,848	322,000

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

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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Group	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
<u>2020</u>					
As at 1 January	4,791	-	20,661,027	15,849,883	36,515,701
Proceeds from issuance	-	-	8,581,426	3,085,000	11,666,426
Repayment and redemption	(2,649)	-	(11,802,132)	(4,845,000)	(16,649,781)
Interest/profit paid	-	-	(793,078)	(685,506)	(1,478,584)
Exchange fluctuation	-	-	101,931	-	101,931
Other non-cash movement	2,441	-	733,269	659,015	1,394,725
As at 31 December	<u>4,583</u>	<u>-</u>	<u>17,482,443</u>	<u>14,063,392</u>	<u>31,550,418</u>
<u>2019</u>					
As at 1 January	-	-	26,082,391	14,808,472	40,890,863
Effect of adopting MFRS 16	4,916	-	-	-	4,916
As at 1 January 2019, as restated	4,916	-	26,082,391	14,808,472	40,895,779
Proceeds from issuance	-	-	6,247,983	3,995,000	10,242,983
Repayment and redemption	(2,648)	-	(11,608,357)	(2,932,000)	(14,543,005)
Interest/profit paid	-	-	(1,002,576)	(650,195)	(1,652,771)
Exchange fluctuation	-	-	(5,041)	-	(5,041)
Other non-cash movement	2,523	-	946,627	628,606	1,577,756
As at 31 December	<u>4,791</u>	<u>-</u>	<u>20,661,027</u>	<u>15,849,883</u>	<u>36,515,701</u>

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

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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

Company	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bonds and notes RM'000	Sukuk RM'000	Total RM'000
<u>2020</u>					
As at 1 January	4,791	2,594,967	18,067,241	15,849,883	36,516,882
Proceeds from issuance	-	396,426	8,185,000	3,085,000	11,666,426
Repayment and redemption	(2,649)	(2,407,132)	(9,395,000)	(4,845,000)	(16,649,781)
Interest/profit paid	-	(52,978)	(741,826)	(685,506)	(1,480,310)
Exchange fluctuation	-	102,996	-	-	102,996
Other non-cash movement	2,441	37,479	696,163	659,015	1,395,098
As at 31 December	<u>4,583</u>	<u>671,758</u>	<u>16,811,578</u>	<u>14,063,392</u>	<u>31,551,311</u>
<u>2019</u>					
As at 1 January	-	4,684,797	21,401,449	14,808,472	40,894,718
Effect of adopting MFRS 16	4,916	-	-	-	4,916
As at 1 January 2019, as restated	4,916	4,684,797	21,401,449	14,808,472	40,899,634
Proceeds from issuance	-	-	6,246,790	3,995,000	10,241,790
Repayment and redemption	(2,648)	(2,080,374)	(9,526,790)	(2,932,000)	(14,541,812)
Interest/profit paid	-	(134,369)	(873,629)	(650,195)	(1,658,193)
Exchange fluctuation	-	(5,041)	-	-	(5,041)
Other non-cash movement	2,523	129,954	819,241	628,606	1,580,504
As at 31 December	<u>4,791</u>	<u>2,594,967</u>	<u>18,067,241</u>	<u>15,849,883</u>	<u>36,516,882</u>

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

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

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

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

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

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

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

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

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

The Islamic operations of the Group and the Company refer to:

- (a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
- (b) issuance of sukuk under Shariah principles; and
- (c) acquisition, investment in and trading of Islamic financial instruments.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

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

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

The Group and the Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of these standards and amendments did not have any impact on the current period or any prior period.

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

The Group and the Company plan to apply the following amendments to accounting standards when they become effective in the respective financial periods. The initial application of these amendments are not expected to have any material impact to the financial statements of the Group and the Company.

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12-month after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

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

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

The Group and the Company has applied the following relief from hedge accounting requirements as a result of the amendments made to MFRS 9:

- When considering the 'highly probable' requirement, the Group and the Company assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the IBOR reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group and the Company assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the IBOR reform.

In applying the amendments, the Group and the Company assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group and the Company also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

Certain IBOR rates are subject to replacement by RFRs. The Group and the Company has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks being USD LIBOR.

As at 31 December 2020, the notional amount of hedging instruments referencing USD LIBOR is USD28.0 million for the Group and the Company.

The Phase 2 amendments (effective after financial year beginning 1 January 2021) require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform. Management is still in the midst of assessing the impact.

**2.2 Economic entities in the Group**

**Subsidiaries**

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Economic entities in the Group (continued)**

Subsidiaries (continued)

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

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

**2.3 Amount due from counterparties and Islamic financing assets**

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

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

**2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.5 Investment in subsidiaries**

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

**2.6 Property and equipment and depreciation**

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

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

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

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets**

**(a) Classification**

The Group and the Company classify their financial assets in the following measurement categories:

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

**(b) Recognition and derecognition**

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

**(c) Measurement**

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

**Debt instruments**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets (continued)**

**(c) Measurement (continued)**

Debt instruments (continued)

There are three measurement categories into which the Group and the Company classify their debt instruments:

**(i) Amortised cost**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets (continued)**

**(c) Measurement (continued)**

Debt instruments (continued)

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

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

Equity instruments

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

**2.8 Impairment of assets**

**2.8.1 Financial assets**

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

The Group and the Company have four of their financial assets that are subject to the ECL model:

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

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

The measurement of ECL reflects:

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

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

General approach

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

- **Stage 1: 12-month ECL – not credit impaired**  
For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12-month will be recognised.
- **Stage 2: Lifetime ECL – not credit impaired**  
For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.
- **Stage 3: Lifetime ECL – credit impaired**  
Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

Simplified approach

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

Significant increase in credit risk

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

The following indicators are incorporated:

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

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

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

Definition of default and credit impaired financial assets

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

*Quantitative criteria:*

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

Definition of default and credit impaired financial assets (continued)

*Qualitative criteria:*

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

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

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

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

**2.8.2 Non-financial assets**

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

**2.9 Write-off**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.10 Financial liabilities**

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

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.16 on hedge accounting.

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.11 Income recognition on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

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

**2.12 Premium and discount on unsecured bearer bonds, notes and Sukuk**

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

**2.13 Current and deferred tax**

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

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

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

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

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

**2.14 Cash and cash equivalents**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.15 Offsetting financial instruments**

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

**2.16 Segment reporting**

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

**2.17 Derivative financial instruments and hedge accounting**

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 9 to the financial statements.

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

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

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

The Group's and Company's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Derivative financial instruments and hedge accounting (continued)***Cash flow hedge*

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

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

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

**2.18 Provisions**

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.19 Zakat**

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business for the financial year is 2.5% (2019: 2.5%) of the zakat base.

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

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

**2.20 Employee benefits**

**(a) Short-term employee benefits**

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

**(b) Defined contributions plans**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.21 Intangible assets**

**(a) Computer software**

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

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

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

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

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

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.22 Share capital**

**(a) Classification**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

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

**(b) Dividends to the shareholder of the Company**

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

**2.23 Currency translations**

**(a) Functional and presentation currency**

Items included in the financial statements of the Group 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.

**(b) Foreign currency transactions and balances**

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.24 Contingent liabilities and contingent assets**

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

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

**2.25 Deferred financing fees**

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

**2.26 Leases**

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

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

**Lease term**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.26 Leases (continued)**

Lease term (continued)

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.26 Leases (continued)**

Lease liabilities (continued)

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

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

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

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

Reassessment of lease liabilities

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

Short-term leases and leases of low value assets

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

(a) Fair value of financial asset at FVTPL, FVOCI and derivatives (Note 7, 8 and 9)

The estimates and assumptions considered most likely to have an impact on the Group's and the Company's results and financial positions are those relating to the fair valuation of derivatives, unquoted financial asset at FVTPL and FVOCI for which valuation models are used. The Group and the Company have exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

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

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

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

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group 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.

(d) MFRS 16 Leases (Note 20 and 22)

The Group and the Company use an incremental borrowing rate on an average 5 year AAA rated bonds as at date of implementation. In determining the lease term, the Group and the Company have considered an extension option of contract with incremental rental. The assessment is reviewed if there is a change of circumstances occurs which affects the current assessment and that is within the control of the Group and the Company.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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 including compliance with applicable laws and regulations.

Management Executive Committee is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks.

The Risk Management and Compliance Division is independent of other departments involved in risk-taking activities. It is responsible for monitoring and reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**4.2 Credit risk management**

Credit risk is the possibility that a borrower or counterparty fails to fulfill its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as treasury hedging activities.

The Group and the Company manage the credit risk by screening borrowers and counterparties, stipulate prudent eligibility criteria and conduct due diligence on loans and financing to be purchased. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to the management, Board Risk Committee and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprised mainly of mortgage assets, Islamic mortgage assets, hire purchase assets and Islamic hire purchase assets.

**4.3 Market risk management**

Market risk is the potential loss arising from adverse movements of market prices such as foreign exchange rates, interest/profit rates and market prices. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group and the Company do not engaged in any equity or commodity trading activities.

The Group and the Company control the market risk exposure by imposing threshold limits and entering in derivatives contract. The limits are set based on the Group's and the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group and the Company have an Asset Liability Management System which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulations under different scenarios to monitor the interest/profit rate risk.

The Group and the Company also use derivative instruments such as interest rate swaps, profit rate swaps, CCS and ICCS to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rate.

**4.4 Liquidity risk management**

Liquidity risk arises when the Group and the Company do not have sufficient funds to meet its financial obligations when they fall due.

The Group and the Company mitigate the liquidity risk by matching the timing of purchases of loans and debts with issuance of Bonds or Sukuk. The Group and the Company plan its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group and the Company set aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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 the cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group and the Company against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

**4.5 Operational risk management**

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the Group's and the Company's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

The management of operational risk is an important priority for the Group and the Company. To mitigate such operational risks, the Group and the Company developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

The day-to day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

The Group and the Company minimises the impact and likelihood of any unexpected disruptions to its business operations through implementation of its business continuity management ("BCM") framework and policy, business continuity plans and regular BCM exercises. The Group and the Company have also identified enterprise-wide recovery strategies to expedite the business and technology recovery and resumption during catastrophic events.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5 CASH AND SHORT-TERM FUNDS**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institution	19,716	110,911	493	91,604
Money at call and deposits and placements maturing with maturity less than 3 months	35,892	94,118	35,892	94,118
Mudharabah money at call and deposits and placements maturing with maturity less than 3 months	53,463	136,383	53,463	136,383
	109,071	341,412	89,848	322,105
Less: Allowance for impairment losses	-	(105)	-	(105)
	109,071	341,307	89,848	322,000

The gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation. Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	105	-
(Write-back)/allowance during the year	(105)	105
As at 31 December	-	105



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks	102,886	-	102,886	-

The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2020 (2019: Nil).

**7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Unit Trust	193,466	141,383

**8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Debt instruments</u>		
Malaysian Government securities	479,266	293,486
Corporate bonds	311,979	281,064
Government investment issues	808,610	676,051
Sukuk	386,744	564,499
Quasi Government Sukuk	396,717	493,465
	<u>2,383,316</u>	<u>2,308,565</u>

The maturity structure of financial asset at FVOCI are as follows:

Maturing within one year	342,574	587,652
One to three years	727,173	538,057
Three to five years	334,100	500,125
More than five years	979,469	682,859
	<u>2,383,316</u>	<u>2,308,693</u>
Less: Allowance for impairment losses	-	(128)
	<u>2,383,316</u>	<u>2,308,565</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (CONTINUED)**

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. In 2020, the ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
2020		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,383,316	77
As at 31 December	<u>2,383,316</u>	<u>77</u>
2019		
By stage of allocation:		
Stage 1 (12-month ECL; non-credit impaired)	2,263,449	128
Stage 3 (Lifetime ECL; credit impaired)	45,244	-
As at 31 December	<u>2,308,693</u>	<u>128</u>

As at 31 December 2019, Stage 3 FVOCI assets relates to investments in KMCOB Capital Berhad ("KMCOB"). Scomi Energy Services Berhad ("SESBS") as the holding company of KMCOB via Scomi Oilfield Limited (Bermuda) has triggered PN17 of the Listing Requirements as made in its Bursa announcement on 31 October 2019. KMCOB is a Danajamin Guaranteed investment.

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u> 2020 RM'000	2019 RM'000
<u>Stage 1</u>		
As at 1 January	128	-
Allowance during the year on new assets purchased	30	-
Loans derecognised during the year due to maturity of assets	(23)	-
(Write-back)/allowance during the year due to changes in credit risk	(58)	128
As at 31 December	<u>77</u>	<u>128</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS**

The derivative financial instruments used by the Group and the Company to hedge against its interest/profit rate exposure and foreign currency exposure are IRS, IPRS, CCS and ICCS.

IRS/IPRS are used by the Group and the Company to hedge against its interest/profit rate exposure arising from the following transactions:

*(i) Issuance of fixed rate bonds/sukuk to fund floating rate asset purchases*

The Group and the Company pay the floating rate receipts from its floating rate asset purchases to the swap counterparties and receive fixed rate interest/profit in return. This fixed rate interest/profit will then be utilised to pay coupon on the fixed rate bonds/sukuk issued. Hence, the Group and Company are protected from adverse movements in interest/profit rate.

*(ii) Issuance of short duration bonds/sukuk to fund long-term fixed asset*

The Group and the Company will issue short duration bonds/sukuk and enter into swap transaction to receive floating rate interest/profit from and pay fixed rate interest/profit to the swap counterparty. Upon receiving instalment from assets, the Group and the Company pay fixed rate interest/profit to the swap counterparty and receive floating rate interest/profit to pay to the bondholders/sukuk holders.

CCS and ICCS are also used by the Group and the Company to hedge against foreign currency exposure arising from the issuance of foreign currency bonds/sukuk to fund assets in functional currency. Illustration of the transaction as follows:

- (i)* At inception, the Group and the Company will swap the proceeds from the foreign currency bonds/sukuk to the functional currency at the pre-agreed exchange rate with CCS/ICCS counterparty.
- (ii)* In the interim, the Group and the Company will receive interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/sukuk holders for coupon payment. Simultaneously, the Group and the Company pay interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.
- (iii)* On maturity, the Group and the Company will pay principal in functional currency at the same pre-agreed exchange rate to the CCS/ICCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/sukuk which will then be used to redeem the bonds/Sukuk. The Group's and the Company's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

The effectiveness is assessed by comparing the changes in fair value of the interest/profit rate swaps and cross currency swaps with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group and the Company established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follows:

- Differences in timing of cash flows between hedged item, interest/profit rate swaps and cross currency swaps;
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of interest/profit rate swaps and cross currency swaps but not the hedged items.

The table below summarises the derivatives financial instruments entered by the Group and the Company which are all used as hedging instruments in cash flow hedges.

	2020			Group and Company 2019		
	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/IPRS						
Maturing within						
one year	1,100,000	13,994	(2,803)	1,560,000	1,710	(5,603)
One to three						
years	1,355,000	-	(41,133)	1,645,000	7,265	(15,677)
Three to five years	-	-	-	110,000	-	(10,499)
More than five years	160,000	38,802	-	160,000	20,725	-
	<u>2,615,000</u>	<u>52,796</u>	<u>(43,936)</u>	<u>3,475,000</u>	<u>29,700</u>	<u>(31,779)</u>
CCS						
Maturing within						
one year	669,927	5,108	(2,027)	2,399,965	20,537	(120,530)
One to three						
years	-	-	-	273,687	8,185	-
	<u>669,927</u>	<u>5,108</u>	<u>(2,027)</u>	<u>2,673,652</u>	<u>28,722</u>	<u>(120,530)</u>
	<u>3,284,927</u>	<u>57,904</u>	<u>(45,963)</u>	<u>6,148,652</u>	<u>58,422</u>	<u>(152,309)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Group and Company						
	Nominal amount	Fair value*		Changes in fair value used for calculating hedging effectiveness	Changes in fair value recognised in other comprehensive income	Hedge ineffectiveness recognised in income statement**	Amount reclassified from hedge reserve to income statement**
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	RM'000	RM'000	RM'000
<u>2020</u>							
<u>Interest rate risk</u>							
Interest rate swap	2,070,000	52,796	(34,649)	20,392	20,392	-	-
Islamic profit rate swap	545,000	-	(9,287)	(8,750)	(8,750)	-	-
<u>Foreign exchange risk</u>							
Cross currency interest rate swaps	669,927	5,108	(2,027)	2,914	(80,375)	-	73,725

\* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\* All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Non-interest income/(expense)' in the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows (continued):

			Group and Company				
	Nominal amount		Fair value*	Changes in fair value used for calculating hedging effectiveness	Changes in fair value recognised in other comprehensive income	Hedge ineffectiveness recognised in income statement**	Amount reclassified from hedge reserve to income statement**
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	RM'000	RM'000	RM'000
<u>2019</u>							
<u>Interest rate risk</u>							
Interest rate swap	2,170,000	27,990	(27,411)	6,101	6,101	-	-
Islamic profit rate swap	1,305,000	1,710	(4,368)	(2,839)	(2,839)	-	-
<u>Foreign exchange risk</u>							
Cross currency interest rate swaps	2,673,652	28,722	(120,530)	6,301	79,889	-	(26,601)

\* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

\*\* All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Non-interest income/(expense)' in the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

The amounts relating to items designated as hedged items are as follows:

				Group and Company
	Line item in the statement of financial position in which the hedged item is included	Change in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied RM'000
<u>2020</u>				
<u>Interest/profit rate/foreign exchange risk</u>				
Floating rate financial assets	Amount due from counterparties	(4,829)	(3,670)	-
Floating rate financial assets	Islamic financing assets	-	-	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	56,624	43,034	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(28,489)	(21,652)	-
Fixed rate financial liabilities	Sukuk	(8,750)	(6,650)	-
<u>2019</u>				
<u>Interest rate/foreign exchange risk</u>				
Floating rate financial assets	Amount due from counterparties	(104,219)	(79,207)	-
Floating rate financial assets	Islamic financing assets	1,362	1,035	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	135,765	103,182	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(19,144)	(14,549)	-
Fixed rate financial liabilities	Sukuk	(4,201)	(3,193)	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

(i) Reconciliation of components of equity

The following table provides reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Cash flow hedge</u>		
As at 1 January	7,268	(35,710)
Effective portion of changes in fair value:		
- Interest rate risk	(68,733)	83,151
Net amount reclassified to profit or loss:		
- Foreign exchange fluctuations (Note 32)	73,725	(26,601)
Income tax effects	(1,198)	(13,572)
As at 31 December	<u>11,062</u>	<u>7,268</u>

**10 AMOUNT DUE FROM COUNTERPARTIES**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
<u>Relating to:</u>		
Mortgage loans	13,397,099	16,114,190
Hire purchase and leasing debts	672,096	542,964
	<u>14,069,195</u>	<u>16,657,154</u>
<u>The maturity structure of amount due from counterparties are as follows:</u>		
Maturing within one year	6,093,353	7,491,962
One to three years	7,338,049	8,527,330
Three to five years	226,133	-
More than five years	411,679	637,921
	<u>14,069,214</u>	<u>16,657,213</u>
Less: Allowance for impairment losses	(19)	(59)
	<u>14,069,195</u>	<u>16,657,154</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)**

The gross carrying value of amount due from counterparties and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	59	67
Allowance during the year on new assets purchased	11	22
Loans derecognised during the year due to maturity of assets	(9)	(18)
Write-back during the year due to changes in credit risk	(42)	(12)
	<u>19</u>	<u>59</u>
As at 31 December	<u>19</u>	<u>59</u>

**11 ISLAMIC FINANCING ASSETS**

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Relating to:</u>		
Islamic house financing	9,662,661	10,842,232
	<u>9,662,661</u>	<u>10,842,232</u>
<u>The maturity structure Islamic financing assets are as follows:</u>		
Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	<u>9,662,760</u>	<u>10,842,885</u>
Less: Allowance for impairment losses	(99)	(653)
	<u>9,662,661</u>	<u>10,842,232</u>

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	653	627
Allowance during the year on new assets purchased	3	87
Loans derecognised during the year due to maturity of assets	(3)	(45)
Write-back during the year due to changes in credit risk	(554)	(16)
	<u>99</u>	<u>653</u>
As at 31 December	<u>99</u>	<u>653</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 MORTGAGE ASSETS – CONVENTIONAL**

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Purchase without recourse ("PWOR")	<u>4,366,916</u>	<u>4,836,313</u>
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	729,768	770,697
One to three years	923,536	949,648
Three to five years	774,026	810,201
More than five years	<u>1,965,556</u>	<u>2,340,760</u>
	4,392,886	4,871,306
Less:		
Allowance for impairment losses	<u>(25,970)</u>	<u>(34,993)</u>
	<u>4,366,916</u>	<u>4,836,313</u>

The gross carrying value of mortgage assets by stage of allocation are as follows:

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage of allocation:		
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	4,358,528	15,154
Stage 2 (Lifetime ECL; non-credit impaired)	1,599	307
Stage 3 (Lifetime ECL; credit impaired)	<u>32,759</u>	<u>10,509</u>
As at 31 December	<u>4,392,886</u>	<u>25,970</u>
Impairment allowance over gross carrying value (%)		<u>0.59</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	4,805,936	17,640
Stage 2 (Lifetime ECL; non-credit impaired)	20,438	2,932
Stage 3 (Lifetime ECL; credit impaired)	<u>44,932</u>	<u>14,421</u>
As at 31 December	<u>4,871,306</u>	<u>34,993</u>
Impairment allowance over gross carrying value (%)		<u>0.72</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>2020</u>				
As at 1 January	17,640	2,932	14,421	34,993
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	125	(2,637)	(6,931)	(9,443)
- Transfer to ECL not credit impaired (Stage 2)	(5)	299	(69)	225
- Transfer to ECL credit impaired (Stage 3)	(61)	(126)	5,323	5,136
Total transfer between stages	59	(2,464)	(1,677)	(4,082)
Loans derecognised during the year (other than write-offs)	(287)	(143)	(1,001)	(1,431)
Write-back during the year due to changes in credit risk	(2,258)	(18)	(111)	(2,387)
Amount written off	-	-	(1,123)	(1,123)
As at 31 December	<u>15,154</u>	<u>307</u>	<u>10,509</u>	<u>25,970</u>
<u>2019</u>				
As at 1 January	7,687	1,200	19,323	28,210
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	9,199	(2,854)	(6,345)	-
- Transfer to ECL not credit impaired (Stage 2)	(849)	1,125	(276)	-
- Transfer to ECL credit impaired (Stage 3)	(8,348)	(122)	8,470	-
Total transfer between stages	2	(1,851)	1,849	-
Loans derecognised during the year (other than write-offs)	(218)	(169)	(3,097)	(3,484)
Allowance/(write-back) during the year due to changes in credit risk	10,169	3,752	(3,599)	10,322
Amount written off	-	-	(55)	(55)
As at 31 December	<u>17,640</u>	<u>2,932</u>	<u>14,421</u>	<u>34,993</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 MORTGAGE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
PWOR	5,115,509	5,510,428

The maturity structure of mortgage assets - Islamic are as follows:

Maturing within one year	637,751	638,625
One to three years	806,481	817,499
Three to five years	766,538	786,254
More than five years	2,933,185	3,303,134
	<u>5,143,955</u>	<u>5,545,512</u>
Less:		
Allowance for impairment losses	(28,446)	(35,084)
	<u>5,115,509</u>	<u>5,510,428</u>

The gross carrying value of Islamic mortgage assets by stage of allocation are as follows;

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage of allocation:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,110,791	18,051
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
	<u>5,143,955</u>	<u>28,446</u>
As at 31 December		
	<u>5,143,955</u>	<u>28,446</u>
Impairment allowance over gross carrying value (%)		<u>0.55</u>
2019		
Stage 1 (12-month ECL; non-credit impaired)	5,491,772	20,351
Stage 2 (Lifetime ECL; non-credit impaired)	15,575	2,497
Stage 3 (Lifetime ECL; credit impaired)	38,165	12,236
	<u>5,545,512</u>	<u>35,084</u>
As at 31 December		
	<u>5,545,512</u>	<u>35,084</u>
Impairment allowance over gross carrying value (%)		<u>0.63</u>

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**13 MORTGAGE ASSETS – ISLAMIC (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>2020</u>				
As at 1 January	20,351	2,497	12,236	35,084
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
- Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
- Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	38	(1,791)	518	(1,235)
Loans derecognised during the year (other than write-offs)	(686)	(374)	(2,265)	(3,325)
Write-back during the year due to changes in credit risk	(1,652)	(20)	(65)	(1,737)
Amount written-off	-	-	(341)	(341)
As at 31 December	<u>18,051</u>	<u>312</u>	<u>10,083</u>	<u>28,446</u>
<u>2019</u>				
As at 1 January	8,484	775	15,002	24,261
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	7,951	(2,430)	(5,521)	-
- Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
- Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	1,596	(1,854)	258	-
Loans derecognised during the year (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	10,439	3,613	(915)	13,137
As at 31 December	<u>20,351</u>	<u>2,497</u>	<u>12,236</u>	<u>35,084</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 HIRE PURCHASE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR	34	136
The maturity structure of hire purchase assets		
– Islamic are as follows:		
Maturing within one year	46	148
Less: Allowance for impairment losses	(12)	(12)
	34	136

The gross carrying value of Islamic hire purchase assets by stage of allocation are as follows:

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>
By stage of allocation:		
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	10	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	46	12
Impairment allowance over gross carrying value (%)		26.09
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	112	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	148	12
Impairment allowance over gross carrying value (%)		8.11

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
<u>2020</u>			
As at 1 January/31 December	-	12	12
<u>2019</u>			
As at 1 January	-	15	15
Financing derecognised during the year (other than write-offs)	-	(6)	(6)
Allowance/ (write-back) during the year due to changes in credit risk	-	3	3
As at 31 December	-	12	12

**15 AMOUNT DUE FROM SUBSIDIARIES**

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and are repayable on demand.

**16 OTHER ASSETS**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Staff loans and financing	2,883	2,899	2,883	2,899
Deposits	898	931	897	882
Prepayments	2,387	2,678	2,374	2,678
Management fee receivable	829	891	829	891
Compensation receivable from originator on mortgage assets	415	469	415	469
Other receivables	19	159	19	159
	<u>7,431</u>	<u>8,027</u>	<u>7,417</u>	<u>7,978</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17 INVESTMENT IN SUBSIDIARIES**

	2020 RM'000	Company 2019 RM'000
Unquoted shares at cost	_*	_*

\* denotes USD1 in CGP and RM2 in CGS.

All subsidiaries are audited by PricewaterhouseCoopers PLT. The subsidiaries of the Company are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Place of Incorporation</u>	<u>Interest in equity held by the Company</u>	
			2020 %	2019 %
CGP	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
CGS	To undertake the issuance of sukuk in foreign currency.	Malaysia	100	100

**18 PROPERTY AND EQUIPMENT**

<u>Group and Company</u>	<u>Office equipment RM'000</u>	<u>Furniture and fittings RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Total RM'000</u>
<u>2020</u>				
<u>Cost</u>				
As at 1 January	9,817	4,681	703	15,201
Additions	900	4	-	904
Disposals	(591)	(5)	-	(596)
As at 31 December	10,126	4,680	703	15,509
<u>Accumulated depreciation</u>				
As at 1 January	(6,421)	(4,580)	(277)	(11,278)
Charge for the financial year	(1,460)	(16)	(106)	(1,582)
Disposals	591	5	-	596
As at 31 December	(7,290)	(4,591)	(383)	(12,264)
<u>Net book value</u>				
As at 31 December	2,836	89	320	3,245



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18 PROPERTY AND EQUIPMENT (CONTINUED)**

<u>Group and Company</u>	<u>Office equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>2019</u>				
<u>Cost</u>				
As at 1 January	9,242	4,659	593	14,494
Additions	837	22	199	1,058
Disposals	(262)	-	(89)	(351)
As at 31 December	9,817	4,681	703	15,201
<u>Accumulated depreciation</u>				
As at 1 January	(5,074)	(4,452)	(274)	(9,800)
Charge for the financial year	(1,608)	(128)	(92)	(1,828)
Disposals	261	-	89	350
As at 31 December	(6,421)	(4,580)	(277)	(11,278)
<u>Net book value</u>				
As at 31 December	3,396	101	426	3,923

**19 INTANGIBLE ASSETS**

<u>Group and Company</u>	<u>Service rights</u> RM'000	<u>Computer software</u> RM'000	<u>Computer software licenses</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>2020</u>					
<u>Cost</u>					
As at 1 January	16,712	13,207	26,607	-	56,526
Additions	-	1,966	606	-	2,572
Write-offs	(9,022)	-	-	-	(9,022)
As at 31 December	7,690	15,173	27,213	-	50,076
<u>Accumulated amortisation</u>					
As at 1 January	(13,938)	(12,155)	(9,053)	-	(35,146)
Charge for the financial year	(487)	(228)	(2,893)	-	(3,608)
Write-offs	9,022	-	-	-	9,022
As at 31 December	(5,403)	(12,383)	(11,946)	-	(29,732)
<u>Net book value</u>					
As at 31 December	2,287	2,790	15,267	-	20,344

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 INTANGIBLE ASSETS (CONTINUED)**

<u>Group and Company</u>	<u>Service rights</u> RM'000	<u>Computer software</u> RM'000	<u>Computer software licenses</u> RM'000	<u>Work in progress</u> RM'000	<u>Total</u> RM'000
<u>2019</u>					
<u>Cost</u>					
As at 1 January	16,712	12,128	25,311	281	54,432
Additions	-	1,079	1,015	-	2,094
Transfer during the year	-	-	281	(281)	-
As at 31 December	<u>16,712</u>	<u>13,207</u>	<u>26,607</u>	<u>-</u>	<u>56,526</u>
<u>Accumulated amortisation</u>					
As at 1 January	(13,374)	(12,104)	(6,105)	-	(31,583)
Charge for the financial year	(564)	(51)	(2,948)	-	(3,563)
As at 31 December	<u>(13,938)</u>	<u>(12,155)</u>	<u>(9,053)</u>	<u>-</u>	<u>(35,146)</u>
<u>Net book value</u>					
As at 31 December	<u>2,774</u>	<u>1,052</u>	<u>17,554</u>	<u>-</u>	<u>21,380</u>

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 2 to 7 years (2019: 1 to 8 years).

**20 RIGHT-OF-USE ASSET**

Right-of-use asset comprises of rental of office buildings and is being amortised over the tenure of rental period.

	<u>2020</u> RM'000	<u>Company</u> <u>2019</u> RM'000
<u>Cost</u>		
As at 1 January	4,916	-
Effect of adoption of MFRS 16	-	4,916
As at 31 December	<u>4,916</u>	<u>4,916</u>
<u>Accumulated amortisation</u>		
As at 1 January	(936)	-
Charge for the year (Note 35)	(937)	(936)
As at 31 December	<u>(1,873)</u>	<u>(936)</u>
<u>Net book value</u>		
As at 31 December	<u>3,043</u>	<u>3,980</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 OTHER LIABILITIES**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	2,106	1,777	2,106	1,777
Amount due to GOM*	99,624	90,620	99,624	90,620
Accruals	30,197	27,899	29,787	27,562
Other payables	1,378	1,392	1,379	1,392
	<u>133,305</u>	<u>121,688</u>	<u>132,896</u>	<u>121,351</u>

\* Refers to fund provided by the Government for Mortgage Guarantee Programme (MGP) under Cagamas SRP Berhad

**22 LEASE LIABILITY**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
As at 1 January	4,791	-
Effect of adoption of MFRS 16	-	4,916
As restated	4,791	4,916
Lease obligation interest expense (Note 35)	2,441	2,523
Lease obligation repayment	(2,649)	(2,648)
As at 31 December	<u>4,583</u>	<u>4,791</u>

The maturity structure of lease liability are as follows:

Due within 1 year	495	208
Due in 2 to 5 years	4,088	4,583
Total present value of minimum lease payments	<u>4,583</u>	<u>4,791</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 DEFERRED TAXATION**

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Deferred tax assets (before offsetting)	(23,331)	(17,451)
Deferred tax liabilities (before offsetting)	193,411	18,011
	<hr/>	<hr/>
Deferred tax liabilities	170,080	560
	<hr/>	<hr/>

The movements of deferred tax are as follows:

As at 1 January	560	27,348
Recognised to income statements (Note 37)	157,346	(51,610)
Recognised to reserves	12,174	24,822
	<hr/>	<hr/>
As at 31 December	170,080	560
	<hr/>	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 DEFERRED TAXATION (CONTINUED)**

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following:

	Group and Company			
<u>2020</u>	As at <u>1 January</u> RM'000	Recognised to income <u>statement</u> RM'000	Recognised <u>to reserves</u> RM'000	As at <u>31 December</u> RM'000
<u>Deferred tax assets</u>				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(1,472)	-	(3,986)	(5,458)
Provisions	(1,084)	(507)	-	(1,591)
Temporary difference relating to lease liability	(1,150)	50	-	(1,100)
Temporary difference relating to ECL	(13,745)	(1,437)	-	(15,182)
	<u>(17,451)</u>	<u>(1,894)</u>	<u>(3,986)</u>	<u>(23,331)</u>
<u>Deferred tax liabilities</u>				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	3,767	-	5,184	8,951
Revaluation reserves of financial asset at FVOCI	11,873	-	10,976	22,849
Accelerated depreciation	1,237	1,019	-	2,256
Temporary difference relating to interest/profit receivables on deposit and placements	183	(18)	-	165
Temporary difference relating to right-of-use asset	951	(221)	-	730
Temporary difference relating to accretion of discount	-	158,460	-	158,460
	<u>18,011</u>	<u>159,240</u>	<u>16,160</u>	<u>193,411</u>
	<u>560</u>	<u>157,346</u>	<u>12,174</u>	<u>170,080</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 DEFERRED TAXATION (CONTINUED)**

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following:

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
<b>2019</b>				
<u>Deferred tax assets</u>				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(15,067)	-	13,595	(1,472)
Provisions	(1,321)	237	-	(1,084)
Temporary difference relating to lease liability	-	(1,150)	-	(1,150)
Temporary difference relating to ECL	(12,781)	(964)	-	(13,745)
	<u>(29,169)</u>	<u>(1,877)</u>	<u>13,595</u>	<u>(17,451)</u>
<u>Deferred tax liabilities</u>				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	3,790	-	(23)	3,767
Revaluation reserves of financial asset at FVOCI	623	-	11,250	11,873
Accelerated depreciation	2,248	(1,011)	-	1,237
Temporary difference relating to interest/profit receivables on deposit and placements	10	173	-	183
Temporary difference relating to right-of-use asset	-	951	-	951
Temporary difference relating to accretion of discount	49,846	(49,846)	-	-
	<u>56,517</u>	<u>(49,733)</u>	<u>11,227</u>	<u>18,011</u>
	<u>27,348</u>	<u>(51,610)</u>	<u>24,822</u>	<u>560</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24 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	
	2020	2019
	RM'000	RM'000
HKD	163,295	352,503
USD	112,838	1,553,622
SGD	395,624	688,841
	<u>671,757</u>	<u>2,594,966</u>

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 0.91% to 3.25% per annum (2019: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	2020	2019
	RM'000	RM'000
Maturing within one year	671,757	2,317,540
One to three years	-	277,426
	<u>671,757</u>	<u>2,594,966</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 UNSECURED BEARER BONDS AND NOTES**

					Group
			<u>2020</u>		<u>2019</u>
	<u>Year of</u>	<u>Amount</u>	<u>Effective</u>	<u>Amount</u>	<u>Effective</u>
	<u>maturity</u>	<u>outstanding</u>	<u>interest rate</u>	<u>outstanding</u>	<u>interest rate</u>
		<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
(a) Floating rate notes	2020	-	-	100,000	3.460
Add:					
Interest payable		-		667	
		-		100,667	
(b) Commercial paper	2020	-	-	1,200,000	3.250-3.340
	2021	2,800,000	1.900-2.050	-	-
Add:					
Interest payable		6,388		3,213	
		2,806,388		1,203,213	
(c) Conventional medium-term notes	2020	-	-	7,595,307	2.520-6.000
	2021	4,483,959	0.850-5.380	2,552,426	3.035-5.380
	2022	6,850,000	2.130-4.650	5,850,000	3.380-4.650
	2023	570,000	2.180-6.050	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
		14,553,959		19,172,733	
Add:					
Interest payable		122,942		181,850	
Unaccreted premium		-		3,475	
Less:					
Deferred financing fees		(301)		(836)	
Unamortised discount		(9)		(75)	
		14,676,591		19,357,147	
		17,482,979		20,661,027	



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

					Company
			<u>2020</u>		<u>2019</u>
	<u>Year of</u>	<u>Amount</u>	<u>Effective</u>	<u>Amount</u>	<u>Effective</u>
	<u>maturity</u>	<u>outstanding</u>	<u>interest rate</u>	<u>outstanding</u>	<u>interest rate</u>
		<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
(a) Floating rate notes	2020	-	-	100,000	3.460
Add:					
Interest payable		-		667	
		<u>-</u>		<u>100,667</u>	
(b) Commercial paper	2020	-	-	1,200,000	3.250-3.340
	2021	2,800,000	1.900-2.050	-	-
Add:					
Interest payable		6,388		3,213	
		<u>2,806,388</u>		<u>1,203,213</u>	
(c) Conventional medium-term notes	2020	-	-	5,295,000	3.300-6.000
	2021	3,815,000	2.000-5.380	2,275,000	3.350-5.380
	2022	6,850,000	2.130-4.650	5,850,000	3.380-4.650
	2023	570,000	2.180-6.050	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
		<u>13,885,000</u>		<u>16,595,000</u>	
Add:					
Interest payable		120,199		164,961	
Unaccreted premium		-		3,475	
Less:					
Unamortised discount		(9)		(75)	
		<u>14,005,190</u>		<u>16,763,361</u>	
		<u>16,811,578</u>		<u>18,067,241</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

The maturity structure of unsecured bearer bonds and notes are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,412,979	9,083,664	6,741,578	6,767,215
One to three years	7,420,000	8,402,295	7,420,000	8,124,958
Three to five years	1,070,000	955,000	1,070,000	955,000
More than five years	1,580,000	2,220,068	1,580,000	2,220,068
	<u>17,482,979</u>	<u>20,661,027</u>	<u>16,811,578</u>	<u>18,067,241</u>

Cagamas issues debt securities, inclusive of sustainability, green and social bonds to finance the purchase of housing mortgages and other consumer receivables for conventional loans.

(a) Floating Rate Notes ("FRNs")

FRNs are Ringgit denominated CMTNs with tenures of more than one year with floating rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Interest distributions of the FRNs are normally made on quarterly or half-yearly basis. The redemption of the relevant FRNs are at face value together with the interest due upon maturity.

(b) Commercial paper ("CP")

CPs are Ringgit denominated short-term instruments with maturities ranging from one to twelve months, issued with or without coupon, either at a discount from the face value where the relevant CPs are redeemable at their nominal value upon maturity or at par with interest paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

CMTNs are Ringgit denominated bonds with fixed coupon rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a coupon rate. Interest distributions of the CMTNs are normally made on half-yearly basis. The redemption of the CMTNs are at nominal value together with the interest due upon maturity.

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

		Group
	2020	2019
	RM'000	RM'000
HKD	163,218	352,201
USD	112,781	1,553,180
SGD	395,401	688,405
	<u>671,400</u>	<u>2,593,786</u>

**26 SUKUK**

		Group and Company			
		2020		2019	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Islamic commercial papers					
	2020	-	-	905,000	3.250-3.310
	2021	845,000	1.900-2.000	-	-
Add:					
Profit payable		2,256		1,587	
		<u>847,256</u>		<u>906,587</u>	
(b) Islamic medium-term notes					
	2020	-	-	2,725,000	3.290-6.000
	2021	3,545,000	2.050-5.380	3,020,000	4.080-5.380
	2022	3,060,000	2.250-4.700	3,010,000	3.380-4.700
	2023	2,945,000	2.230-6.350	2,495,000	4.250-6.350
	2024	1,135,000	3.550-5.520	1,135,000	3.550-5.520
	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
		<u>13,110,000</u>		<u>14,810,000</u>	
Add:					
Profit payable		106,136		125,728	
Unaccreted premium		-		7,568	
		<u>13,216,136</u>		<u>14,943,296</u>	
		<u>14,063,392</u>		<u>15,849,883</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 SUKUK (CONTINUED)**

The maturity structure of sukuk are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Maturing within one year	4,498,392	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	<u>14,063,392</u>	<u>15,849,883</u>

Cagamas issues debt securities, inclusive of sustainability, green and social sukuk, to finance the purchase of housing mortgages and other consumer receivables for Islamic financing.

(a) Islamic commercial papers ("ICP")

ICPs are Ringgit denominated short-term Islamic instruments with maturities ranging from one to twelve months, issued with or without profit paid, at either a discount from the face value where the relevant ICPs are redeemable at their nominal value upon maturity or at par with profit is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(b) Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")

IMTNs are Ringgit denominated sukuk with fixed profit rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a profit rate. Profit distribution of the IMTNs are normally made on half-yearly basis. The redemption of the relevant IMTNs are at nominal value together with the profit due upon maturity.

(c) Variable Profit Rate Notes ("VRN")

VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Profit distributions of the VRNs are normally made on quarterly or half-yearly basis. At maturity, the face value of the relevant VRNs are redeemed with any outstanding profit amounts due on maturity.

(d) Multicurrency Sukuk

Under the Multicurrency Sukuk Programme, foreign currency sukuk ("Islamic EMTN") is currently issued based on Shariah principle of Wakalah. The Islamic EMTN issuance is on a fully-paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Islamic EMTNs issued. There is no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27 SHARE CAPITAL**

	Group and Company			
	<u>2020</u>		<u>2019</u>	
<u>Ordinary shares</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Issued:				
As at 1 January/31 December	150,000	150,000	150,000	150,000

**28 RESERVES**

(a) Financial asset at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial asset at FVOCI, net of taxation.

The amount of gain or loss recognised in OCI during the year and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the financial year are as per the following:

	Group and Company	
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Financial asset at FVOCI		
- Net gain/(loss) from change in fair value	55,201	54,510
- Net transfer to income statement on disposal	(9,467)	(7,636)
- Allowance of impairment losses	77	-
- Deferred taxation	(10,976)	(11,250)

(b) Cash flow hedge reserves

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

(c) Regulatory reserves

The Group and the Company have adopted the Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**29 NET TANGIBLE ASSETS AND EARNINGS PER SHARE**

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,138,448,000 of the Group and RM4,122,871,000 of the Company respectively (2019: RM3,904,862,000 of the Group and RM3,889,265,000 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 RM223,922,000 of the Group and RM223,941,000 of the Company respectively (2019: RM240,400,000 of the Group and RM236,825,000 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.

**30 INTEREST INCOME**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Amount due from counterparties	581,518	819,265
Mortgage assets	199,266	223,345
Compensation from mortgage assets	20	14
Financial asset at FVOCI	75,646	76,726
Deposits and placements with financial institutions	2,774	5,749
	<u>859,224</u>	<u>1,125,099</u>
Accretion of discount less amortisation of premium (net)	99,256	123,618
	<u>958,480</u>	<u>1,248,717</u>

**31 INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Floating rate notes	1,720	8,650	1,720	8,650
Medium-term notes	699,475	913,548	662,369	788,695
Commercial paper	32,073	25,674	32,073	25,674
Deposits and placements from financial institutions	667	884	667	884
Loans/financing from subsidiaries	-	-	37,479	129,954
Lease liability	2,441	2,523	2,441	2,523
	<u>736,376</u>	<u>951,279</u>	<u>736,749</u>	<u>956,380</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**32 NON-INTEREST INCOME/(EXPENSE)**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net loss arising from derivatives	(7,933)	(55,571)	(7,933)	(55,571)
Income from financial asset at FVTPL	1,976	1,383	1,976	1,383
Gain on disposal of:				
- Financial asset at FVOCI	9,467	7,636	9,467	7,636
- Property and equipment	10	23	10	23
Net amount reclassified into profit or loss – cash flow hedge (Note 9)	73,725	(26,601)	73,725	(26,601)
Net (loss)/gain on foreign exchange	(74,805)	26,260	(74,805)	26,253
Other non-operating income	6,326	8,036	6,326	8,036
	<u>8,766</u>	<u>(38,834)</u>	<u>8,766</u>	<u>(38,841)</u>

**33 PERSONNEL COSTS**

	<u>Group and Company</u>	
	2020	2019
	RM'000	RM'000
Salary and allowances	15,536	15,391
Bonus	7,312	7,465
Overtime	46	66
EPF and SOCSO	3,652	4,026
Insurance	886	608
Others	3,866	3,752
	<u>31,298</u>	<u>31,308</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**34 WRITE-BACK/(ALLOWANCE) OF IMPAIRMENT LOSSES**

	<u>Group and Company</u>	
	2020 RM'000	2019 RM'000
Cash and short-term funds	105	(105)
Financial asset at FVOCI	51	(128)
Amount due from counterparties	40	8
Islamic financing assets	554	(26)
Mortgage assets – Conventional	9,023	(6,783)
Mortgage assets – Islamic	6,638	(10,823)
Hire purchase assets – Islamic	-	3
Write-off of mortgage assets – Conventional	(1,123)	(172)
Write-off of mortgage assets – Islamic	(341)	-
Write-off of hire purchase assets – Conventional	(2)	-
Write-back of hire purchase assets – Islamic	9	-
Write-back/(allowance) of impairment losses	<u>14,954</u>	<u>(18,026)</u>

**35 PROFIT BEFORE TAXATION AND ZAKAT**

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	<u>Group</u>		<u>Company</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' remuneration (Note 36)	2,231	2,320	2,231	2,320
Amortisation of right-of-use asset (Note 20)	937	936	937	936
Interest lease liability (Note 22)	2,441	2,523	2,441	2,523
Short-term and low value assets expensed off	1,013	741	1,013	741
Auditors' remuneration				
- Audit fees	370	318	316	276
- Non-audit fees	20	39	12	36
Depreciation of property and equipment	1,582	1,828	1,582	1,828
Amortisation of intangible assets	3,608	3,563	3,608	3,563
Servicers fees	2,259	2,550	2,259	2,550
Repairs and maintenance	5,095	6,982	5,095	6,982
Donations and sponsorship	200	115	200	115
Corporate expenses	744	892	744	892
Travelling expenses	(80)	476	(80)	476
Gain on disposal of property and equipment	(10)	(23)	(10)	(23)
(Write-back)/allowance of impairment losses	<u>(14,954)</u>	<u>18,026</u>	<u>(14,954)</u>	<u>18,026</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 DIRECTORS' REMUNERATION**

The Directors who served since the date of the last report and the date of this report are:

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)

Dato' Halipah Esa

Dato' Wee Yiau Hin

Datuk Azizan Haji Abd Rahman

Ho Chai Huey

Datuk Seri Tajuddin Atan

(appointed w.e.f. 1 May 2020)

Dato' Md Agil Mohd Natt

(retired w.e.f. 1 May 2020)

Philip Tan Puay Koon

(retired w.e.f. 12 August 2020)

Executive Director

Datuk Chung Chee Leong

The aggregate amount of emoluments received by the Directors during the financial year is as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Directors' fees	493	530
Directors' other emoluments	1,738	1,790
	<u>2,231</u>	<u>2,320</u>

For the financial year ended 31 December 2020, a total of RM196,428 (2019: RM170,000) has been paid by the Group in relation to insurance premium paid for Directors and Officers of the Group and Company.

**37 TAXATION**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	(81,132)	128,282	(81,174)	127,112
- Deferred taxation (Note 23)	157,346	(51,610)	157,346	(51,610)
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 TAXATION (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the Financial year (continued):				
Current tax:				
- Current year	25,920	82,040	25,878	80,870
- (Over)/under provision in prior year	(107,052)	46,242	(107,052)	46,242
	<u>(81,132)</u>	<u>128,282</u>	<u>(81,174)</u>	<u>127,112</u>
Deferred taxation: Origination/(reversal) of temporary differences (Note 23)	157,346	(51,610)	157,346	(51,610)
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

(b) Reconciliation of income tax expense

The tax on the Group's and the Company's profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<u>301,391</u>	<u>317,998</u>	<u>301,368</u>	<u>313,253</u>
Tax calculated at Malaysian tax rate of 24% (2019: 24%)	72,334	76,320	72,328	75,181
Subsidiary's current year tax losses utilised	(28)	(28)	(28)	(28)
Loss not subject to tax	28	28	-	-
Expenses not deductible for tax purposes	828	5,394	820	5,391
Deduction arising from zakat contribution	(222)	(380)	(222)	(380)
Recognition/(reversal) of temporary differences recognized in prior year	110,326	(50,854)	110,326	(50,854)
Others	-	(50)	-	(50)
(Over)/under provision in prior year	<u>(107,052)</u>	<u>46,242</u>	<u>(107,052)</u>	<u>46,242</u>
	<u>76,214</u>	<u>76,672</u>	<u>76,172</u>	<u>75,502</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 DIVIDENDS**

Dividends of the Group and the Company are as follows:

	<u>Group and Company</u>			
	<u>Per</u>	<u>2020</u>	<u>Per</u>	<u>2019</u>
	<u>shares</u>	<u>Total</u>	<u>shares</u>	<u>Total</u>
	<u>Sen</u>	<u>amount</u>	<u>Sen</u>	<u>amount</u>
		<u>RM'000</u>		<u>RM'000</u>
Final dividend	15.00	22,500	15.00	22,500
Interim dividend	5.00	7,500	5.00	7,500
	<u>20.00</u>	<u>30,000</u>	<u>20.00</u>	<u>30,000</u>

The proposed final dividend for the financial year ended 31 December 2020 is as disclosed in Directors' report.

**39 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Related parties and relationships**

The related parties and their relationships with the Group and the Company are as follows:

<u>Related parties</u>	<u>Relationships</u>
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSR")	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

Related company is defined as subsidiary of the ultimate holding company.

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(a) Related parties and relationships (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group and its ultimate holding company, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured Corporate Bonds and Sukuk are transacted with the shareholders of the ultimate holding company. These transactions have been disclosed on the statement of financial position and income statements of the Group and the Company.

Set out below are significant related party transactions and balances of the Group and the Company.

	Ultimate holding company	Related company	Group Other related party
	RM'000	RM'000	RM'000
<u>2020</u>			
<u>Income</u>			
Transaction administrator and administrator fees	-	2,728	-
Management fee	58	3,154	-
	<u>58</u>	<u>3,154</u>	<u>-</u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	83
Servicers fees	-	2,259	-
	<u>-</u>	<u>2,259</u>	<u>-</u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	1,375	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(509)	-
Management fee receivable	46	783	-
	<u>46</u>	<u>783</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 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.

	Ultimate holding company RM'000	Related company RM'000	Group Other related party RM'000
<u>2019</u>			
<u>Income</u>			
Transaction administrator and administrator fees	-	4,286	-
Management fee	52	3,602	-
	<u>52</u>	<u>3,602</u>	<u>-</u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	27
Servicers fees	-	2,550	-
	<u>-</u>	<u>2,550</u>	<u>-</u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	1,420	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(438)	-
Management fee receivable	52	839	-
	<u>52</u>	<u>839</u>	<u>-</u>
			<u>Company</u>
	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000
<u>2020</u>			Other related party RM'000
<u>Income</u>			
Transaction administrator and administrator fees	-	-	2,728
Management fee	58	-	3,154
	<u>58</u>	<u>-</u>	<u>3,154</u>

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(b) Significant related party transactions and balances (continued)

	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000	Company Other related party RM'000
<u>2020</u>				
<u>Expenses</u>				
FAST* and RENTAS** charges	-	-	-	83
Servicers fees	-	-	2,259	-
Interest expense	-	37,479	-	-
<u>Amount due from/(to)</u>				
Transaction administrator and administrator fees	-	-	1,375	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(509)	-
Loans/financing	-	(671,757)	-	-
Payment of expenses on behalf	-	3,565	-	-
Management fee receivable	46	-	783	-
<u>2019</u>				
<u>Income</u>				
Transaction administrator and administrator fees	-	-	4,286	-
Management fee	52	-	3,602	-
<u>Expenses</u>				
FAST* and RENTAS** charges	-	-	-	27
Servicers fees	-	-	2,550	-
Interest expense	-	129,954	-	-

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(b) Significant related party transactions and balances (continued)

	Ultimate holding company	Subsidiaries	Related company	Company Other related party
	RM'000	RM'000	RM'000	RM'000
<u>2019</u>				
<u>Amount due from/(to)</u>				
Transaction administrator and administrator fees	-	-	1,420	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(438)	-
Loans/financing	-	(2,594,622)	-	-
Payment of expenses on behalf	-	3,430	-	-
Management fee receivable	52	-	839	-
	<u>52</u>	<u>-</u>	<u>839</u>	<u>-</u>

\* 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 RM8,053,839 (2019: RM7,430,703).

The total remuneration paid to the Directors is disclosed in Note 36 to the financial statements.

(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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 CAPITAL COMMITMENTS**

<u>Capital commitments</u>	<u>Group and Company</u>	
	2020 RM'000	2019 RM'000
<u>Capital expenditure:</u>		
Authorised and contracted for	2,275	2,783
Authorised but not contracted for	3,116	741
	<u>5,391</u>	<u>3,524</u>
<u>Analysed as follows:</u>		
Equipment and others	472	24
Computer hardware and software	4,919	3,500
	<u>5,391</u>	<u>3,524</u>

**41 FINANCIAL INSTRUMENTS BY CATEGORY**

	<u>Group</u>		<u>Company</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Financial assets</u>				
Cash and short-term funds	109,071	341,307	89,848	322,000
Deposits and placements with financial institutions	102,886	-	102,886	-
Amount due from counterparties	14,069,195	16,657,154	14,069,195	16,657,154
Islamic financing assets	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets				
- Conventional	4,366,916	4,836,313	4,366,916	4,836,313
- Islamic	5,115,509	5,510,428	5,115,509	5,510,428
Hire purchase assets				
- Islamic	34	136	34	136
Amount due from				
- Related company	1,375	1,420	1,375	1,420
- Subsidiaries	-	-	3,565	3,431
	<u>33,427,647</u>	<u>38,188,990</u>	<u>33,411,989</u>	<u>38,173,114</u>
<i>Financial asset at FVOCI:</i>				
Debt instruments	2,383,316	2,308,565	2,383,316	2,308,565
	<u>2,383,316</u>	<u>2,308,565</u>	<u>2,383,316</u>	<u>2,308,565</u>
<i>Financial asset at FVTPL:</i>				
Unit trust	193,466	141,383	193,466	141,383
Derivative financial instruments	57,904	58,422	57,904	58,422
	<u>251,370</u>	<u>199,805</u>	<u>251,370</u>	<u>199,805</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 FINANCIAL INSTRUMENTS BY CATEGORY**

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b><u>Financial liabilities</u></b>				
<i>Financial liabilities at amortised cost:</i>				
Short-term borrowings	125,145	-	125,145	-
Loans/financing from subsidiaries	-	-	671,757	2,594,966
Unsecured bearer bonds and notes	17,482,979	20,661,027	16,811,578	18,067,241
Sukuk	14,063,392	15,849,883	14,063,392	15,849,883
	<u>31,671,516</u>	<u>36,510,910</u>	<u>31,671,872</u>	<u>36,512,090</u>
<i>Financial liabilities at FVTPL:</i>				
Derivative financial instruments	45,963	152,309	45,963	152,309
	<u>45,963</u>	<u>152,309</u>	<u>45,963</u>	<u>152,309</u>

**42 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".

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 INTEREST/PROFIT RATE RISK (CONTINUED)**

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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Group - 2020</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
<u>Financial assets</u>						
Cash and short-term funds	89,355	-	-	-	19,716	109,071
Deposits and placements with financial institutions	102,886	-	-	-	-	102,886
Financial asset at FVTPL	193,466	-	-	-	-	193,466
Financial asset at FVOCI	342,574	727,173	334,100	979,469	-	2,383,316
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	-	(99)	9,662,661
Mortgage assets:						
- Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
- Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
- Islamic	46	-	-	-	(12)	34
Other assets	19,119	-	-	38,802	123,306	181,227
	<u>11,736,925</u>	<u>15,014,146</u>	<u>3,016,043</u>	<u>6,328,691</u>	<u>88,476</u>	<u>36,184,281</u>
<u>Financial liabilities</u>						
Short-term borrowings	125,145	-	-	-	-	125,145
Other liabilities	4,830	41,133	-	-	308,009	353,972
Unsecured bearer bonds and notes	7,412,979	7,420,000	1,070,000	1,580,000	-	17,482,979
Sukuk	4,498,392	6,005,000	1,590,000	1,970,000	-	14,063,392
	<u>12,041,346</u>	<u>13,466,133</u>	<u>2,660,000</u>	<u>3,550,000</u>	<u>308,009</u>	<u>32,025,488</u>
Total interest/profit sensitivity gap	<u>(304,421)</u>	<u>1,548,013</u>	<u>356,043</u>	<u>2,778,691</u>		
Cumulative gap	<u>(304,421)</u>	<u>1,243,592</u>	<u>1,599,635</u>	<u>4,378,326</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Group - 2019</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
<u>Financial assets</u>						
Cash and short-term funds	230,501	-	-	-	110,806	341,307
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-
- Islamic	147	-	-	-	(11)	136
Other assets	22,854	16,004	492	22,506	35,296	97,152
	<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,123,967)</u>	<u>40,734,670</u>
<u>Financial liabilities</u>						
Other liabilities	126,133	15,677	10,499	-	145,209	297,518
Unsecured bearer bonds and notes	9,083,664	8,402,295	955,000	2,220,068	-	20,661,027
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
	<u>12,974,633</u>	<u>14,447,972</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>145,209</u>	<u>36,808,428</u>
Total interest/profit sensitivity gap	<u>(375,741)</u>	<u>2,538,239</u>	<u>250,455</u>	<u>2,782,465</u>		
Cumulative gap	<u>(375,741)</u>	<u>2,162,498</u>	<u>2,412,953</u>	<u>5,195,418</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Company - 2020</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
<u>Financial assets</u>						
Cash and short-term funds	89,355	-	-	-	493	89,848
Deposits and placements with financial institutions	102,886	-	-	-	-	102,886
Financial asset at FVTPL	193,466	-	-	-	-	193,466
Financial asset at FVOCI	342,574	727,173	334,100	979,469	-	2,383,316
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	-	(99)	9,662,661
Mortgage assets:						
- Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
- Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
- Islamic	46	-	-	-	(12)	34
Other assets	19,119	-	-	38,802	126,857	184,778
	<u>11,736,925</u>	<u>15,014,146</u>	<u>3,016,043</u>	<u>6,328,691</u>	<u>72,804</u>	<u>36,168,609</u>
<u>Financial liabilities</u>						
Short-term borrowings	125,145	-	-	-	-	125,145
Other liabilities	4,830	41,133	-	-	307,559	353,522
Loan/financing from subsidiaries	671,757	-	-	-	-	671,757
Unsecured bearer bonds and notes	6,741,578	7,420,000	1,070,000	1,580,000	-	16,811,578
Sukuk	4,498,392	6,005,000	1,590,000	1,970,000	-	14,063,392
	<u>12,041,702</u>	<u>13,466,133</u>	<u>2,660,000</u>	<u>3,550,000</u>	<u>307,559</u>	<u>32,025,394</u>
Total interest/profit sensitivity gap	<u>(304,777)</u>	<u>1,548,013</u>	<u>356,043</u>	<u>2,778,691</u>		
Cumulative gap	<u>(304,777)</u>	<u>1,243,236</u>	<u>1,599,279</u>	<u>4,377,970</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Company - 2019</u>	<u>Within one year RM'000</u>	<u>One to three years RM'000</u>	<u>Three to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
<u>Financial assets</u>						
Cash and short-term funds	230,501	-	-	-	91,499	322,000
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	-
- Islamic	147	-	-	-	(11)	136
Other assets	22,854	16,004	492	22,506	38,678	100,534
	<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,139,892)</u>	<u>40,718,745</u>
<u>Financial liabilities</u>						
Other liabilities	126,133	15,677	10,499	-	143,701	296,010
Loan/financing from subsidiaries	2,317,540	277,426	-	-	-	2,594,966
Unsecured bearer bonds and notes	6,767,215	8,124,958	955,000	2,220,068	-	18,067,241
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
	<u>12,975,724</u>	<u>14,448,061</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>143,701</u>	<u>36,808,100</u>
Total interest/profit sensitivity gap	<u>(376,832)</u>	<u>2,538,150</u>	<u>250,455</u>	<u>2,782,465</u>		
Cumulative gap	<u>(376,832)</u>	<u>2,161,318</u>	<u>2,411,773</u>	<u>5,194,238</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 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.

	+100 basis		Group -100 basis	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserves	(99,527)	(76,593)	108,754	82,369
Derivatives financial instruments	-	(36)	-	36
Taxation effects on the above at tax rate of 24%	23,886	18,391	(26,101)	(19,777)
Effect on shareholder's funds	<u>(75,641)</u>	<u>(58,238)</u>	<u>82,653</u>	<u>62,628</u>
As percentage of shareholder's funds	<u>(1.8%)</u>	<u>(1.5%)</u>	<u>2.0%</u>	<u>1.6%</u>
<i>Impact to income statements:</i>				
Net interest income	12,319	5,404	(12,316)	(5,398)
Taxation effects at the rate of 24%	(2,957)	(1,297)	2,956	1,296
Effect on net interest income	<u>9,362</u>	<u>4,107</u>	<u>(9,360)</u>	<u>(4,102)</u>
As percentage of profit after tax	<u>4.2%</u>	<u>1.7%</u>	<u>(4.2%)</u>	<u>(1.7%)</u>

	+100 basis		Company -100 basis	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserve	(99,527)	(76,593)	108,754	82,369
Derivatives financial instruments	-	(36)	-	36
Taxation effects on the above at tax rate of 24%	23,886	18,391	(26,101)	(19,777)
Effect on shareholder's funds	<u>(75,641)</u>	<u>(58,238)</u>	<u>82,653</u>	<u>62,628</u>
As percentage of shareholder's funds	<u>(1.8%)</u>	<u>(1.5%)</u>	<u>2.0%</u>	<u>1.6%</u>
<i>Impact to income statements:</i>				
Net interest income	12,319	5,404	(12,316)	(5,398)
Taxation effects at the rate of 24%	(2,957)	(1,297)	2,956	1,296
Effect on net interest income	<u>9,362</u>	<u>4,107</u>	<u>(9,360)</u>	<u>(4,102)</u>
As percentage of profit after tax	<u>4.2%</u>	<u>1.7%</u>	<u>(4.2%)</u>	<u>(1.7%)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK**

**43.1 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 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002. The financial institutions are subject to periodic review by the BNM. The following tables summarise the Group's and the Company's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution

<u>Group</u>	<u>Cash and short-term funds</u> RM'000	<u>Deposits and placements with financial institutions</u> RM'000	<u>Derivatives financial instruments</u> RM'000	<u>Financial asset at FVTPL</u> RM'000	<u>Financial asset at FVOCI</u> RM'000	<u>Amount due from counter parties</u> RM'000	<u>Islamic financing assets</u> RM'000	<u>Mortgage assets- coventional</u> RM'000	<u>Mortgage assets- islamic</u> RM'000	<u>Hire purchase assets- islamic</u> RM'000	<u>Other assets</u> RM'000	<u>Total</u> RM'000
<u>2020</u>												
Government bodies					1,345,939						415	1,346,354
Financial institutions:												-
- Commercial banks	109,071	102,886	57,904	120,802	30,002	13,397,099	9,322,362					23,140,126
- Development					61,731		340,299					402,030
Communication, electricity, gas and water					166,516							166,516
Transportation					389,730							389,730
Leasing						672,096						672,096
Consumers								4,366,916	5,115,509	34		9,482,459
Corporate				72,664	238,790							311,454
Construction					62,703							62,703
Others					87,905						8,391	96,296
<b>Total</b>	<b>109,071</b>	<b>102,886</b>	<b>57,904</b>	<b>193,466</b>	<b>2,383,316</b>	<b>14,069,195</b>	<b>9,662,661</b>	<b>4,366,916</b>	<b>5,115,509</b>	<b>34</b>	<b>8,806</b>	<b>36,069,764</b>

\*Includes prepayment of RM2,387

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

<u>Group</u>	<u>Cash and short-term funds</u> RM'000	<u>Derivatives financial instruments</u> RM'000	<u>Financial asset at FVTPL</u> RM'000	<u>Financial asset at FVOCI</u> RM'000	<u>Amount due from counter parties</u> RM'000	<u>Islamic financing assets</u> RM'000	<u>Mortgage assets- conventional</u> RM'000	<u>Mortgage assets- Islamic</u> RM'000	<u>Hire purchase assets- Islamic</u> RM'000	<u>Other assets</u> RM'000	<u>Total</u> RM'000
<u>2019</u>											
Government bodies	-	-	-	1,069,398	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	247,189	58,422	-	158,961	16,114,189	10,480,965	-	-	-	-	27,059,726
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	-	91,848	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	-	179,509	-	-	-	-	-	-	179,509
Transportation	-	-	-	384,292	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	141,383	221,164	-	-	-	-	-	-	362,547
Construction	-	-	-	35,615	-	-	-	-	-	-	35,615
Others	-	-	-	167,778	-	-	-	-	-	8,978*	176,756
<b>Total</b>	<b>341,307</b>	<b>58,422</b>	<b>141,383</b>	<b>2,308,565</b>	<b>16,657,154</b>	<b>10,842,232</b>	<b>4,836,313</b>	<b>5,510,428</b>	<b>136</b>	<b>9,447</b>	<b>40,705,387</b>

\*Includes prepayment of RM2,727

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

<u>Company</u>	<u>Cash and short-term funds</u> RM'000	<u>Deposits and placements with financial institutions</u> RM'000	<u>Derivatives financial instruments</u> RM'000	<u>Financial asset at FVTPL</u> RM'000	<u>Financial asset at FVOCI</u> RM'000	<u>Amount due from counter parties</u> RM'000	<u>Islamic financing assets</u> RM'000	<u>Mortgage assets- coventional</u> RM'000	<u>Mortgage assets- islamic</u> RM'000	<u>Hire purchase assets- islamic</u> RM'000	<u>Other assets</u> RM'000	<u>Total</u> RM'000
2020												
Government bodies					1,345,939						415	1,346,354
Financial institutions:												-
- Commercial banks	89,848	102,886	57,904	120,802	30,002	13,397,099	9,322,362					23,120,903
- Development					61,731		340,299					402,030
Communication, electricity, gas and water					166,516							166,516
Transportation					389,730							389,730
Leasing						672,096						672,096
Consumers								4,366,916	5,115,509	34		9,482,459
Corporate				72,664	238,790							311,454
Construction					62,703							62,703
Others					87,905						11,942	99,847
<b>Total</b>	<b>89,848</b>	<b>102,886</b>	<b>57,904</b>	<b>193,466</b>	<b>2,383,316</b>	<b>14,069,195</b>	<b>9,662,661</b>	<b>4,366,916</b>	<b>5,115,509</b>	<b>34</b>	<b>12,357</b>	<b>36,054,092</b>

\*Includes prepayment of RM2,374

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution (continued)

<u>Company</u>	<u>Cash and short-term funds</u> RM'000	<u>Derivatives financial instruments</u> RM'000	<u>Financial asset at FVTPL</u> RM'000	<u>Financial asset at FVOCI</u> RM'000	<u>Amount due from counter parties</u> RM'000	<u>Islamic financing assets</u> RM'000	<u>Mortgage assets- conventional</u> RM'000	<u>Mortgage assets- Islamic</u> RM'000	<u>Hire purchase assets- Islamic</u> RM'000	<u>Other assets</u> RM'000	<u>Total</u> RM'000
<u>2019</u>											
Government bodies	-	-	-	1,069,398	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	227,882	58,422	-	158,961	16,114,189	10,480,965	-	-	-	-	27,040,419
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	-	91,848	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	-	179,509	-	-	-	-	-	-	179,509
Transportation	-	-	-	384,292	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	141,383	221,164	-	-	-	-	-	-	362,547
Construction	-	-	-	35,615	-	-	-	-	-	-	35,615
Others	-	-	-	167,778	-	-	-	-	-	12,360*	180,138
<b>Total</b>	<b>322,000</b>	<b>58,422</b>	<b>141,383</b>	<b>2,308,565</b>	<b>16,657,154</b>	<b>10,842,232</b>	<b>4,836,313</b>	<b>5,510,428</b>	<b>136</b>	<b>12,829</b>	<b>40,689,462</b>

\*Includes prepayment of RM2,678

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:

- neither more than 90 days past due nor individually impaired; or
- more than 90 days past due but not individually impaired.

Neither more than 90 days past due nor individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets which is not past due and classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise of amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

<u>Group and Company</u>	<u>Neither more than 90 days past due nor individually impaired</u> RM'000	<u>More than 90 days past due but not individually impaired*</u> RM'000	<u>Total</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Total carrying value</u> RM'000	<u>Credit risk loans</u> RM'000	<u>Coverage ratio</u> %
<u>2020</u>							
Amount due from counterparties	14,069,214	-	14,069,214	19	14,069,195	-	-
Islamic financing assets	9,662,760	-	9,662,760	99	9,662,661	-	-
Mortgage assets:							
- Conventional	4,360,127	32,759	4,392,886	25,970	4,366,916	32,759	79
- Islamic	5,112,524	31,431	5,143,955	28,446	5,115,509	31,431	91
Hire purchase assets:							
- Islamic	10	36	46	12	34	36	33
	<u>33,204,635</u>	<u>64,226</u>	<u>33,268,861</u>	<u>54,546</u>	<u>33,214,315</u>	<u>64,226</u>	
<u>2019</u>							
Amount due from counterparties	16,657,213	-	16,657,213	59	16,657,154	-	-
Islamic financing assets	10,842,885	-	10,842,885	653	10,842,232	-	-
Mortgage assets:							
- Conventional	4,826,374	44,932	4,871,306	34,993	4,836,313	44,932	78
- Islamic	5,507,347	38,165	5,545,512	35,084	5,510,428	38,165	92
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100
- Islamic	112	36	148	12	136	36	33
	<u>37,833,931</u>	<u>83,135</u>	<u>37,917,066</u>	<u>70,803</u>	<u>37,846,263</u>	<u>83,135</u>	

\* These assets have been provided for under collective assessment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.2 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			
	2020		2019	
	<u>Strong</u>	<u>Total</u>	<u>Strong</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	14,069,214	14,069,214	16,657,213	16,657,213
Islamic financing assets	9,662,760	9,662,760	10,842,885	10,842,885
Mortgage assets:				
- Conventional	4,360,127	4,360,127	4,826,374	4,826,374
- Islamic	5,112,534	5,112,534	5,507,347	5,507,347
Hire purchase assets:				
- Islamic	10	10	112	112
	<u>33,204,645</u>	<u>33,204,645</u>	<u>37,833,931</u>	<u>37,833,931</u>

The amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets of the Group and the Company have been identified with strong credit risk quality which has a very high likelihood for full recovery.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.2 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 <u>120 days</u> RM'000	121 to <u>150 days</u> RM'000	151 to <u>180 days</u> RM'000	Over <u>180 days</u> RM'000	<u>Total</u> RM'000
<u>2020</u>					
Mortgage assets:					
- Conventional	1,384	1,987	1,076	28,312	32,759
- Islamic	1,527	1,868	1,442	26,594	31,431
Hire purchase assets:					
- Islamic	-	-	-	36	36
	<u>2,911</u>	<u>3,855</u>	<u>2,518</u>	<u>54,942</u>	<u>64,226</u>
<u>2019</u>					
Mortgage assets:					
- Conventional	5,093	2,869	1,721	35,249	44,932
- Islamic	5,158	1,665	1,517	29,825	38,165
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	-	36	36
	<u>10,251</u>	<u>4,534</u>	<u>3,238</u>	<u>65,112</u>	<u>83,135</u>

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial 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.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)**

	Group and Company			
	As at 1 <u>January</u> RM'000	Allowance/ (write-back) <u>made</u> RM'000	Allowance written-off to principal balance <u>outstanding</u> RM'000	As at 31 <u>December</u> RM'000
<u>2020</u>				
Amount due from counterparties	59	(40)		19
Islamic financing assets	653	(554)	-	99
Mortgage assets:				
- Conventional	34,993	(7,900)	(1,123)	25,970
- Islamic	35,084	(6,297)	(341)	28,446
Hire purchase assets:				
- Conventional	2	-	(2)	-
- Islamic	12	-	-	12
	<u>70,803</u>	<u>(14,791)</u>	<u>(1,466)</u>	<u>54,546</u>
<u>2019</u>				
Amount due from counterparties	67	(8)	-	59
Islamic financing assets	627	26	-	653
Mortgage assets:				
- Conventional	28,210	6,838	(55)	34,993
- Islamic	24,261	10,823	-	35,084
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	15	(3)	-	12
	<u>53,182</u>	<u>17,676</u>	<u>(55)</u>	<u>70,803</u>

**43.3 Amount due from related company**

None of these assets are impaired nor past due but not impaired.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.4 Credit quality**

The following table contains an analysis of credit exposure by stages, together with the impairment allowance provision:

	Group and Company					
<u>2020</u>	<u>GOM</u>	<u>AAA</u>	<u>AA1 to</u>	<u>No rating</u>	<u>Total</u>	<u>Impairment</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>AA2/AA+</u>	<u>RM'000</u>	<u>RM'000</u>	<u>allowance</u>
			<u>to AA</u>			<u>RM'000</u>
			<u>RM'000</u>			
Financial asset at FVOCI						
- Stage 1	1,719,367	423,357	240,592	-	2,383,316	77
Amount due from counterparties						
- Stage 1	-	7,596,290	6,472,924	-	14,069,214	19
Islamic financing assets						
- Stage 1		740,305	8,922,455	-	9,662,760	99
Mortgage assets:						
- Stage 1	-	-	-	4,358,528	4,358,528	15,154
- Stage 2	-	-	-	1,599	1,599	307
- Stage 3	-	-	-	32,759	32,759	10,509
	-	-	-	4,392,886	4,392,886	25,970
Islamic mortgage assets:						
- Stage 1	-	-	-	5,110,791	5,110,791	18,051
- Stage 2	-	-	-	1,733	1,733	312
- Stage 3	-	-	-	31,431	31,431	10,083
	-	-	-	5,143,955	5,143,955	28,446
Islamic hire purchase asset						
- Stage 1	-	-	-	10	10	-
- Stage 3	-	-	-	36	36	12
	-	-	-	46	46	12

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.4 Credit quality**

The following table contains an analysis of credit exposure by stages, together with the impairment allowance provision:

<u>2019</u>	<u>Group and Company</u>					
	<u>GOM</u>	<u>AAA</u>	<u>AA1 to AA2/AA+ to AA</u>	<u>No rating</u>	<u>Total</u>	<u>Impairment allowance</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Financial asset at FVOCI						
- Stage 1	514,044	1,459,617	289,788	-	2,263,449	128
- Stage 3	-	45,244	-	-	45,244	-
	<u>514,044</u>	<u>1,504,861</u>	<u>289,788</u>	<u>-</u>	<u>2,308,693</u>	<u>128</u>
Amount due from counterparties						
- Stage 1	-	11,070,691	5,586,522	-	16,657,213	59
	<u>-</u>	<u>11,070,691</u>	<u>5,586,522</u>	<u>-</u>	<u>16,657,213</u>	<u>59</u>
Islamic financing assets						
- Stage 1	-	2,268,430	8,574,455	-	10,842,885	653
	<u>-</u>	<u>2,268,430</u>	<u>8,574,455</u>	<u>-</u>	<u>10,842,885</u>	<u>653</u>
Mortgage assets:						
- Stage 1	-	-	-	4,805,936	4,805,936	17,640
- Stage 2	-	-	-	20,438	20,438	2,932
- Stage 3	-	-	-	44,932	44,932	14,421
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,871,306</u>	<u>4,871,306</u>	<u>34,993</u>
Islamic mortgage assets:						
- Stage 1	-	-	-	5,491,772	5,491,772	20,351
- Stage 2	-	-	-	15,575	15,575	2,497
- Stage 3	-	-	-	38,165	38,165	12,236
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,545,512</u>	<u>5,545,512</u>	<u>35,084</u>
Hire purchase asset						
- Stage 3	-	-	-	2	2	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>
Islamic hire purchase asset						
- Stage 1	-	-	-	112	112	-
- Stage 3	-	-	-	36	36	12
	<u>-</u>	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>	<u>12</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.5 Credit risk mitigation**

The Group and the Company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group and the Company will take possession of collateral to mitigate potential credit losses. Financial assets and related collateral held to mitigate potential losses are shown below:

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
<u>2020</u>				
Mortgage asset				
- Conventional	4,392,886	(25,970)	4,366,916	19,058,068
- Islamic	5,143,955	(28,446)	5,115,509	14,623,943
	<u>9,536,841</u>	<u>(54,416)</u>	<u>9,482,425</u>	<u>33,682,011</u>
<u>2019</u>				
Mortgage asset				
- Conventional	4,871,306	(34,993)	4,836,313	20,184,706
- Islamic	5,545,512	(35,084)	5,510,428	16,354,136
	<u>10,416,818</u>	<u>(70,077)</u>	<u>10,346,741</u>	<u>36,538,842</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 CREDIT RISK (CONTINUED)**

**43.6 Offsetting financial instruments**

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group and Company						
	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	Related amounts not set off in the statement of financial position		Net amount
	RM'000	RM'000	RM'000	Financial instrument	Cash collateral placed	RM'000
2020						
Derivatives financial liabilities	(45,963)	-	(45,963)	-	-	(45,963)
2019						
Derivatives financial liabilities	(152,309)	-	(152,309)	-	-	(152,309)

**44 LIQUIDITY RISK**

**44.1 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 LIQUIDITY RISK (CONTINUED)**

**44.2 Liquidity pool**

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Derivatives financial instruments RM'000	Amount due from counter- parties RM'000	Islamic financial- assets RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
<u>Group</u>											
2020	109,071	102,886	193,466	2,383,316	57,904	14,069,195	9,662,661	4,366,916	5,115,509	6,453	36,067,377
2019	341,307	-	141,383	2,308,565	58,422	16,657,154	10,842,232	4,836,313	5,510,428	6,905	40,702,709
<u>Company</u>											
2020	89,848	102,886	193,466	2,383,316	57,904	14,069,195	9,662,661	4,366,916	5,115,509	10,016	36,051,717
2019	322,000	-	141,383	2,308,565	58,422	16,657,154	10,842,232	4,836,313	5,510,428	10,287	40,686,784

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 LIQUIDITY RISK (CONTINUED)**

**44.3 Contractual maturity of financial liabilities**

The table below presents the cash flows payable by the Group and the Company under financial liabilities by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group and the Company manage the liquidity risk based on a different basis.

<u>Group</u>	<u>On demand up to one month RM'000</u>	<u>One to three months RM'000</u>	<u>Three to twelve months RM'000</u>	<u>One to five years RM'000</u>	<u>Over five years RM'000</u>	<u>Total RM'000</u>
<u>2020</u>						
Financial liabilities						
Unsecured bearer bonds and notes	451,740	1,361,537	5,966,897	9,362,359	1,886,402	19,028,935
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Other liabilities	130,788	2,106	-	-	-	132,894
	<u>889,200</u>	<u>3,321,088</u>	<u>8,597,905</u>	<u>17,940,915</u>	<u>4,341,972</u>	<u>35,091,080</u>
Assets held for managing liquidity risk	<u>565,436</u>	<u>2,471,462</u>	<u>9,875,649</u>	<u>20,140,893</u>	<u>7,760,615</u>	<u>40,814,055</u>
<u>2019</u>						
Financial liabilities						
Unsecured bearer bonds and notes	2,568	394,605	8,517,651	9,357,295	4,482,422	22,754,541
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Other liabilities	119,911	1,777	-	-	-	121,688
	<u>122,479</u>	<u>396,382</u>	<u>12,155,172</u>	<u>19,017,295</u>	<u>9,499,429</u>	<u>41,190,757</u>
Assets held for managing liquidity risk	<u>750,286</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,477,612</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 LIQUIDITY RISK (CONTINUED)**

**44.3 Contractual maturity of financial liabilities**

<u>Company</u>	<u>On demand up to one month</u> RM'000	<u>One to three months</u> RM'000	<u>Three to twelve months</u> RM'000	<u>One to five years</u> RM'000	<u>Over five years</u> RM'000	<u>Total</u> RM'000
<u>2020</u>						
Financial liabilities						
Unsecured bearer bonds and notes	450,984	1,361,537	5,288,003	9,362,359	1,886,402	18,349,285
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
Loans/financing from subsidiaries	862	-	677,930	-	-	678,792
Other liabilities	130,788	2,106	-	-	-	132,894
	<u>889,306</u>	<u>3,321,088</u>	<u>8,596,941</u>	<u>17,940,915</u>	<u>4,341,972</u>	<u>35,090,222</u>
Assets held for managing liquidity risk	<u>549,778</u>	<u>2,471,462</u>	<u>9,875,649</u>	<u>20,140,893</u>	<u>7,760,615</u>	<u>40,798,397</u>
<u>2019</u>						
Financial liabilities						
Unsecured bearer bonds and notes	-	395,000	6,203,375	9,079,958	4,482,422	20,160,755
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Loans/financing from subsidiaries	2,619	-	2,314,921	277,426	-	2,594,966
Other liabilities	119,574	1,777	-	-	-	121,351
	<u>122,193</u>	<u>396,777</u>	<u>12,155,817</u>	<u>19,017,384</u>	<u>9,499,429</u>	<u>41,191,600</u>
Assets held for managing liquidity risk	<u>734,410</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,461,736</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 LIQUIDITY RISK (CONTINUED)**

**44.4 Derivative liabilities**

The Group and the Company's derivatives comprise IRS, IPRS, CCS and ICCS entered by the Group and the Company for which cash flows are exchanged for hedging purposes.

The following table analyses the Group and the Company's derivatives financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group and Company					
	On demand up to one month RM'000	One to three months RM'000	One to twelve months RM'000	Over five years RM'000	five years RM'000	Total RM'000
<u>2020</u>						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	(3,433)	-	(1,028,926)	-	-	(1,032,359)
- Inflow	66	-	592,905	-	-	592,971
<u>2019</u>						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	-	(4,573)	12,791	(6,664)	19,452	21,006
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
- Outflow	-	-	(2,714,476)	-	-	(2,714,476)
- Inflow	-	-	2,460,503	168,044	-	2,628,547

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FOREIGN EXCHANGE RISK**

The Group and the Company are exposed to translation foreign exchange rate on its PWR assets and unsecured bearer bonds and notes denominated in currencies other than the functional currencies of the Group.

The Group hedges 100% of its foreign currency denominated unsecured bearer bonds and notes and Sukuk. The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manage its exposure by entering into derivatives contracts.

**45.1 Exposure to foreign currency risk**

	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>Group</u> <u>SGD</u> RM'000
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401
<u>2019</u>			
Derivatives financial instruments	355,910	1,550,156	694,748
Unsecured bearer bonds and notes	352,201	1,553,180	688,405
			<u>Company</u>
	<u>HKD</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000
<u>2020</u>			
Derivatives financial instruments	165,763	113,083	395,772
Loans/financing from subsidiary	163,296	112,839	395,624
<u>2019</u>			
Derivatives financial instruments	355,910	1,550,156	694,748
Loans/financing from subsidiary	352,503	1,553,622	688,841

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FOREIGN EXCHANGE RISK (CONTINUED)**

**45.2 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.

	Equity	Group Profit	Equity	Company Profit
	RM'000	RM'000	RM'000	RM'000
<u>2020</u>				
HKD	19	-	19	-
USD	2	-	2	-
SGD	1	-	1	-
	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
<u>2019</u>				
HKD	28	-	28	-
USD	(25)	-	(25)	-
SGD	45	1	45	1
	<u>48</u>	<u>1</u>	<u>48</u>	<u>1</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**46.1 Fair value of financial instruments carried at fair value**

Financial instruments comprise financial assets, financial liabilities and off statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivatives financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of the financial asset at FVTPL and FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS and CCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity's net exposure to the credit risk of the counterparty at the statement of financial position date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**46.1 Fair value of financial instruments carried at fair value (continued)**

	Group and Company			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2020</u>				
<u>Assets</u>				
Financial asset at FVOCI	-	2,383,316	-	2,383,316
Financial asset at FVTPL	-	193,466	-	193,466
Derivatives financial instruments	-	57,904	-	57,904
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Liabilities</u>				
Derivatives financial instruments	-	45,963	-	45,963
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>2019</u>				
<u>Assets</u>				
Financial asset at FVOCI	-	2,308,565	-	2,308,565
Financial asset at FVTPL	-	141,383	-	141,383
Derivatives financial instruments	-	58,422	-	58,422
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Liabilities</u>				
Derivatives financial instruments	-	152,309	-	152,309
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**46.2 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 financial institutions

The carrying amount of cash and short-term funds and deposits and placements with financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to one year.

- (b) Other financial assets

Other financial assets include other assets. The fair value of other financial assets is estimated at their carrying amount due to short tenure of less than one year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**46.2 Fair value of financial instruments carried other than fair value (continued)**

(c) Amount due from related company and subsidiaries

The fair value of amount due from related company is estimated at their carrying amount due to short tenure of less than one year.

(d) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount due to short tenure of less than one year.

The estimated fair values of the Group's and the Company's financial instruments approximated their carrying values in the statement of financial position except for the following

	2020		Group 2019	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Amount due from counterparties	14,069,195	14,306,042	16,657,154	16,928,121
Islamic financing assets	9,662,661	9,746,090	10,842,232	10,913,242
Mortgage assets:				
- Conventional	4,366,916	5,120,149	4,836,313	5,524,220
- Islamic	5,115,509	6,104,280	5,510,428	6,386,388
Islamic hire purchase assets	34	48	136	250
	<u>33,214,315</u>	<u>35,276,609</u>	<u>37,846,263</u>	<u>39,752,221</u>
<u>Financial liabilities</u>				
Unsecured bearer bonds and notes	17,482,979	18,236,203	20,661,027	21,377,151
Sukuk	14,063,392	14,886,518	15,849,883	16,494,980
	<u>31,546,371</u>	<u>33,122,721</u>	<u>36,510,910</u>	<u>37,872,131</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**46.2 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):

	2020		Company 2019	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Amount due from counterparties	14,069,195	14,306,042	16,657,154	16,928,121
Islamic financing assets	9,662,661	9,746,090	10,842,232	10,913,242
Mortgage assets:				
- Conventional	4,366,916	5,120,149	4,836,313	5,524,220
- Islamic	5,115,509	6,104,280	5,510,428	6,386,388
Islamic hire purchase assets	34	48	136	250
	<u>33,214,315</u>	<u>35,276,609</u>	<u>37,846,263</u>	<u>39,752,221</u>
<u>Financial liabilities</u>				
Unsecured bearer bonds and notes	16,811,578	17,560,752	18,067,241	18,724,109
Sukuk	14,063,392	14,886,518	15,849,883	16,494,980
Loans/financing from subsidiaries	671,757	681,388	2,594,966	2,628,073
	<u>31,546,727</u>	<u>33,128,658</u>	<u>36,512,090</u>	<u>37,847,162</u>

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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**46.2 Fair value of financial instruments carried other than fair value (continued)**

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

The fair value of the 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.

**47 SEGMENT REPORTING**

The Chief Executive Officer (the chief operating decision maker) of the Company makes strategic decisions and allocation of resources on behalf of the Group and the Company. The Group and the Company have determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

**(a) PWR**

Under the PWR scheme, the Group and the Company purchase the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group and the Company. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

**(b) PWOR**

Under the PWOR scheme, the Group and the Company purchase the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest/profit and gains on the appreciation in the value of investments.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

There were no changes in the reportable segments during the financial year.

<u>2020</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Group</u> <u>Total</u> <u>RM'000</u>
External revenue	1,096,225	632,876	1,729,101
External interest/profit expense	(894,783)	(498,217)	(1,393,000)
Profit from operations	165,530	135,861	301,391
Zakat	(897)	(358)	(1,255)
Taxation	(44,069)	(32,145)	(76,214)
Profit after taxation and zakat by Segment	120,564	103,358	223,922
Segment assets	25,874,052	10,310,229	36,184,281
Segment liabilities	23,015,581	9,009,907	32,025,488
<u>Other information:</u>			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

There were no changes in the reportable segments during the financial year.

<u>2019</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Group</u> <u>Total</u> <u>RM'000</u>
External revenue	1,313,343	713,207	2,026,550
External interest/profit expense	(1,058,954)	(531,558)	(1,590,512)
Profit from operations	164,724	153,274	317,998
Zakat	(673)	(253)	(926)
Taxation	(50,927)	(25,745)	(76,672)
Profit after taxation and zakat by Segment	113,124	127,276	240,400
Segment assets	29,613,843	11,120,827	40,734,670
Segment liabilities	26,280,811	10,527,617	36,808,428
<u>Other information:</u>			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

There were no changes in the reportable segments during the financial year.

<u>2020</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Company</u> <u>Total</u> <u>RM'000</u>
External revenue	1,096,225	632,876	1,729,101
Internal interest/profit expense	(37,479)	-	(37,479)
External interest/profit expense	(857,677)	(498,217)	(1,355,894)
Total interest/profit expense	(895,156)	(498,217)	(1,393,373)
Profit from operations	165,507	135,861	301,368
Zakat	(897)	(358)	(1,255)
Taxation	(44,027)	(32,145)	(76,172)
Profit after taxation and zakat by segment	120,583	103,358	223,941
Segment assets	25,858,383	10,310,226	36,168,609
Segment liabilities	23,015,488	9,009,906	32,025,394
<u>Other information:</u>			
Capital expenditure	2,485	991	3,476
Depreciation and amortisation	4,380	1,747	6,127

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR (continued)**

There were no changes in the reportable segments during the financial year.

<u>2020</u>	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Company</u> <u>Total</u> <u>RM'000</u>
External revenue	1,313,343	713,207	2,026,550
Internal interest/profit expense	(129,954)	-	(129,954)
External interest/profit expense	(934,100)	(531,558)	(1,465,658)
Total interest/profit expense	(1,064,054)	(531,558)	(1,595,612)
Profit from operations	159,979	153,274	313,253
Zakat	(673)	(253)	(926)
Taxation	(49,756)	(25,746)	(75,502)
Profit after taxation and zakat by segment	109,550	127,275	236,825
Segment assets	29,597,920	11,120,825	40,718,745
Segment liabilities	26,280,483	10,527,617	36,808,100
<u>Other information:</u>			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 CAPITAL ADEQUACY**

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholder and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprise of two tiers:

- (a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and
- (b) Tier 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common equity tier 1 ("CET1") and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET1 capital ratio	43.6	29.3	43.4	29.1
Tier 1 capital ratio	43.6	29.3	43.4	29.1
Total capital ratio	45.3	30.7	45.1	30.5
<u>After deducting proposed final dividend*</u>				
CET1 capital ratio	43.4	29.1	43.2	29.0
Tier 1 capital ratio	43.4	29.1	43.2	29.0
Total capital ratio	45.0	30.5	44.9	30.4

\* Refers to proposed final dividend which will be declared after the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 CAPITAL ADEQUACY**

Components of CET1, Tier 1 and Tier 2 capital:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,925,320	3,731,398	3,909,742	3,715,801
	<u>4,075,320</u>	<u>3,881,398</u>	<u>4,059,742</u>	<u>3,865,801</u>
Financial asset at FVOCI reserves	32,585	16,909	32,585	16,909
Deferred tax assets	(23,330)	(17,451)	(23,330)	(17,451)
Less: Regulatory reserves	(99,778)	(109,779)	(99,778)	(109,779)
	<u>3,984,797</u>	<u>3,771,077</u>	<u>3,969,219</u>	<u>3,755,480</u>
Tier 2 capital				
Allowance for impairment losses	54,623	71,037	54,623	71,037
Add: Regulatory reserves	99,778	109,779	99,778	109,779
Total Tier 2 capital	<u>154,401</u>	<u>180,816</u>	<u>154,401</u>	<u>180,816</u>
Total capital	<u><u>4,139,198</u></u>	<u><u>3,951,893</u></u>	<u><u>4,123,620</u></u>	<u><u>3,936,296</u></u>

The breakdown of risk-weighted assets by each major risk category is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Credit risk	8,464,774	12,197,228	8,464,480	12,196,749
Operational risk	673,290	694,875	673,290	694,875
Total risk-weighted assets	<u><u>9,138,064</u></u>	<u><u>12,892,103</u></u>	<u><u>9,137,770</u></u>	<u><u>12,891,624</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS**

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	(a)	53,643	136,916	53,633	136,900
Financial asset at fair value through other comprehensive income (FVOCI)	(b)	319,278	461,841	319,278	461,841
Financial asset at fair value through profit or loss (FVTPL)		120,802	-	120,802	-
Derivative financial instruments		-	1,711	-	1,711
Financing assets	(c)	9,662,661	10,842,232	9,662,661	10,842,232
Mortgage assets	(d)	5,113,267	5,507,533	5,113,267	5,507,533
Hire purchase assets	(e)	26	132	26	132
Other assets and prepayments		289,112	289,358	291,524	291,756
Tax recoverable		40,462	-	40,462	-
<b>TOTAL ASSETS</b>		<b>15,599,251</b>	<b>17,239,723</b>	<b>15,601,653</b>	<b>17,242,105</b>
<b>LIABILITIES</b>					
Derivative financial instruments		9,287	4,369	9,287	4,369
Other liabilities	(f)	10,473	9,989	9,270	8,918
Provision for taxation		-	4,168	-	4,168
Deferred taxation		86,943	26,238	86,943	26,238
Sukuk	(g)	14,063,392	15,849,883	14,063,392	15,849,883
<b>TOTAL LIABILITIES</b>		<b>14,170,095</b>	<b>15,894,647</b>	<b>14,168,892</b>	<b>15,893,576</b>
<b>ISLAMIC OPERATIONS' FUNDS</b>		<b>1,429,156</b>	<b>1,345,076</b>	<b>1,432,761</b>	<b>1,348,529</b>
<b>TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS</b>		<b>15,599,251</b>	<b>17,239,723</b>	<b>15,601,653</b>	<b>17,242,105</b>

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
Total income attributable		770,621	777,833	770,621	777,833
Income attributable to the sukuk holders	(h)	(659,015)	(641,755)	(659,015)	(641,755)
Non-profit income/ (expense)		943	(2,420)	943	(2,420)
Total net income attributable	(i)	112,549	133,658	112,549	133,658
Administration and general expenses		(2,466)	(108)	(2,314)	24
Write-back/(allowance) of impairment losses	(j)	6,971	(11,001)	6,971	(11,001)
<b>PROFIT BEFORE TAXATION AND ZAKAT</b>		117,054	122,549	117,206	122,681
Zakat		(1,255)	(926)	(1,255)	(926)
Taxation		(30,173)	(58,946)	(30,173)	(58,946)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		85,626	62,677	85,778	62,809



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	85,626	62,677	85,778	62,809
<u>Other comprehensive income:</u>				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	3,875	4,505	3,875	4,505
- Deferred taxation	(929)	(1,082)	(929)	(1,082)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	(5,911)	766	(5,911)	766
- Deferred taxation	1,419	(184)	1,419	(184)
Other comprehensive loss/ (gain) for the financial year net of taxation	(1,546)	4,005	(1,546)	4,005
Total comprehensive income for the financial year	84,080	66,682	84,232	66,814

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

<u>Group</u>	<u>Allocated capital funds</u> RM'000	<u>Financial asset at FVOCI reserve</u> RM'000	<u>Non-distributable</u>		<u>Distributable</u>	<u>Total</u> RM'000
			<u>Cashflow hedge reserve</u> RM'000	<u>Regulatory reserve</u> RM'000	<u>Retained profits</u> RM'000	
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	990,606	1,345,076
Profit for the financial year	-	-	-	-	85,626	85,626
Other comprehensive income	-	2,946	(4,492)	-	-	(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,626	84,080
Transfer to retained profits	-	-	-	(4,626)	4,626	-
Balance as at 31 December 2020	<u>294,159</u>	<u>6,853</u>	<u>(6,649)</u>	<u>53,935</u>	<u>1,080,858</u>	<u>1,429,156</u>
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	910,477	1,278,394
Profit for the financial year	-	-	-	-	62,677	62,677
Other comprehensive income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,677	66,682
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	<u>294,159</u>	<u>3,907</u>	<u>(2,157)</u>	<u>58,561</u>	<u>990,606</u>	<u>1,345,076</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

<u>Company</u>	<u>Non-distributable</u>				<u>Distributable</u>	<u>Total</u> RM'000
	<u>Allocated capital funds</u> RM'000	<u>Financial asset at FVOCI reserve</u> RM'000	<u>Cashflow hedge reserve</u> RM'000	<u>Regulatory reserve</u> RM'000	<u>Retained profits</u> RM'000	
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	994,059	1,348,529
Profit for the financial year	-	-	-	-	85,778	85,778
Other comprehensive Income	-	2,946	(4,492)	-	-	(1,546)
Total comprehensive income for the financial year	-	2,946	(4,492)	-	85,778	84,232
Transfer to retained profits	-	-	-	(4,626)	4,626	-
Balance as at 31 December 2020	<u>294,159</u>	<u>6,853</u>	<u>(6,649)</u>	<u>53,935</u>	<u>1,084,463</u>	<u>1,432,761</u>
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	913,798	1,281,715
Profit for the financial year	-	-	-	-	62,809	62,809
Other comprehensive Income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,809	66,814
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	<u>294,159</u>	<u>3,907</u>	<u>(2,157)</u>	<u>58,561</u>	<u>994,059</u>	<u>1,348,529</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	117,054	122,549	117,206	122,681
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
Financial asset at FVOCI Sukuk	(6,255) (7,568)	(4,568) (13,149)	(6,255) (7,568)	(4,568) (13,149)
Accretion of discount on:				
Mortgage assets	(86,903)	(94,913)	(86,903)	(94,913)
Hire purchases	-	-	-	-
Allowance/(write-back) of impairment losses on:				
Cash and short-term funds	(105)	105	(105)	105
Financial asset at FVOCI	(7)	9	(7)	9
Financing assets	(554)	67	(554)	67
Mortgage assets and hire purchase assets	(6,636)	10,820	(6,636)	10,820
Income from:				
Financial asset at FVOCI	(11,829)	(10,788)	(11,829)	(10,788)
- Islamic operations	(660,654)	(667,559)	(660,654)	(667,559)
Income from derivatives	(39,284)	(46,307)	(39,284)	(46,307)
Profit attributable to Sukuk holders	666,583	641,755	666,583	641,755
Profit attributable to derivatives	38,293	47,423	38,293	47,423
Gain on disposal of financial asset at FVOCI	(670)	(22)	(670)	(22)
Operating loss before working capital changes	1,465	(14,578)	1,617	(14,446)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Change in financing assets	1,169,597	(1,354,168)	1,169,597	(1,354,168)
Change in mortgage assets	478,968	494,034	478,968	494,034
Change in hire purchase assets	106	158	106	158
Change in other assets and prepayments	353	(786,316)	339	(786,409)
Change in derivatives	-	(3,532)	-	(3,532)
Change in other liabilities	154	(661)	22	(677)
Cash utilised in operating activities	1,650,643	(1,665,063)	1,650,649	(1,665,040)
Profit received from assets	679,217	1,464,598	679,217	1,464,598
Profit received from derivatives	45,712	49,957	45,712	49,957
Profit paid on derivatives	(44,003)	(48,042)	(44,003)	(48,042)
Payment of:				
Taxation	(13,609)	(25,134)	(13,609)	(25,134)
Zakat	(926)	(734)	(926)	(734)
Net cash generated from/ (utilised in) operations	2,317,034	(224,418)	2,317,040	(224,395)
<b>INVESTING ACTIVITIES</b>				
Purchase of financial asset at FVTPL	(280,000)	-	(280,000)	-
Purchase of financial asset at FVOCI	(1,717,161)	(1,110,495)	(1,717,161)	(1,110,495)
Net proceeds from sale/ redemption of financial asset at FVTPL	159,402		159,402	-
Net proceeds from sale/ redemption of financial asset at FVOCI	1,870,956	1,003,564	1,870,956	1,003,564
Income received from financial asset at FVTPL	598	-	598	-
Income received from financial asset at FVOCI	11,404	11,045	11,404	11,045
Net cash generated from/ (utilised in) investing activities	45,199	(95,886)	45,199	(95,886)

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<b>FINANCING ACTIVITY</b>				
Proceed from issuance of Sukuk	3,085,000	3,995,000	3,085,000	3,995,000
Redemption of Sukuk	(4,845,000)	(2,932,000)	(4,845,000)	(2,932,000)
Repayment of financing from subsidiary		-		-
Profit paid to sukuk holders	(685,506)	(650,195)	(685,506)	(650,195)
Net cash (utilised in)/ generated from financing activity	(2,445,506)	412,805	(2,445,506)	412,805
Net change in cash and cash equivalents	(83,273)	92,501	(83,267)	92,524
Cash and cash equivalents as at 1 January	136,916	44,415	136,900	44,376
Cash and cash equivalents as at 31 December	53,643	136,916	53,633	136,900
<u>Group and Company</u>			<u>Sukuk</u>	<u>Total</u>
			RM'000	RM'000
<u>2020</u>				
As at 1 January			15,849,883	15,849,883
Proceeds from issuance			3,085,000	3,085,000
Repayment and redemption			(4,845,000)	(4,845,000)
Profit paid			(685,506)	(685,506)
Other non-cash movement			659,015	659,015
As at 31 December			14,063,392	14,063,392
<u>2019</u>				
As at 1 January			14,808,472	14,808,472
Proceeds from issuance			3,995,000	3,995,000
Repayment and redemption			(2,932,000)	(2,932,000)
Profit paid			(650,195)	(650,195)
Other non-cash movement			628,606	628,606
As at 31 December			15,849,883	15,849,883

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(a) Cash and short-term funds*

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with bank and other financial institutions	180	638	170	622
Mudharabah money at call and deposit placements maturing within one month	53,463	136,383	53,463	136,383
	<u>53,643</u>	<u>137,021</u>	<u>53,633</u>	<u>137,005</u>
Less: Allowance for impairment losses	-	(105)	-	(105)
	<u>53,643</u>	<u>136,916</u>	<u>53,633</u>	<u>136,900</u>

The gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	105	-
Allowance during the year on new investments	(105)	105
As at 31 December	<u>-</u>	<u>105</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(b) Financial asset at FVOCI*

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<i>At fair value:</i>		
Sukuk	107,561	73,908
Government investment issues	123,159	214,409
Quasi Government Sukuk	88,558	173,524
	<u>319,278</u>	<u>461,841</u>

The maturity structure of financial asset at FVOCI as follows:

Maturing within one year	99,139	281,479
One to three years	119,458	81,270
Three to five years	20,880	67,077
More than five years	79,801	32,024
	<u>319,278</u>	<u>461,850</u>
Less:		
Allowance for impairment losses	-	(9)
	<u>319,278</u>	<u>461,841</u>

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. In 2020, the ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

By stage of allocation:	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	<u>319,278</u>	<u>3</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	<u>461,841</u>	<u>9</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(b) Financial asset at FVOCI (continued)*

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	2020	2019
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	9	-
Allowance during the year on new assets purchased	3	-
Loans derecognised during the year due to maturity of assets	(9)	-
(Write-back)/allowance during the year due to changes in credit risk	-	9
As at 31 December	<u>3</u>	<u>9</u>

*(c) Financing assets*

House financing	<u>9,662,661</u>	<u>10,842,232</u>
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The maturity structure of financing assets are as follows:

Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	<u>9,662,760</u>	<u>10,842,885</u>
Less:		
Allowance for impairment losses	(99)	(653)
	<u>9,662,661</u>	<u>10,842,232</u>

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	2020	2019
	RM'000	RM'000
As at 1 January	653	586
Allowance during the year on new assets purchased	3	87
Loans derecognised during the year due to maturity of assets	(3)	(4)
Allowance during the year due to changes in credit risk	(554)	(16)
As at 31 December	<u>99</u>	<u>653</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets*

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
PWOR	<u>5,113,267</u>	<u>5,507,533</u>
The maturity structure of mortgage assets are as follows:		
Maturing within one year	637,154	637,777
One to three years	805,470	816,574
Three to five years	765,669	785,595
More than five years	2,933,415	3,302,664
	<u>5,141,708</u>	<u>5,542,610</u>
Less:		
Allowance for impairment losses	<u>(28,441)</u>	<u>(35,077)</u>
	<u>5,113,267</u>	<u>5,507,533</u>

The gross carrying value of mortgage assets by stage of allocation are as follows;

By stage of allocation:	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	5,108,544	18,046
Stage 2 (Lifetime ECL; non-credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
	<u>5,141,708</u>	<u>28,441</u>
As at 31 December		
Impairment allowance over gross carrying value (%)		<u>0.55</u>
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	5,490,661	20,344
Stage 2 (Lifetime ECL; non-credit impaired)	15,036	2,497
Stage 3 (Lifetime ECL; credit impaired)	36,913	12,236
	<u>5,542,610</u>	<u>35,077</u>
As at 31 December		
Impairment allowance over gross carrying value (%)		<u>0.63</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets (continued)*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

<u>2020</u>	<u>Group and Company</u>			
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
As at 1 January	20,344	2,497	12,236	35,077
<u>Transfer between stages:</u>				
Transfer to 12-month ECL (Stage 1)	100	(1,964)	(4,143)	(6,007)
Transfer to ECL not credit impaired (Stage 2)	(7)	299	(34)	258
Transfer to ECL credit impaired (Stage 3)	(55)	(126)	4,695	4,514
Total transfer between stages	<u>38</u>	<u>(1,791)</u>	<u>518</u>	<u>(1,235)</u>
Financing derecognised during the year (other than write-offs)	(685)	(374)	(2,265)	(3,324)
Allowance/ (write-back) during the year due to changes in credit risk	(1,651)	(20)	(65)	(1,736)
Amount written-off	<u>-</u>	<u>-</u>	<u>(341)</u>	<u>(341)</u>
As at 31 December	<u>18,046</u>	<u>312</u>	<u>10,083</u>	<u>28,441</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(d) Mortgage assets (continued)*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows (continued):

<u>2019</u>	<u>Group and Company</u>			
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
As at 1 January	8,477	775	15,002	24,254
<u>Transfer between stages:</u>				
Transfer to 12-month ECL (Stage 1)	7,951	(2,430)	(5,521)	-
Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	<u>1,596</u>	<u>(1,854)</u>	<u>258</u>	<u>-</u>
Financing derecognised during the year (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	<u>10,439</u>	<u>3,613</u>	<u>(915)</u>	<u>13,137</u>
As at 31 December	<u><u>20,344</u></u>	<u><u>2,497</u></u>	<u><u>12,236</u></u>	<u><u>35,077</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(e) Hire purchase assets*

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
PWOR	26	132

The maturity structure of hire purchase assets are as follows:

Maturing within one year	37	143
Less: Allowance for impairment losses	(11)	(11)
	26	132

The gross carrying value of hire purchase assets by stage of allocation are as follows;

<u>By stage of allocation:</u>	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
<u>2020</u>		
Stage 1 (12-month ECL; non-credit impaired)	3	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	37	11
Impairment allowance over gross carrying value (%)		29.73
<u>2019</u>		
Stage 1 (12-month ECL; non-credit impaired)	107	-
Stage 3 (Lifetime ECL; credit impaired)	36	11
As at 31 December	143	11
Impairment allowance over gross carrying value (%)		7.69

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(e) Hire purchase assets*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Stage 1</u>	<u>Stage 3</u>	<u>Group</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
<u>2020</u>			
As at 1 January	-	11	11
Financing derecognised during the year (other than write-offs)	-	-	-
Allowance during the year due to changes in credit risk	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>11</u>	<u>11</u>
<u>2019</u>			
As at 1 January	-	14	14
Financing derecognised during the year (other than write-offs)	-	(10)	(10)
Allowance during the year due to changes in credit risk	-	7	7
	<u>-</u>	<u>7</u>	<u>7</u>
As at 31 December	<u>-</u>	<u>11</u>	<u>11</u>

*(f) Other liabilities*

	<u>Group</u>	<u>Company</u>
	<u>2020</u>	<u>2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Zakat	2,106	1,777
Other payables	8,367	8,212
	<u>10,473</u>	<u>9,989</u>
	<u>10,473</u>	<u>9,989</u>
	<u>9,270</u>	<u>8,918</u>
	<u>9,270</u>	<u>8,918</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(g) Sukuk*

	<u>Group and Company</u>	
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Commercial papers	847,256	906,587
Medium-term notes	13,216,135	14,943,296
	<u>14,063,391</u>	<u>15,849,883</u>
The maturity structure of sukuk are as follows:		
Maturing within one year	4,498,391	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	<u>14,063,391</u>	<u>15,849,883</u>

*(h) Income attributable to the sukuk holders*

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Mortgage assets	229,661	248,687	229,661	248,687
Hire purchase assets	140	188	140	188
Financing assets	429,214	392,880	429,214	392,880
	<u>659,015</u>	<u>641,755</u>	<u>659,015</u>	<u>641,755</u>
Income attributable to sukuk holders analysed by concept:				
Bai Al-Dayn	<u>659,015</u>	<u>641,755</u>	<u>659,015</u>	<u>641,755</u>

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(i) Total net income attributable*

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	82,332	98,793	82,332	98,793
Hire purchase assets	(178)	(182)	(178)	(182)
Financing assets	5,588	17,792	5,588	17,792
Financial asset at FVOCI	18,753	15,356	18,753	15,356
Financial asset at FVTPL	800	-	800	-
Deposit and placements with financial institutions	4,311	4,319	4,311	4,319
Non-profit expense	943	(2,420)	943	(2,420)
	<u>112,549</u>	<u>133,658</u>	<u>112,549</u>	<u>133,658</u>

Total net income attributable analysed  
by concept are as follows:

Bai Al-Dayn	89,485	113,983	89,485	113,983
Murabahah	9,138	9,953	9,138	9,953
Ijarah	355	210	355	210
Mudharabah	7,579	3,600	7,579	3,600
Musyarakah	1,975	1,962	1,975	1,962
Wakalah	628	1,950	628	1,950
Bai Bithaman Ajil	332	-	332	-
Tawarruq	1,840	-	1,840	-
Qard Al-Hasan	1,217	2,000	1,217	2,000
	<u>112,549</u>	<u>133,658</u>	<u>112,549</u>	<u>133,658</u>

*(j) Capital adequacy*

	Group		Company	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET1	29.3	19.8	29.3	19.8
Tier 1 capital ratio	29.3	19.8	29.3	19.8
Total capital ratio	<u>31.0</u>	<u>21.2</u>	<u>31.1</u>	<u>21.3</u>
<u>After deducting proposed* final dividend</u>				
CET1 capital ratio	29.3	19.8	29.3	19.8
Tier 1 capital ratio	29.3	19.8	29.3	19.8
Total capital ratio	<u>31.0</u>	<u>21.2</u>	<u>31.1</u>	<u>21.3</u>



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(k) Capital adequacy (continued)*

Components of CET1, Tier 1 and Tier 2 capital:

	<u>Group</u>		<u>Company</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	1,134,793	1,049,167	1,138,398	1,052,620
	<u>1,428,952</u>	<u>1,343,326</u>	<u>1,432,557</u>	<u>1,346,779</u>
Financial asset at FVOCI reserves	3,084	1,758	3,084	1,758
Deferred tax assets	(9,367)	(5,985)	(9,367)	(5,985)
Less: Regulatory reserves	(53,935)	(58,561)	(53,935)	(58,561)
Total CET1/Tier 1 capital	<u>1,368,734</u>	<u>1,280,538</u>	<u>1,372,339</u>	<u>1,283,991</u>
Tier 2 capital:				
Add: Regulatory reserves	53,935	58,561	53,935	58,561
Allowance for impairment losses	28,560	35,864	28,560	35,864
Total Tier 2 capital	<u>82,495</u>	<u>94,425</u>	<u>82,495</u>	<u>94,425</u>
Total capital	<u>1,451,229</u>	<u>1,374,963</u>	<u>1,454,834</u>	<u>1,378,416</u>
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,455,755	6,244,654	4,458,163	6,247,049
Operational risk	220,114	233,760	220,114	233,760
Total risk-weighted assets	<u>4,675,869</u>	<u>6,478,414</u>	<u>4,678,277</u>	<u>6,480,809</u>

\* Refers to proposed final dividend which will be declared after the financial year.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**49 ISLAMIC OPERATIONS (CONTINUED)**

*(I) Shariah advisor*

The Group and the Company consult and obtain endorsements/clearance from an independent Shariah Advisor for all the Islamic products, transactions and operations to ensure compliance with Shariah requirements. From regulatory standpoint, the Group and the Company do not have direct access to the Shariah Advisory Council ("SAC") of BNM and/or the Securities Commission of Malaysia ("SC") (collectively referred as SACs), for Shariah ruling/advice. Where applicable, the Group and the Company will obtain the approval of the SACs through counterparty or intermediary that falls under the purview of BNM, and/or through the principal adviser of sukuk programme for submission of the Islamic financial products.

**50 CHANGE IN COMPARATIVES**

Certain comparatives were reclassified to conform to the current financial year's presentation. The Group and the Company's retained profit brought forward and net assets are not affected by the reclassifications made.

The impact of the above on the financial statements of the Group and the Company are set out as follows:

i) Impact on the Group and the Company income statements for the financial year ended 31 December 2019

<u>2019</u>	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
<u>Group</u>			
Interest expense	(948,756)	(2,523)	(951,279)
Non-interest expense	(41,357)	2,523	(38,834)
<u>Company</u>			
Interest expense	(953,857)	(2,523)	(956,380)
Non-interest expense	(41,364)	2,523	(38,841)

The reclassification was made to classify interest expense on lease liability from non-interest expense into interest expense.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 CHANGE IN COMPARATIVES (CONTINUED)**

- ii) Impact on the Group and the Company's statement of cash flows for the financial year ended 31 December 2019

<u>2019</u>	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
<u>Group</u>			
Cash generated from operations	4,426,459	2,648	4,429,107
Net cash generated from operating activities	6,046,688	2,648	6,049,336
Net cash utilised in financing activity	(5,985,536)	(2,648)	(5,988,184)
<u>Company</u>			
Cash generated from operations	4,421,908	2,648	4,424,556
Net cash generated from operating activities	6,042,157	2,648	6,044,805
Net cash utilised in financing activity	(5,985,566)	(2,648)	(5,988,214)

The reclassification was made to classify interest expense on lease liability from non-interest expense into financing activities.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 CHANGE IN COMPARATIVES (CONTINUED)**

iii) Impact on the Group and the Company's disclosure to the financial statement for the financial year ended 31 December 2019

(a) Mortgage assets - Conventional

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
Purchase without recourse ("PWOR")	<u>4,836,313</u>	<u>-</u>	<u>4,836,313</u>
The maturity structure of mortgage assets - Conventional are as follows:			
Maturing within one year	879,063	(108,366)	770,697
One to three years	1,114,449	(164,801)	949,648
Three to five years	933,455	(123,254)	810,201
More than five years	<u>2,527,182</u>	<u>(186,422)</u>	<u>2,340,760</u>
	5,454,149	(582,843)	4,871,306
Less:			
Unaccreted discount	(573,446)	573,446	-
Net advance received	(9,397)	9,397	-
Allowance for impairment losses	<u>(34,993)</u>	<u>-</u>	<u>(34,993)</u>
	<u>4,836,313</u>	<u>-</u>	<u>4,836,313</u>

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**50 CHANGE IN COMPARATIVES (CONTINUED)**

- iii) Impact on the Group and the Company's disclosure to the financial statement for the financial year ended 31 December 2019

(b) Mortgage assets - Islamic

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
Purchase without recourse ("PWOR")	5,510,428	-	5,510,428
The maturity structure of mortgage assets - Islamic are as follows:			
Maturing within one year	732,210	(93,585)	638,625
One to three years	967,240	(149,741)	817,499
Three to five years	905,246	(118,992)	786,254
More than five years	3,557,112	(253,978)	3,303,134
	6,161,808	(616,296)	5,545,512
Less:			
Unaccreted discount	(609,631)	609,631	-
Net advance received	(6,665)	6,665	-
Allowance for impairment losses	(35,084)	-	(35,084)
	5,510,428	-	5,510,428

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.

(c) Lease liability

<u>2019</u>	<u>Group and Company</u>		
	<u>As previously reported</u> RM'000	<u>Reclassification</u> RM'000	<u>As restated</u> RM'000
As at 1 January, as restated	4,916	-	4,916
Lease liability interest charged	(125)	125	-
Lease obligation interest expense	-	2,523	2,523
Lease obligation repayment	-	(2,648)	(2,648)
As at 31 December	4,791	-	4,791

The reclassification was made to classify interest expense on lease liability from non interest expense into financing activities.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**51 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures taken by the Government of Malaysia to contain the virus have affected economic activity. The Group has taken a number of safety and health measures to prevent the effects of the COVID-19 virus such as social distancing and working from home. The impact on the Group and Company's businesses and results is limited.

**52 SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR**

On 13 January 2021, the Government of Malaysia re-instituted a movement control order. At this juncture, the impact on the Group and Company's businesses and results is limited. We will continue to follow the various government's instituted policies and advice and in parallel will do our utmost to continue the Group's operations in the best and safest way possible without jeopardising the health of our employees.

**53 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 March 2021.

Registration No.

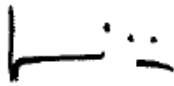
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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Bakarudin Ishak and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 148 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 2020 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.



DATO' BAKARUDIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR

Registration No.

198601008739 (157931-A)

CAGAMAS BERHAD  
(Incorporated in Malaysia)

STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Azizi Ali, 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 148 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.

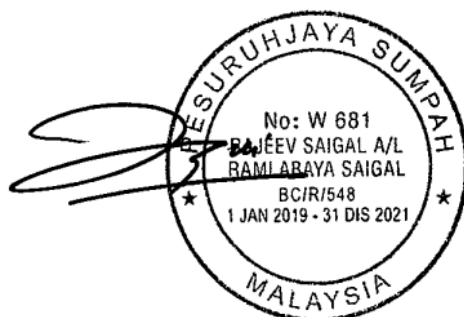


AZIZI ALI  
MIA No. CA-30674

Subscribed and solemnly declared by the abovenamed Azizi Ali at Kuala Lumpur in Malaysia on

25 MAR 2021

Before me,  
COMMISSIONER FOR OATHS



NO. A-31-11, LEVEL 31,  
TOWER A, MENARA UOA BANGSAR,  
NO. 5, JALAN BANGSAR UTAMA 1,  
BANGSAR, 59000 KUALA LUMPUR





INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD  
(Incorporated in Malaysia)  
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

**In our opinion, the financial statements of Cagamas Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.**

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 148.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the **“Auditors’ responsibilities for the audit of the financial statements”** section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, [www.pwc.com/my](http://www.pwc.com/my)*



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

**Information other than the financial statements and auditors' report thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the **Company and our auditors' report thereon.**

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the financial statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible **for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.**

**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.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 198601008739 (157931-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

**Auditors' responsibilities for the audit of the financial statements** (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an **opinion on the effectiveness of the Group's and of the Company's internal control**.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) **Conclude on the appropriateness of the Directors' use of the going concern basis of accounting** and, based on the audit evidence obtained, whether a material uncertainty exists related to **events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern**. If we conclude that a material uncertainty exists, we are required **to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.** However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 198601008739 (157931 A)

**Auditors' responsibilities for the audit of the financial statements** (continued)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

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  
LLP0014401-LCA & AF 1146  
Chartered Accountants

LEE TZE WOON KELVIN  
03482/01/2022 J  
Chartered Accountant

Kuala Lumpur  
25 March 2021

Registration No.

198601008739 (157931 A)
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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Lodged by:  
CAGAMAS BERHAD  
Registration number: 198601008739 (157931-A)  
Level 32, The Gardens North Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur.  
Tel. +603 2262 1800 Fax. +603 2282 9125

Registration No.

198601008739

(157931 A)

## CAGAMAS BERHAD

(Incorporated in Malaysia)

### STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

**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.

**FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>240,400</u>	<u>236,825</u>

**DIVIDENDS**

The dividends paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 1 April 2019	22,500
In respect of the financial year ended 31 December 2019,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 3 September 2019	7,500
	<u>30,000</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIVIDENDS (CONTINUED)**

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2019 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 corporate credit ratings of Cagamas Berhad's Global, ASEAN and National-scale at  $gA2/Stable/gP1$ ,  $_{\text{see}}AAA/Stable/_{see}P1$  and  $AAA/Stable/P1$ , respectively. In addition, RAM has also assigned Cagamas' bonds and sukuk issues rating at  $AAA/Stable$  and  $P1$  respectively.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has also assigned Cagamas Berhad's bonds and sukuk issues ratings at  $AAA/AAA_{is}$  and  $MARC-1/MARC-1_{is}$  respectively. Moody's Investors Service (Moody's) has assigned long term local and foreign currency issuer ratings of  $A3$  that is in line with Malaysian sovereign ratings.

In addition, RAM and Moody's have maintained the ratings of  $gA2(s)$  and  $A3$  respectively to the USD2.5 billion Multicurrency Medium Term Note ("EMTN") Programme and USD2.5 billion Multicurrency Sukuk Programme ("Islamic EMTN") issued by its subsidiaries.

**RELATED PARTY TRANSACTIONS**

Most of the transactions of the Group and the Company involving mortgage loans, hire purchase and leasing debts, financial asset at fair value through other comprehensive income ("FVOCI"), 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.



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to date of the report are:

Dato' Bakarudin bin Ishak (appointed as Director and Chairman w.e.f 26 March 2019)

Dato' Halipah binti Esa

Dato' Md Agil bin Mohd Natt

Philip Tan Puay Koon

Dato' Wee Yiau Hin

Datuk Azizan bin Haji Abd Rahman (appointed w.e.f 1 January 2019)

Ho Chai Huey (appointed w.e.f 1 February 2019)

Datuk Chung Chee Leong

Datuk Dr. Roslan bin A. Ghaffar (resigned w.e.f 1 January 2019)

Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (retired as Director and Chairman w.e.f 26 March 2019)

Nazrul Hisyam bin Mohd Noh (retired w.e.f 26 March 2019)

The names of the directors of subsidiaries are set out in the respective subsidiary's statutory financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato' Halipah binti Esa retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato' Md Agil bin Mohd Natt retires by rotation at the forthcoming Annual General Meeting and does not offer himself for re-election.

In accordance with Article 23.2 of the Company's Constitution, Dato' Bakarudin bin Ishak retires at the forthcoming Annual General Meeting and being eligible, offers himself 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 36 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year were the Group and the Company 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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the Directors in office at the end of the financial year did not hold any interest in shares or options over shares in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading or inappropriate.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)**

In the opinion of the Directors:

- (a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

**SUBSIDIARIES**

Details of subsidiaries are set in Note 20 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 2019**

Cagamas recorded RM5.0 billion of purchases of loans and financing under PWR scheme (2018: RM12.1 billion) and no purchase of loans under PWOR scheme (2018: Nil). Cagamas' net outstanding loans and financing declined by 9.4 % to RM37.8 billion (2018: RM41.7 billion). As at the end of 2019, residential mortgage dominated Cagamas' portfolio at 98.6% (2018: 98.7%) and followed by hire purchase loans and financing at 1.4% (2018: 1.2%). There is no personal loans and financing outstanding as at financial year ended 31 December 2019 (2018: 0.1%). Cagamas's Islamic asset portfolio against conventional assets increased to a ratio of 43:57 (2018: 38:62), while PWR and PWOR loans and financing portfolios were at 70% and 30% respectively (2018: 71% and 29% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.72% (2018: 0.85%), while net impaired loans and financing is at 0.11% (2018: 0.43%).

**SIGNIFICANT EVENT DURING THE YEAR**

There are no significant events during the financial year.

Registration No.

198601008739

(157931 A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

## DIRECTORS' REPORT (CONTINUED)

### AUDITORS REMUNERATION

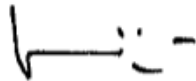
Details of the auditors' remuneration are set out in Note 35 to the financial statements

### AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 29 April 2020.

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN BIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

		<u>Group</u>		<u>Company</u>	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	6	341,307	186,792	322,000	172,046
Derivative financial instruments	7	58,422	362,078	58,422	362,078
Financial asset at fair value through other comprehensive income (FVOCI)	8	2,308,565	2,476,285	2,308,565	2,476,285
Financial asset at fair value through profit or loss (FVTPL)	9	141,383	-	141,383	-
Amount due from counterparties	10	16,657,154	20,404,924	16,657,154	20,404,924
Islamic financing assets	11	10,842,232	10,029,953	10,842,232	10,029,953
Mortgage assets					
- Conventional	12	4,836,313	5,344,710	4,836,313	5,344,710
- Islamic	13	5,510,428	5,915,527	5,510,428	5,915,527
Hire purchase assets					
- Islamic	14	136	781	136	781
Amount due from					
- Related company		1,420	294	1,420	294
- Subsidiaries	15	-	-	3,431	5,379
Other assets	16	8,027	7,357	7,978	7,333
Property and equipment	17	3,923	4,694	3,923	4,694
Intangible assets	18	21,380	22,849	21,380	22,849
Right-of-use asset	19	3,980	-	3,980	-
Tax recoverable		-	40,812	-	40,832
Investment in subsidiaries	20	-*	-*	-*	-*
<b>TOTAL ASSETS</b>		<b>40,734,670</b>	<b>44,797,056</b>	<b>40,718,745</b>	<b>44,787,685</b>
<b>LIABILITIES</b>					
Unsecured bearer bonds and notes	21	20,661,027	26,082,391	18,067,241	21,401,449
Sukuk	22	15,849,883	14,808,472	15,849,883	14,808,472
Loans/financing from subsidiaries	23	-	-	2,594,966	4,684,797
Derivative financial instruments	7	152,309	154,614	152,309	154,614
Deferred taxation	24	560	27,348	560	27,348
Provision for taxation		18,170	-	16,999	-
Lease liability	25	4,791	-	4,791	-
Other liabilities	26	121,688	86,991	121,351	85,787
<b>TOTAL LIABILITIES</b>		<b>36,808,428</b>	<b>41,159,816</b>	<b>36,808,100</b>	<b>41,162,467</b>
Share capital	27	150,000	150,000	150,000	150,000
Reserves	28	3,776,242	3,487,240	3,760,645	3,475,218
<b>SHAREHOLDER'S FUNDS</b>		<b>3,926,242</b>	<b>3,637,240</b>	<b>3,910,645</b>	<b>3,625,218</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<b>40,734,670</b>	<b>44,797,056</b>	<b>40,718,745</b>	<b>44,787,685</b>
<b>NET TANGIBLE ASSETS</b>					
PER SHARE (RM)	29	26.0	24.10	25.93	24.02

\*denotes USD1 in CGP and RM2 in CGS.

The accompanying notes form an integral part of these financial statements.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	<u>Group</u>		<u>Company</u>	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Interest income	30	1,248,717	1,348,758	1,248,717	1,348,758
Interest expense	31	(948,756)	(1,030,201)	(953,857)	(1,035,109)
Income from Islamic operations	48	133,658	110,949	133,658	110,945
Non-interest expense	32	(41,357)	(62,390)	(41,364)	(62,390)
		<u>392,262</u>	<u>367,116</u>	<u>387,154</u>	<u>362,204</u>
Personnel costs	33	(31,308)	(26,526)	(31,308)	(26,526)
Administration and general expenses		(24,930)	(30,710)	(24,567)	(30,102)
OPERATING PROFIT		<u>336,024</u>	<u>309,880</u>	<u>331,279</u>	<u>305,576</u>
(Allowance)/write-back of impairment losses	34	(18,026)	6,068	(18,026)	6,068
PROFIT BEFORE TAXATION AND ZAKAT	35	<u>317,998</u>	<u>315,948</u>	<u>313,253</u>	<u>311,644</u>
Zakat		(926)	(1,584)	(926)	(1,584)
Taxation	37	(76,672)	(70,635)	(75,502)	(70,615)
PROFIT FOR THE FINANCIAL YEAR		<u><u>240,400</u></u>	<u><u>243,729</u></u>	<u><u>236,825</u></u>	<u><u>239,445</u></u>
EARNINGS PER SHARE (SEN)	29	<u><u>160.27</u></u>	<u><u>162.49</u></u>	<u><u>157.88</u></u>	<u><u>159.63</u></u>

The accompanying notes form an integral part of these financial statements.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	240,400	243,729	236,825	239,445
Other comprehensive income:				
<b>Items that may be subsequently reclassified to income statement</b>				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	46,874	3,521	46,874	3,521
- Deferred taxation	(11,250)	(845)	(11,250)	(845)
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	56,550	(9,675)	56,550	(9,675)
- Deferred taxation	(13,572)	2,322	(13,572)	2,322
Other comprehensive income/(loss) for the financial year, net of taxation	78,602	(4,677)	78,602	(4,677)
Total comprehensive income for the financial year	319,002	239,052	315,427	234,768

The accompanying notes form an integral part of these financial statements.

## CAGAMAS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Issued and fully paid ordinary shares of RM1 each  Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
			Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Group							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,376,526	3,637,240
Profit for the financial period		-	-	-	-	240,400	240,400
Other comprehensive income		-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial period		-	35,624	42,978	-	240,400	319,002
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		150,000	37,576	7,268	109,779	3,621,619	3,926,242

The accompanying notes form an integral part of these financial statements.



## CAGAMAS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Group							
Balance as at 1 January 2018		150,000	(724)	(28,357)	161,032	3,146,237	3,428,188
Profit for the financial period		-	-	-	-	243,729	243,729
Other comprehensive income/(loss)		-	2,676	(7,353)	-	-	(4,677)
Total comprehensive income/(loss) for the financial period		-	2,676	(7,353)	-	243,729	239,052
Transfer to retained profits		-	-	-	(16,560)	16,560	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2018		150,000	1,952	(35,710)	144,472	3,376,526	3,637,240

The accompanying notes form an integral part of these financial statements.

## CAGAMAS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Company							
Balance as at 1 January 2019		150,000	1,952	(35,710)	144,472	3,364,504	3,625,218
Profit for the financial period		-	-	-	-	236,825	236,825
Other comprehensive income		-	35,624	42,978	-	-	78,602
Total comprehensive income for the financial period		-	35,624	42,978	-	236,825	315,427
Transfer to retained profits		-	-	-	(34,693)	34,693	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2019		150,000	37,576	7,268	109,779	3,606,022	3,910,645

The accompanying notes form an integral part of these financial statements.

## CAGAMAS BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	Total equity RM'000
		Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Company							
Balance as at 1 January 2018		150,000	(724)	(28,357)	161,032	3,138,499	3,420,450
Profit for the financial period		-	-	-	-	239,445	239,445
Other comprehensive income/(loss)		-	2,676	(7,353)	-	-	(4,677)
Total comprehensive income/(loss) for the financial period		-	2,676	(7,353)	-	239,445	234,768
Transfer to retained profits		-	-	-	(16,560)	16,560	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2018		150,000	1,952	(35,710)	144,472	3,364,504	3,625,218

The accompanying notes form an integral part of these financial statements.

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>OPERATING ACTIVITIES</b>					
Profit for the financial year		240,400	243,729	236,825	239,445
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on:					
- Financial asset at FVOCI		(9,810)	(18,882)	(9,810)	(18,882)
- Unsecured bearer bonds and notes		(3,598)	2,414	(3,598)	2,414
- Sukuk		(13,149)	(17,641)	(13,149)	(17,641)
Accretion of discount on:					
Mortgage assets					
- Conventional		(118,376)	(124,017)	(118,376)	(124,017)
- Islamic		(94,928)	(83,672)	(94,928)	(83,672)
Hire purchase assets					
- Islamic		-	(1)	-	(1)
Allowance/(write-back) for impairment losses on:					
- Cash and short-term funds		105	-	105	-
- Financial assets at FVOCI		128	-	128	-
- Amount due from counterparties/ Islamic financing assets		18	431	18	431
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets		17,775	(6,499)	17,775	(6,499)
Interest income		(1,125,099)	(1,216,397)	(1,125,099)	(1,216,397)
Income from derivatives		(250,423)	(267,804)	(250,423)	(267,804)
Income from Islamic operations		(678,337)	(626,369)	(678,337)	(626,369)
Interest expense		948,756	1,030,201	953,857	1,035,109
Interest expense on derivatives		261,346	299,995	261,346	299,995
Profit attributable to Sukuk holders		641,755	604,387	641,755	604,391
Profit attributable to derivatives		47,423	49,153	47,423	49,153
Depreciation of property and equipment		1,828	1,421	1,828	1,421
Amortisation of intangible assets		3,563	2,897	3,563	2,897
Amortisation of right-of-use asset		936	-	936	-
Interest on lease liability		2,523	-	2,523	-
Gain on disposal of:					
- Property and equipment		(23)	(70)	(23)	(70)
- Financial asset at FVOCI		(7,636)	(3,553)	(7,636)	(3,553)
Taxation		76,672	70,635	75,502	70,615
Zakat		926	1,584	926	1,584
Operating loss before working capital changes		(57,225)	(58,058)	(56,869)	(57,450)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Decrease/(increase) in amount due from counterparties	3,785,374	(509,807)	3,785,374	(509,807)
Increase in Islamic financing assets	(813,711)	(4,460,445)	(813,711)	(4,460,445)
Decrease in mortgage assets:				
- Conventional	627,799	626,442	627,799	626,442
- Islamic	494,735	468,293	494,735	468,293
Decrease/(increase) in Islamic hire purchase assets	647	(93)	647	(93)
(Increase)/decrease in other assets	(7,524)	344	(5,552)	1,716
Decrease in deferred financing fees	2,353	1,412	-	-
Decrease in derivatives	357,238	707,754	351,846	713,867
Increase in other liabilities	36,773	25,545	37,639	25,626
Cash generated from/(utilised in) operations	4,426,459	(3,198,613)	4,421,908	(3,191,851)
Interest received	1,089,409	1,121,173	1,089,409	1,125,847
Profit received from Islamic assets	659,065	599,103	659,065	594,429
Interest received on derivatives	208,544	220,222	208,544	220,222
Profit received on derivatives	49,957	52,593	49,957	52,593
Interest paid	(884)	(236)	(884)	(236)
Interest paid on derivatives	(267,785)	(378,529)	(267,785)	(378,529)
Profit paid on derivatives	(48,042)	(650,638)	(48,042)	(650,638)
Payment of:				
- Zakat	(734)	(927)	(734)	(927)
- Taxation	(69,301)	(89,174)	(69,281)	(89,154)
Net cash generated from/(utilised in) operating activities	6,046,688	(2,325,026)	6,042,157	(2,318,244)
<b>INVESTING ACTIVITIES</b>				
Purchase of:				
- Financial asset at FVTPL	(142,766)	-	(142,766)	-
- Financial asset at FVOCI	(3,234,578)	(2,629,813)	(3,234,578)	(2,629,813)
Net proceeds from sale/redemption of:				
- Financial asset at FVOCI	3,390,912	2,507,404	3,390,912	2,507,404
- Financial asset at FVTPL	-	142,211	-	142,211
Purchase of:				
- Property and equipment	(1,058)	(1,679)	(1,058)	(1,679)
- Intangible assets	(2,094)	(9,392)	(2,094)	(9,392)
Income received from:				
- Financial asset at FVOCI	81,546	87,690	81,546	87,690
- Financial asset at FVTPL	1,383	3,649	1,383	3,649
Proceeds from disposal of property and equipment	23	70	23	70

**CAGAMAS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Note	<u>Group</u>		<u>Company</u>	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Net cash generated from investing activities		93,368	100,140	93,368	100,140
<b>FINANCING ACTIVITY</b>					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Proceed from issuance of:					
- Unsecured bearer bonds and notes		6,247,983	9,737,359	6,246,792	8,600,000
- Sukuk		3,995,000	6,020,000	3,995,000	6,020,000
Proceeds of loans from subsidiary		-	-	-	1,130,830
Redemption of:					
- Unsecured bearer bonds and notes		(11,613,748)	(9,458,758)	(9,526,791)	(6,940,000)
- Sukuk		(2,932,000)	(2,812,053)	(2,932,000)	(2,660,000)
Repayment of loans/financing from subsidiaries		-	-	(2,080,375)	(2,668,982)
Interest paid		(1,002,576)	(995,432)	(1,007,997)	(1,001,812)
Profit paid to Sukuk holders		(650,195)	(584,107)	(650,195)	(584,149)
Net cash (utilised in)/generated from financing activity		(5,985,536)	1,877,009	(5,985,566)	1,865,887
Net increase/(decrease) in cash and cash equivalents		154,520	(347,877)	149,959	(352,217)
Effect of foreign exchange translation		(5)	78	(5)	78
Cash and cash equivalents as at 1 January		186,792	534,591	172,046	524,185
Cash and cash equivalents as at 31 December		341,307	186,792	322,000	172,046
<b>Analysis of cash and cash equivalents as at 31 December:</b>					
Cash and short-term funds	6	341,307	186,792	322,000	172,046
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		-	-	-	-
		341,307	186,792	322,000	172,046

The accompanying notes form an integral part of these financial statements.

## CAGAMAS BERHAD

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## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

<u>Group</u>	Balance as at the beginning of financial year RM'000	<u>Cash changes</u>	<u>Non-cash changes</u>				Balance as at the end of financial year RM'000
		Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Deferred financing fees RM'000	Accrued interest/ profits RM'000	Amortisation/ (accretion) RM'000	
2019							
Unsecured bonds and notes	26,082,391	(6,368,870)	(5)	2,353	948,756	(3,598)	20,661,027
Sukuk	14,808,472	412,805	-	-	641,755	(13,149)	15,849,883
Total	40,890,863	(5,956,065)	(5)	2,353	1,590,511	(16,747)	36,510,910
2018							
Unsecured bonds and notes	25,764,940	(716,654)	78	1,412	1,030,201	2,414	26,082,391
Sukuk	11,597,878	2,623,848	-	-	604,387	(17,641)	14,808,472
Total	37,362,818	1,907,194	78	1,412	1,634,388	(15,227)	40,890,863

The accompanying notes form an integral part of these financial statements.

## CAGAMAS BERHAD

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## STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

<u>Company</u>	Balance as at the beginning of financial year RM'000	Cash changes	Non-cash changes			Balance as at the end of financial year RM'000
		Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Accrued interest/ profits RM'000	Amortisation/ (accretion) RM'000	
2019						
Unsecured bonds and notes	21,401,449	(4,284,462)	(5)	953,857	(3,598)	18,067,241
Sukuk	14,808,472	412,805	-	641,755	(13,149)	15,849,883
Loans/financing from subsidiaries	4,684,797	(2,219,785)	-	129,954	-	2,594,966
Total	40,894,718	(6,091,442)	(5)	1,725,566	(16,747)	36,512,090
2018						
Unsecured bonds and notes	19,705,283	658,565	78	1,035,109	2,414	21,401,449
Sukuk	11,445,035	2,776,687	-	604,391	(17,641)	14,808,472
Loans/financing from subsidiaries	6,217,865	(1,669,388)	-	136,320	-	4,684,797
Total	37,368,183	1,766,044	78	1,775,820	(15,227)	40,894,718

The accompanying notes form an integral part of these financial statements.



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1 GENERAL INFORMATION**

The principal activities of the Company consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issuance of bonds and notes to finance these purchases. The Company also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. Subsidiary companies of the Company are Cagamas Global PLC ("CGP") and Cagamas Global Sukuk Berhad ("CGS"):

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of Sukuk in foreign currency.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur.

The ultimate holding company is Cagamas Holdings Berhad, a company incorporated in Malaysia.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements incorporate those activities relating to the Islamic operations of the Group and the Company.

The Islamic operations of the Group and the Company refer to:

- (a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
- (b) issuance of Sukuk under Shariah principles; and
- (c) acquisition, investment in and trading of Islamic financial instruments.

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

- (a) Standards, amendments to published standards and interpretations that are effective:

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group and the Company have adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 3.

The Group and the Company have applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Company is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

In addition, the Group and the Company have elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group and the Company relied on its assessment made applying MFRS 117 and IC Interpretation 4.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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:

*Financial year beginning on 1 January 2020*

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Economic entities in the Group**

**Subsidiaries**

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122<sub>2004</sub> to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intragroup transactions, balances and unrealised gains in transactions between group of companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary companies, and is recognised in the consolidated income statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Amount due from counterparties and Islamic financing assets**

Note 1 to the financial statements describes the principal activities of the Group and the Company, which are inter alia, the purchases of mortgage loans, personal loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the Company.

As at the statement of financial position date, amount due from counterparties/Islamic financing assets in respect of mortgage loans, personal loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Group and the Company. Interest/profit income on amount due from counterparties/Islamic financing assets is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

**2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are acquired by the Group and the Company from the originators at fair values. The originator acts as a servicer and remits the principal and interest/profit income from the assets to the Group and the Company at specified intervals as agreed by both parties.

As at the statement of financial position date, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired are stated at their unpaid principal balances due to the Group and the Company and adjusted for unaccreted discount. Interest/profit income on the assets are recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest. The discount arising from the difference between the purchase price and book value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired is accreted to the income statements over the term of the assets using the internal rate of return method.

**2.5 Investment in subsidiaries**

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.8 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets and Note 4 details out the critical accounting estimates and assumptions.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Property and equipment and depreciation**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives, with the exception of work-in-progress which is not depreciated. Depreciation rates for each category of property and equipment are summarised as follows:

Office equipment – mobile devices	100%
Office equipment - others	20%-25%
Furniture and fittings	10%
Motor vehicles	20%

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statements during the financial year in which they are incurred.

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets**

**(a) Classification**

The Group and the Company classify their financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised cost

**(b) Recognition and de-recognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

**(c) Measurement**

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI"). There are no new financial assets with embedded derivatives for financial year 2019 and 2018.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets (continued)**

**(c) Measurement (continued)**

**Debt instruments (continued)**

There are three measurement categories into which the Group and the Company classify their debt instruments:

**(i) Amortised cost**

Cash and short-term funds, amount due from counterparties, Islamic financing debt, mortgage assets/ Islamic mortgage assets and Islamic hire purchase assets, other assets, amount due to related companies and amount due to subsidiaries that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in the income statements using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in income statements and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statements.

**(ii) Fair value through other comprehensive income ('FVOCI')**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statements and recognised in non-interest income/(expense).

Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in non-interest income/(expense) and allowance/(write back) of impairment losses are presented as separate line item in the income statements.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial assets (continued)**

**(c) Measurement (continued)**

**Debt instruments (continued)**

There are three measurement categories into which the Group and the Company classify its debt instruments (continued):

**(iii) Fair value through profit or loss ("FVTPL")**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in income statements and presented net within non-interest income/(expense) in the period which it arise.

**Equity instruments**

The Group and the Company subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statements following the derecognition of the investment. Dividends from such investments continue to be recognised in income statements as other income when the Group's or the Company's right to receive payments is established.

Changes in the fair value of financial asset at FVTPL are recognised in other gains/(losses) in the statement of comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets**

**2.8.1 Financial assets**

The Group and the Company assess on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Any loss arising from the significant increase in credit risk will result to the carrying amount of the asset being reduced and the amount of the loss is recognised in the income statements.

The Group and the Company have four of their financial assets that are subject to the ECL model:

- Amount due from counterparties and Islamic financing assets;
- Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets; and
- Financial asset at FVOCI; and
- Money market instruments

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Approach

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

*Quantitative criteria:*

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**2.8.1 Financial assets (continued)**

Definition of default and credit impaired financial assets (continued)

*Qualitative criteria:*

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

For the purpose of ECL measurement, mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have been grouped based on shared credit risk characteristics and the days past due. Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have substantially the same risk characteristics and the Group and the Company have therefore concluded that these assets to be assessed on a collective basis. Financial assets at FVOCI and financial instruments that are credit impaired are assessed on individual basis.

Amount due from counterparties, Islamic financing assets and debt instruments which are in default or credit impaired are assessed individually.

**2.8.2 Non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statements, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.9 Write-off**

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practicable recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off will result in impairment gains which is credited against the same line item.

**2.10 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.

**2.11 Premium and discount on unsecured bearer bonds, notes and Sukuk**

Premium on unsecured bearer bonds and notes/Sukuk represents the excess of the issue price over the redemption value of the bonds and notes/Sukuk are accreted to the income statements over the life of the bonds and notes/Sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds and notes/Sukuk, the difference, being the discount is amortised to the income statements over the life of the bonds and notes/Sukuk on an effective yield basis.

**2.12 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.13 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.

**2.14 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.

**2.15 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.16 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 7 to the financial statements.

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exchange rate are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

For derivatives that are not designated as hedging instruments, losses and gains from the changes in fair value are taken to the income statements.

For derivatives that are designated as hedging instruments, the method of recognising fair value gain or loss depends on the type of hedge.

The Group's and Company's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

*Cash flow hedge*

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income statements in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statements under "Non-interest income/(expense)".

Amounts accumulated in equity are reclassified to income statements in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in income statements within the line item "Non-interest income/(expense)" at the same time as the interest expense on the hedged borrowings.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.16 Derivative financial instruments and hedge accounting (continued)**

*Cash flow hedge (continued)*

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to income statements in the same period that the hedged cash flows affect income statements. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to income statements under "Non-interest income/(expense)".

**2.17 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.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.18 Zakat**

The Group and the Company recognise its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group and the Company have a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group and the Company have been in operation for at least 12 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% (2018: 2.5%) of the zakat base.

The zakat base of the Group and the Company is determined based on adjusted growth method. This method calculates zakat base as owners' equity and long-term liabilities, deducted for property, plant and equipment and non-current assets, and adjusted for items that do not meet the conditions for zakat assets and liabilities as determined by the relevant zakat authorities.

The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

**2.19 Employee benefits**

**(a) Short-term employee benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group and the Company.

**(b) Defined contributions plans**

The Group and the Company contribute to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statements in the financial year to which they relate to. Once the contributions have been paid, the Group and the Company have no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.20 Intangible assets**

**(a) Computer software**

Acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised when the costs are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and the Company, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

The computer software and computer software licenses are amortised over their estimated useful lives of three to ten years.

**(b) Service rights to transaction administrator and administrator fees**

Service rights to transaction administrator and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administrator and administrator fees for Residential Mortgage-Backed Securities ("RMBS") and Islamic Residential Mortgage-Backed Securities ("IRMBS") issuances.

Service rights are recognised as intangible assets at cost and amortised using the straight line method over the tenure of RMBS and IRMBS.

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8.2 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.21 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.

**2.22 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.

**(b) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**2.23 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.23 Contingent liabilities and contingent assets (continued)**

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.

**2.25 Leases**

**(a) Accounting policies applied from 1 January 2019**

From 1 January 2019, leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, they have elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

**Lease term**

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.25 Leases (continued)**

**(a) Accounting policies applied from 1 January 2019 (continued)**

**ROU assets**

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities. ROU assets are presented as a separate line item in the statement of financial position.

**Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.25 Leases (continued)**

**(a) Accounting policies applied from 1 January 2019 (continued)**

Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the income statements in the period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the non-interest expense in the income statements.

Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in income statements.

**(b) Accounting policies applied until 31 December 2018**

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3 CHANGES IN ACCOUNTING POLICIES**

Effects of adoption of MFRS 16 Leases

The Group and the Company have adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

The adoption of MFRS 16 has resulted in the following financial effects to the statement of financial position of the Group and the Company.

	As at <u>31 Dec 2018</u> RM'000	Re- <u>measurement</u> RM'000	As at <u>1 Jan 2019</u> RM'000
Right-to-use asset	-	4,916	4,916
Lease liability	-	4,916	4,916

Right-of-use asset and lease liability comprise of rental of office buildings and is being amortised over the tenure of rental period. The average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.32% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments disclosed as at 31 Dec 2018	10,792
Adjustments as a result of extension and termination options	6,562
Discounted using lessee's incremental borrowing rate	(10,092)
Short term and low value leases recognised on a straight-line basis as expense	(2,346)
Lease liabilities recognised as at 1 Jan 2019	<u>4,916</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying the Group's and the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the asset and liability within the next financial year are outlined below.

(a) Fair value of derivatives and financial asset at FVOCI

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 financial asset at FVOCI for which valuation models are used. The Group and the Company have exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

(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 9, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

(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.

(d) Adoption of MFRS 16 Leases

The Group and the Company use an incremental borrowing rate on an average 5 year AAA rated bonds as at date of implementation. In determining the lease term, the Group and the Company have considered an extension option of contract with incremental rental. The assessment is reviewed if there is a change of circumstances occurs which affects the current assessment and that is within the control of the Group and the Company.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)**

(e) Uncertainty in tax treatment

The Group and the Company applies MFRS 9 special tax treatment for expected credit losses, accretion of discount and amortisation of premium in its tax computation for Year of assessment 2019 and Year of Assessment 2018. The application of special tax treatment is subjected to approval from the Ministry of Finance. The Group and the Company have assessed the probability of the acceptance of the uncertain tax treatment and will reassess the estimate if the facts and circumstances on which the estimate was based change or as a result of new information that affects the estimate.

**5 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.

**5.1 Risk management structure**

The Board of Directors has ultimate responsibility for management of risks associated with the Group's and the Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's and the Company's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's and the Company's risks including compliance with applicable laws and regulations.

Management Executive Committee is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks.

The Risk Management and Compliance Division is independent of other departments involved in risk-taking activities. It is responsible for reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****5.2 Credit risk management**

Credit risk is the possibility that a borrower or counterparty fails to fulfill its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as treasury hedging activities.

The Group and the Company manage the credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to the management, Board Risk Committee and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprised mainly of mortgage assets, Islamic mortgage assets, hire purchase assets and Islamic hire purchase assets.

**5.3 Market risk management**

Market risk is the potential loss arising from adverse movements of market prices such as foreign exchange rates, interest/profit rates and market prices. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group and the Company do not engaged in any equity or commodity trading activities.

The Group and the Company control the market risk exposure by imposing threshold limits and entering in derivatives contract. The limits are set based on the Group's and the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group and the Company have an Asset Liability Management System which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulations under different scenarios to monitor the interest/profit rate risk.

The Group and the Company also use derivative instruments such as interest rate swaps, profit rate swaps, CCS and ICCS to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rate.

**5.4 Liquidity risk management**

Liquidity risk arises when the Group and the Company do not have sufficient funds to meet its financial obligations when they fall due.

The Group and the Company mitigate the liquidity risk by matching the timing of purchases of loans and debts with issuance of Bonds or Sukuk. The Group and the Company plan its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group and the Company set aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**5.4 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 the cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group and the Company against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

**5.5 Operational risk management**

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the Group's and the Company's business practices or market conduct. It also includes the risk of failing to comply with applicable laws and regulations.

The management of operational risk is an important priority for the Group and the Company. To mitigate such operational risks, the Group and the Company developed an operational risk program and essential methodologies that enable identification, measurement, monitoring and reporting of inherent and emerging operational risks.

The day-to day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

The Group and the Company minimise the impact and likelihood of any unexpected disruptions to its business operations through implementation of its business continuity management ("BCM") framework and policy, business continuity plans and regular BCM exercises. The Group and the Company have also identified enterprise-wide recovery strategies to expedite the business and technology recovery and resumption during catastrophic events.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6 CASH AND SHORT-TERM FUNDS**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institution	110,911	70,255	91,604	55,509
Money at call and deposits and placements maturing within one month	94,118	116,480	94,118	116,480
Mudharabah money at call and deposits and placements maturing within one month	136,383	57	136,383	57
	<u>341,412</u>	<u>186,792</u>	<u>322,105</u>	<u>172,046</u>
Less: Allowance for impairment losses	(105)	-	(105)	-
	<u><u>341,307</u></u>	<u><u>186,792</u></u>	<u><u>322,000</u></u>	<u><u>172,046</u></u>

As at 31 December 2019, the gross carrying value of cash and short term funds and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	-	-
Allowance during the year	105	-
At 31 December	<u><u>105</u></u>	<u><u>-</u></u>

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7 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 the bondholders/Sukukholders.

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 Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

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 9 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 net derivatives liabilities included within cash flow hedges at 31 December 2019 is RM93.9 million (2018: net derivative asset of RM207.5 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

The table below summarises the derivatives financial instruments entered by the Group and the Company.

	2019			Group and Company 2018		
	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/IPRS						
Maturing within						
one year	1,560,000	1,710	(5,603)	-	-	-
One to three						
years	1,645,000	7,265	(15,677)	2,660,000	856	(9,792)
Three to five years	110,000	-	(10,499)	655,000	-	(17,471)
More than five years	160,000	20,725	-	160,000	5,139	-
	<u>3,475,000</u>	<u>29,700</u>	<u>(31,779)</u>	<u>3,475,000</u>	<u>5,995</u>	<u>(27,263)</u>
CCS						
Maturing within						
one year	2,399,965	20,537	(120,530)	1,725,000	319,325	-
One to three						
years	273,687	8,185	-	2,673,652	36,758	(127,351)
	<u>2,673,652</u>	<u>28,722</u>	<u>(120,530)</u>	<u>4,398,652</u>	<u>356,083</u>	<u>(127,351)</u>
	<u>6,148,652</u>	<u>58,422</u>	<u>(152,309)</u>	<u>7,873,652</u>	<u>362,078</u>	<u>(154,614)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<i>At fair value</i>		
Malaysian government securities	293,486	149,365
Corporate bonds	281,064	592,529
Government investment issues	676,051	708,712
Sukuk	564,499	591,143
Quasi government Sukuk	493,465	434,536
	<u>2,308,565</u>	<u>2,476,285</u>

The maturity structure of financial asset at FVOCI are as follows:

Maturing within one year	587,652	518,227
One to three years	538,057	475,208
Three to five years	500,125	676,771
More than five years	682,859	806,079
	<u>2,308,693</u>	<u>2,476,285</u>
Less:		
Allowance for impairment losses	(128)	-
	<u>2,308,565</u>	<u>2,476,285</u>

As at 31 December 2019, the gross carrying value of financial asset at FVOCI by stage of allocation are as follows;

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
<u>2019</u>		
By stage of allocation:		
Stage 1 (12-months ECL; non credit impaired)	2,263,449	128
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	45,244	-
	<u>2,308,693</u>	<u>128</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (CONTINUED)**

As at 31 December 2019, stage 3 FVOCI assets relates to investments in KMCOB Capital Berhad ("KMCOB"). Scomi Energy Services Berhad ("SESB") as the holding company of KMCOB via Scomi Oilfield Limited (Bermuda) has triggered PN17 of the Listing Requirements as made in its Bursa announcement on 31 October 2019. KMCOB is a Danajamin Guaranteed investment.

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

**9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Unit Trust	141,383	-

As at 31 December 2019, FVTPL assets relate to investments in unit trust maturing within one month.

**10 AMOUNT DUE FROM COUNTERPARTIES**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Relating to:		
Mortgage loans	16,114,190	19,875,905
Hire purchase and leasing debts	542,964	529,019
	<u>16,657,154</u>	<u>20,404,924</u>
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	7,491,962	6,004,319
One to three years	8,527,330	8,420,632
Three to five years	-	5,345,008
More than five years	637,921	635,032
	<u>16,657,213</u>	<u>20,404,991</u>
Less:		
Allowance for impairment losses	(59)	(67)
	<u>16,657,154</u>	<u>20,404,924</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)**

The gross carrying value of amount due from counterparties and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	67	41
Allowance during the year on new assets purchased	22	28
Loans derecognised during the period due to maturity of assets	(18)	(38)
(Write-back)/allowance during the year due to changes in credit risk	(12)	36
	<u>59</u>	<u>67</u>
At 31 December	<u>59</u>	<u>67</u>

**11 ISLAMIC FINANCING ASSETS**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Relating to:		
Islamic house financing	10,842,232	10,011,058
Islamic personal financing	-	18,895
	<u>10,842,232</u>	<u>10,029,953</u>

The maturity structure Islamic financing assets are as follows:

Maturing within one year	2,513,118	1,835,052
One to three years	5,823,131	4,269,044
Three to five years	2,506,636	3,926,484
	<u>10,842,885</u>	<u>10,030,580</u>
Less:		
Allowance for impairment losses	(653)	(627)
	<u>10,842,232</u>	<u>10,029,953</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 ISLAMIC FINANCING ASSETS (CONTINUED)**

The gross carrying value of Islamic financing assets and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	627	222
Allowance during the year on new assets purchased	87	275
Loans derecognised during the period due to maturity of assets	(45)	-
(Write-back)/allowance during the year due to changes in credit risk	(16)	130
At 31 December	<u>653</u>	<u>627</u>

**12 MORTGAGE ASSETS – CONVENTIONAL**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Purchase without recourse ("PWOR")	<u>4,836,313</u>	<u>5,344,710</u>
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	879,063	893,068
One to three years	1,114,449	1,150,650
Three to five years	933,455	1,007,432
More than five years	2,527,182	3,013,592
	<u>5,454,149</u>	<u>6,064,742</u>
Less:		
Unaccreted discount	(573,446)	(691,822)
Net advance received	(9,397)	-
Allowance for impairment losses	(34,993)	(28,210)
	<u>4,836,313</u>	<u>5,344,710</u>

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)**

The gross carrying value of mortgage assets by stage of allocation are as follows;

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage of allocation:		
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	5,388,779	17,640
Stage 2 (Lifetime ECL; non credit impaired)	20,438	2,932
Stage 3 (Lifetime ECL; credit impaired)	44,932	14,421
	<u>5,454,149</u>	<u>34,993</u>
At 31 December	<u>5,454,149</u>	<u>34,993</u>
Impairment allowance over gross carrying value (%)		<u>0.64</u>
<u>2018</u>		
Stage 1 (12-months ECL; non credit impaired)	5,992,111	7,687
Stage 2 (Lifetime ECL; non credit impaired)	12,022	1,200
Stage 3 (Lifetime ECL; credit impaired)	60,609	19,323
	<u>6,064,742</u>	<u>28,210</u>
At 31 December	<u>6,064,742</u>	<u>28,210</u>
Impairment allowance over gross carrying value (%)		<u>0.47</u>

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>2019</u>				
At 1 January	7,687	1,200	19,323	28,210
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	9,199	(2,854)	(6,345)	-
- Transfer to ECL not credit impaired (Stage 2)	(849)	1,125	(276)	-
- Transfer to ECL credit impaired (Stage 3)	(8,348)	(122)	8,470	-
Total transfer between stages	2	(1,851)	1,849	-
Loans derecognised during the period (other than write-offs)	(218)	(169)	(3,097)	(3,484)
Allowance/ (write-back) during the year due to changes in credit risk	10,169	3,752	(3,599)	10,322
Amount written off	-	-	(55)	(55)
At 31 December	<u>17,640</u>	<u>2,932</u>	<u>14,421</u>	<u>34,993</u>
<u>2018</u>				
At 1 January	8,111	3,125	19,880	31,116
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	9,000	(1,140)	(7,860)	-
- Transfer to ECL not credit impaired (Stage 2)	(2,193)	2,991	(798)	-
- Transfer to ECL credit impaired (Stage 3)	(7,127)	(80)	7,207	-
Total transfer between stages	(320)	1,771	(1,451)	-
Loans derecognised during the period (other than write-offs)	(177)	(287)	(2,579)	(3,043)
Allowance/ (write-back) during the year due to changes in credit risk	73	(3,409)	3,706	370
Amount written off	-	-	(233)	(233)
At 31 December	<u>7,687</u>	<u>1,200</u>	<u>19,323</u>	<u>28,210</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 MORTGAGE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
PWOR	5,510,428	5,915,527

The maturity structure of mortgage assets - Islamic are as follows:

Maturing within one year	732,210	732,631
One to three years	967,240	986,926
Three to five years	905,246	944,979
More than five years	3,557,112	3,979,811
	<u>6,161,808</u>	<u>6,644,347</u>
Less:		
Unaccreted discount	(609,631)	(704,559)
Net advance received	(6,665)	-
Allowance for impairment losses	(35,084)	(24,261)
	<u>5,510,428</u>	<u>5,915,527</u>

The gross carrying value of Islamic mortgage assets by stage of allocation are as follows;

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage of allocation:		
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	6,108,068	20,351
Stage 2 (Lifetime ECL; non credit impaired)	15,575	2,497
Stage 3 (Lifetime ECL; credit impaired)	38,165	12,236
	<u>6,161,808</u>	<u>35,084</u>

Impairment allowance over gross carrying value (%) 0.57

2018

Stage 1 (12-months ECL; non credit impaired)	6,589,742	8,484
Stage 2 (Lifetime ECL; non credit impaired)	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	46,882	15,002
	<u>6,644,347</u>	<u>24,261</u>

Impairment allowance over gross carrying value (%) 0.37

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 MORTGAGE ASSETS – ISLAMIC (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<u>2019</u>				
At 1 January	8,484	775	15,002	24,261
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	7,951	(2,430)	(5,521)	-
- Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
- Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	1,596	(1,854)	258	-
Loans derecognised during the period (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	10,439	3,613	(915)	13,137
At 31 December	<u>20,351</u>	<u>2,497</u>	<u>12,236</u>	<u>35,084</u>
<u>2018</u>				
At 1 January	8,807	3,739	15,570	28,116
Transfer between stages:				
- Transfer to 12 months ECL (Stage 1)	5,892	(720)	(5,172)	-
- Transfer to ECL not credit impaired (Stage 2)	(2,978)	3,829	(851)	-
- Transfer to ECL credit impaired (Stage 3)	(5,299)	(54)	5,353	-
Total transfer between stages	(2,385)	3,055	(670)	-
Loans derecognised during the period (other than write-offs)	(147)	(225)	(1,581)	(1,953)
Allowance/ (write-back) during the year due to changes in credit risk	2,209	(5,794)	1,718	(1,867)
Amount written off	-	-	(35)	(35)
At 31 December	<u>8,484</u>	<u>775</u>	<u>15,002</u>	<u>24,261</u>

**CAGAMAS BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****14 HIRE PURCHASE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
PWOR	136	781

The maturity structure of hire purchase assets – Islamic are as follows:

Maturing within one year	147	795
Less:		
Unaccreted discount	1	1
Allowance for impairment losses	(12)	(15)
	<u>136</u>	<u>781</u>

The gross carrying value of Islamic hire purchase assets by stage of allocation are as follows;

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage of allocation:		
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	111	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	<u>147</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>8.16</u>
<u>2018</u>		
Stage 1 (12-months ECL; non credit impaired)	740	-
Stage 3 (Lifetime ECL; credit impaired)	55	15
At 31 December	<u>795</u>	<u>15</u>
Impairment allowance over gross carrying value (%)		<u>1.89</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)**

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company		
	Stage 1	Stage 3	Total
	RM'000	RM'000	RM'000
<u>2019</u>			
At 1 January	-	15	15
Financing derecognised during the period (other than write-offs)	-	(6)	(6)
Allowance/ (write-back) during the year due to changes in credit risk	-	3	3
At 31 December	-	12	12
<u>2018</u>			
At 1 January	1	20	21
Financing derecognised during the period (other than write-offs)	(1)	(5)	(6)
At 31 December	-	15	15

**15 AMOUNT DUE FROM SUBSIDIARIES**

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and are repayable on demand.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****16 OTHER ASSETS**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2019
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	2,899	3,269	2,899	3,269
Deposits	931	906	882	882
Prepayments	2,678	1,500	2,678	1,500
Other receivables	159	300	159	300
Management fee receivable	891	619	891	619
Compensation receivable from originator on mortgage assets	469	763	469	763
	<u>8,027</u>	<u>7,357</u>	<u>7,978</u>	<u>7,333</u>

**17 PROPERTY AND EQUIPMENT**

	<u>Office equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group and Company</u>				
<b>Cost</b>				
As at 1 January 2019	9,242	4,659	593	14,494
Additions	837	22	199	1,058
Disposals	(262)	-	(89)	(351)
As at 31 December 2019	<u>9,817</u>	<u>4,681</u>	<u>703</u>	<u>15,201</u>
<b>Accumulated depreciation</b>				
As at 1 January 2019	(5,074)	(4,452)	(274)	(9,800)
Charge for the financial year	(1,608)	(128)	(92)	(1,828)
Disposals	261	-	89	350
As at 31 December 2019	<u>(6,421)</u>	<u>(4,580)</u>	<u>(277)</u>	<u>(11,278)</u>
Net book value as at 31 December 2019	<u>3,396</u>	<u>101</u>	<u>426</u>	<u>3,923</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17 PROPERTY AND EQUIPMENT (CONTINUED)**

<u>Group and Company</u>	<u>Office equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<b>Cost</b>				
As at 1 January 2018	7,945	4,649	627	13,221
Additions	1,336	10	333	1,679
Disposals	(39)	-	(367)	(406)
As at 31 December 2018	<u>9,242</u>	<u>4,659</u>	<u>593</u>	<u>14,494</u>
<b>Accumulated depreciation</b>				
As at 1 January 2018	(4,160)	(3,999)	(625)	(8,784)
Charge for the financial year	(953)	(453)	(15)	(1,421)
Disposals	39	-	366	405
As at 31 December 2018	<u>(5,074)</u>	<u>(4,452)</u>	<u>(274)</u>	<u>(9,800)</u>
<b>Net book value as at 31 December 2018</b>	<u>4,168</u>	<u>207</u>	<u>319</u>	<u>4,694</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**18 INTANGIBLE ASSETS**

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
<u>Group and Company</u>					
<u>Cost</u>					
As at 1 January 2019	16,712	12,128	25,311	281	54,432
Additions	-	1,079	1,015	-	2,094
Transfer during the year	-	-	281	(281)	-
As at 31 December 2019	16,712	13,207	26,607	-	56,526
<u>Accumulated amortisation</u>					
As at 1 January 2019	(13,374)	(12,104)	(6,105)	-	(31,583)
Charge for the financial year	(564)	(51)	(2,948)	-	(3,563)
As at 31 December 2019	(13,938)	(12,155)	(9,053)	-	(35,146)
<u>Net book value</u>					
31 December 2019	2,774	1,052	17,554	-	21,380
<u>Cost</u>					
As at 1 January 2018	16,712	12,082	5,832	10,414	45,040
Additions	-	46	9,065	281	9,392
Transfer during the year	-	-	10,414	(10,414)	-
As at 31 December 2018	16,712	12,128	25,311	281	54,432
<u>Accumulated amortisation</u>					
As at 1 January 2018	(12,809)	(12,065)	(3,812)	-	(28,686)
Charge for the financial year	(565)	(39)	(2,293)	-	(2,897)
As at 31 December 2018	(13,374)	(12,104)	(6,105)	-	(31,583)
<u>Net book value</u>					
31 December 2018	3,338	24	19,206	281	22,849

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 1 to 8 years (2018: 2 to 9 years).

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****19 RIGHT-OF-USE ASSET**

Right-of-use asset comprises of rental of office buildings and is being amortised over the tenure of rental period.

	<u>Group and Company</u> RM'000
<u>Cost</u>	
At 1 January 2019	-
Effect of adoption of MFRS 16	4,916
	<hr/>
As restated	4,916
Addition	-
	<hr/>
At 31 December 2019	4,916
	<hr/>
<u>Accumulated amortisation</u>	
At 1 January 2019	-
Effect of adoption of MFRS 16	-
	<hr/>
As restated	-
Charge for the period (Note 35)	(936)
	<hr/>
At 31 December 2019	(936)
	<hr/>
Net book value as at 31 December 2019	3,980
	<hr/> <hr/>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****20 INVESTMENT IN SUBSIDIARIES**

	<u>Company</u>	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost	-*	-*

\*denotes USD1 in CGP and RM2 in CGS.

The subsidiaries of the Company are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Place of Incorporation</u>	<u>Interest in equity held by the Company</u>	
			2019	2018
			%	%
CGP	To undertake the issuance of bonds and notes in foreign currency.	Labuan	100	100
CGS	To undertake the issuance of Sukuk in foreign currency.	Malaysia	100	100

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 UNSECURED BEARER BONDS AND NOTES**

				Group
	Year of	Amount	2019	2018
	maturity	outstanding	Effective	Effective
		RM'000	interest rate	interest rate
			%	%
(a) Floating rate notes				
	2019	-	-	450,000
	2020	100,000	3.460	-
Add:				
Interest payable		667		1,391
		<u>100,667</u>		<u>451,391</u>
(b) Commercial paper				
	2019	-	-	750,000
	2020	1,200,000	3.250-3.340	-
Add:				
Interest payable		3,213		2,929
		<u>1,203,213</u>		<u>752,929</u>
(c) Conventional medium-term notes				
	2019	-	-	7,643,000
	2020	7,595,307	2.520-6.000	5,845,965
	2021	2,552,426	3.035-5.380	2,464,535
	2022	5,850,000	3.380-4.650	5,510,000
	2023	525,000	4.250-6.050	525,000
	2024	430,000	4.000-5.520	430,000
	2025	640,000	4.550-4.850	640,000
	2026	10,000	4.410	10,000
	2027	275,000	4.140-4.900	275,000
	2028	890,000	4.750-6.500	890,000
	2029	245,000	5.500-5.750	245,000
	2035	160,000	5.070	160,000
		<u>19,172,733</u>		<u>24,638,500</u>
Add:				
Interest payable		181,850		235,762
Unaccreted premium		3,475		8,417
Less:				
Deferred financing fees		(836)		(3,189)
Unamortised discount		(75)		(1,419)
		<u>19,357,147</u>		<u>24,878,071</u>
		<u>20,661,027</u>		<u>26,082,391</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

					Company
	Year of	Amount	2019	Amount	2018
	maturity	outstanding	Effective	outstanding	Effective
		RM'000	interest rate	RM'000	interest rate
			%		%
(a) Floating rate notes					
	2019	-	-	450,000	3.480 – 3.840
	2020	100,000	3.460	-	-
Add:					
Interest payable		667		1,391	
		<u>100,667</u>		<u>451,391</u>	
(b) Commercial paper					
	2019	-	-	750,000	3.560 – 3.800
	2020	1,200,000	3.250-3.340	-	-
Add:					
Interest payable		3,213		2,929	
		<u>1,203,213</u>		<u>752,929</u>	
(c) Conventional medium-term notes					
	2019	-	-	5,575,000	3.650 – 5.280
	2020	5,295,000	3.300-6.000	3,530,000	3.950 – 6.000
	2021	2,275,000	3.350-5.380	2,185,000	4.050 – 5.380
	2022	5,850,000	3.380-4.650	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
		<u>16,595,000</u>		<u>19,975,000</u>	
Add:					
Interest payable		164,961		215,131	
Unaccreted premium		3,475		8,417	
Less:					
Unamortised discount		(75)		(1,419)	
		<u>16,763,361</u>		<u>20,197,129</u>	
		<u>18,067,241</u>		<u>21,401,449</u>	



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

The maturity structure of unsecured bearer bonds and notes are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	9,083,664	9,084,032	6,767,215	6,997,713
One to three years	8,402,295	8,313,359	8,124,958	5,718,736
Three to five years	955,000	6,035,000	955,000	6,035,000
More than five years	2,220,068	2,650,000	2,220,068	2,650,000
	<u>20,661,027</u>	<u>26,082,391</u>	<u>18,067,241</u>	<u>21,401,449</u>

(a) Floating Rate Notes ("FRNs")

FRN are Ringgit denominated CMTNs with tenures of more than one year with floating rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Interest distributions of the FRNs are normally made on quarterly or half-yearly basis. The redemption of the relevant FRNs are at face value together with the interest due upon maturity.

(b) Commercial paper ("CP")

CP are Ringgit denominated short term instruments with maturities ranging from one to twelve months, issued with or without coupon, either at a discount from the face value where the relevant CPs are redeemable at their nominal value upon maturity or at par with interest is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

CMTNs are Ringgit denominated bonds with fixed coupon rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a coupon rate. Interest distributions of the CMTNs are normally made on half-yearly. The redemption of the CMTNs are at nominal value together with the interest due upon maturity.

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****21 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

		Group	
		2019	2018
		RM'000	RM'000
HKD		352,201	353,648
USD		1,553,180	3,640,217
SGD		688,405	687,077
		<u>2,593,786</u>	<u>4,680,942</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 SUKUK**

		Group and Company			
	Year of	Amount	2019	Amount	2018
	maturity	outstanding	Effective	outstanding	Effective
		RM'000	profit rate	RM'000	profit rate
			%		%
(a) Islamic commercial papers					
	2019	-	-	405,000	3.510 – 3.800
	2020	905,000	3.250-3.310	-	-
Add:					
Profit payable		1,587		1,358	
		<u>906,587</u>		<u>406,358</u>	
(b) Islamic medium-term notes					
	2019	-	-	1,612,000	3.750 – 5.280
	2020	2,725,000	3.290-6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.080-5.380	3,020,000	4.080 – 5.380
	2022	3,010,000	3.380-4.700	2,150,000	3.900 – 4.700
	2023	2,495,000	4.250-6.350	2,495,000	4.250 – 6.350
	2024	1,135,000	3.550-5.520	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
		<u>14,810,000</u>		<u>14,247,000</u>	
Add:					
Profit payable		125,728		134,397	
Unaccrued premium		7,568		20,717	
		<u>14,943,296</u>		<u>14,402,114</u>	
		<u>15,849,883</u>		<u>14,808,472</u>	

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22 SUKUK (CONTINUED)**

The maturity structure of Sukuk are as follows:

	Group and Company	
	2019 RM'000	2018 RM'000
Maturing within one year	3,764,836	2,156,534
One to three years	6,030,000	5,266,938
Three to five years	3,630,000	4,645,000
More than five years	2,425,047	2,740,000
	<u>15,849,883</u>	<u>14,808,472</u>

(a) Islamic commercial papers ("ICP")

ICPs are Ringgit denominated short term Islamic instruments with maturities ranging from one to twelve months, issued with or without profit paid, at either a discount from the face value where the relevant ICPs are redeemable at their nominal value upon maturity or at par with profit is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(b) Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")

IMTNs are Ringgit denominated Sukuk with fixed profit rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a profit rate. Profit distribution of the IMTNs are normally made on half-yearly. The redemption of the relevant IMTNs are at nominal value together with the profit due upon maturity.

(c) Variable Profit Rate Notes ("VRN")

VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Profit distributions of the VRNs are normally made on quarterly or half-yearly basis. At maturity, the face value of the relevant VRNs are redeemed with any outstanding profit amounts due on maturity.

Apart from Ringgit IMTNs and VRNs, Cagamas also issued IMTNs and VRNs in foreign currency ("Islamic EMTN"). Under the USD2.5 billion Multicurrency Sukuk Issuance Programme, CGS, may from time to time issue Islamic EMTN in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas. There are no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 LOANS/FINANCING FROM SUBSIDIARY**

Loans from subsidiary outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	<u>Company</u>	
	2019	2018
	RM'000	RM'000
HKD	352,503	354,124
USD	1,553,622	3,642,798
SGD	688,841	687,875
	<u>2,594,966</u>	<u>4,684,797</u>

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 2.58% to 3.735% per annum (2018: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	<u>Company</u>	
	2019	2018
	RM'000	RM'000
Maturing within one year	2,317,540	2,089,297
One to three years	277,426	2,595,500
	<u>2,594,966</u>	<u>4,684,797</u>

**24 DEFERRED TAXATION**

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Deferred tax assets (before offsetting)	(17,451)	(29,169)
Deferred tax liabilities (before offsetting)	18,011	56,517
Deferred tax liabilities	<u>560</u>	<u>27,348</u>

The movements of deferred tax are as follows:

As at 1 January	27,348	(5,874)
Recognised to income statements (Note 37)	(51,610)	34,699
Recognised to reserves	24,822	(1,477)
As at 31 December	<u>560</u>	<u>27,348</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 24 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following:

	Group and Company			
2019	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(15,067)	-	13,595	(1,472)
Provisions	(1,321)	237	-	(1,084)
Temporary difference relating to lease liability	-	(1,150)	-	(1,150)
Temporary difference relating to ECL	(12,781)	(964)	-	(13,745)
	<u>(29,169)</u>	<u>(1,877)</u>	<u>13,595</u>	<u>(17,451)</u>
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	3,790	-	(23)	3,767
Revaluation reserves of financial asset at FVOCI	623	-	11,250	11,873
Accelerated depreciation	2,248	(1,011)	-	1,237
Temporary difference relating to interest/profit receivables on deposit and placements	10	173	-	183
Temporary difference relating to right of use of asset	-	951	-	951
Temporary difference relating to accretion of discount	49,846	(49,846)	-	-
	<u>56,517</u>	<u>(49,733)</u>	<u>11,227</u>	<u>18,011</u>
	<u>27,348</u>	<u>(51,610)</u>	<u>24,822</u>	<u>560</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 24 DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities of the Group and the Company during the financial year comprise the following:

2018	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	(9,807)	-	(5,260)	(15,067)
Provisions	(305)	(1,016)	-	(1,321)
Revaluation reserves of financial asset at FVOCI	(319)	-	319	-
Temporary difference relating to ECL	2,091	(14,872)	-	(12,781)
	<u>(8,340)</u>	<u>(15,888)</u>	<u>(4,941)</u>	<u>(29,169)</u>
Deferred tax liabilities				
Net unrealised gain on revaluation of derivatives financial instrument under cash flow hedge accounting	852	-	2,938	3,790
Revaluation reserves of financial asset at FVOCI	97	-	526	623
Accelerated depreciation	1,275	973	-	2,248
Temporary difference relating to interest/profit receivables on deposit and placements	242	(232)	-	10
Temporary difference relating to accretion of discount	-	49,846	-	49,846
	<u>2,466</u>	<u>50,587</u>	<u>3,464</u>	<u>56,517</u>
	<u>(5,874)</u>	<u>34,699</u>	<u>(1,477)</u>	<u>27,348</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25 LEASE LIABILITY**

	<u>Group and Company</u> RM'000
At 1 January 2019	-
Effect of adoption of MFRS 16	4,916
As restated	4,916
Lease liability interest charged	(125)
At 31 December 2019	4,791

The maturity structure of lease liability are as follows:

Due in 1 year or less	208
Due in 2 to 5 years	4,583
Total present value of minimum lease payments	4,791

**26 OTHER LIABILITIES**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	1,777	1,584	1,777	1,584
Amount due to GOM	90,620	54,893	90,620	54,893
Accruals	27,899	29,154	27,562	27,950
Other payables	1,392	1,360	1,392	1,360
	121,688	86,991	121,351	85,787

**27 SHARE CAPITAL**

	<u>Group and Company</u>			
	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary shares				
Issued:				
As at 1 January/ 31 December	150,000	150,000	150,000	150,000



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28 RESERVES**

(a) Financial asset at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial asset at FVOCI, net of taxation.

(b) Cash flow hedge reserves

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

(c) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and Company maintains, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing (2018 :1.2% of the total outstanding loans/financing, net of individual impairment provisions).

**29 NET TANGIBLE ASSETS AND EARNINGS PER SHARE**

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,904,862,000 of the Group and RM3,889,265,000 of the Company respectively (2018: RM3,614,391,000 of the Group and RM3,602,369,000 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 RM240,400,000 of the Group and RM236,825,000 of the Company respectively (2018: RM243,729,000 of the Group and RM239,445,000 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.

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****30 INTEREST INCOME**

	<u>Group and Company</u>	
	2019 RM'000	2018 RM'000
Amount due from counterparties	819,265	883,984
Mortgage assets	223,345	245,549
Hire purchase assets	-	2
Compensation from mortgage assets	14	28
Financial asset at FVOCI	76,726	77,732
Deposits and placements with financial institutions	5,749	9,102
	<u>1,125,099</u>	<u>1,216,397</u>
Accretion of discount less amortisation of premium (net)	<u>123,618</u>	<u>132,361</u>
	<u><u>1,248,717</u></u>	<u><u>1,348,758</u></u>

**31 INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Floating rate notes	8,650	11,380	8,650	11,380
Medium-term notes	913,548	989,740	788,695	858,328
Commercial paper	25,674	28,845	25,674	28,845
Deposits and placements from financial institutions	884	236	884	236
Loans/financing from subsidiaries	-	-	129,954	136,320
	<u>948,756</u>	<u>1,030,201</u>	<u>953,857</u>	<u>1,035,109</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**32 NON-INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net derivatives expense	(55,571)	(75,666)	(55,571)	(75,666)
Income from financial asset at FVTPL	1,383	3,649	1,383	3,649
Gain on disposal of:				
- Financial asset at FVOCI	7,636	3,553	7,636	3,553
- Property and equipment	23	70	23	70
Reclassification adjustments of fair value loss on CCS, transfer from equity	(26,601)	(33,592)	(26,601)	(33,592)
Unrealised gain on foreign exchange	26,260	33,157	26,253	33,157
Other non-operating income	8,036	6,439	8,036	6,439
Interest lease liability (Note 35)	(2,523)	-	(2,523)	-
	<u>(41,357)</u>	<u>(62,390)</u>	<u>(41,364)</u>	<u>(62,390)</u>

**33 PERSONNEL COSTS**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salary and allowances	15,391	13,669	15,391	13,669
Bonus	7,465	5,933	7,465	5,933
Overtime	66	58	66	58
EPF and SOCSO	4,026	3,313	4,026	3,313
Insurance	608	665	608	665
Others	3,752	2,888	3,752	2,888
	<u>31,308</u>	<u>26,526</u>	<u>31,308</u>	<u>26,526</u>

**34 (ALLOWANCE)/WRITE-BACK OF IMPAIRMENT LOSSES**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Cash and short-term funds	(105)	-
Financial asset at FVOCI	(128)	-
Amount due from counterparties	8	(26)
Islamic financing assets	(26)	(405)
Mortgage assets - Conventional	(6,783)	2,673
Mortgage assets – Islamic	(10,823)	3,820
Hire purchase assets – Islamic	3	6
Write-off of mortgage assets	(172)	-
(Allowance)/write-back of impairment losses	<u>(18,026)</u>	<u>6,068</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**35 PROFIT BEFORE TAXATION AND ZAKAT**

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 36)	2,320	2,104	2,320	2,104
Amortisation of right-of-use asset (Note 19)	936	-	936	-
Interest lease liability (Note 32)	2,523	-	2,523	-
Rental of premises	-	2,648	-	2,648
Hire of equipment	741	597	741	597
Auditor's remuneration				
- Audit fees	318	326	276	298
- Non audit fees	39	14	36	11
Depreciation of property and equipment	1,828	1,421	1,828	1,421
Amortisation of intangible assets	3,563	2,897	3,563	2,897
Servicers fees	2,550	2,578	2,550	2,578
Repairs and maintenance	6,982	5,896	6,982	5,896
Donations and sponsorship	115	152	115	152
Corporate expenses	892	756	892	756
Travelling expenses	476	915	476	915
Gain on disposal of property and equipment	(23)	(70)	(23)	(70)
Allowance/(write-back) of impairment losses	18,026	(6,068)	18,026	(6,068)

**36 DIRECTORS' REMUNERATION**

The Directors who served since the date of the last report and the date of this report are:

Non-Executive Directors

Dato' Bakarudin bin Ishak (Chairman) (appointed w.e.f 26 March 2019)  
 Datuk Shaik Abdul Rasheed bin Abdul Ghaffour (resigned w.e.f 26 March 2019)  
 Dato' Halipah binti Esa  
 Dato' Md Agil bin Mohd Natt  
 Philip Tan Puay Koon  
 Dato' Wee Yiau Hin  
 Nazrul Hisyam bin Mohd Noh (resigned w.e.f 26 March 2019)  
 Ho Chai Huey (appointed w.e.f 1 January 2019)  
 Datuk Azizan bin Haji Abd Rahman (appointed w.e.f 1 January 2019)

Executive Director

Datuk Chung Chee Leong

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 DIRECTORS' REMUNERATION (CONTINUED)**

The aggregate amount of emoluments received by the Directors during the financial year is as follows:

	<u>Group and Company</u>	
	2019 RM'000	2018 RM'000
Directors' fees	530	370
Directors' other emoluments	1,790	1,734
	<u>2,320</u>	<u>2,104</u>

For the financial year ended 31 December 2019, a total of RM170,000 (2018: RM170,000) has been paid by the Group in relation to insurance premium paid for directors and officers of the Group and Company.

**37 TAXATION**

	<u>Group</u>		<u>Company</u>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	128,282	35,936	127,112	35,916
- Deferred taxation (Note 24)	(51,610)	34,699	(51,610)	34,699
	<u>76,672</u>	<u>70,635</u>	<u>75,502</u>	<u>70,615</u>
Current tax:				
- Current year	82,040	39,882	80,870	39,862
- Under/(over) provision in prior year	46,242	(3,946)	46,242	(3,946)
	<u>128,282</u>	<u>35,936</u>	<u>127,112</u>	<u>35,916</u>
Deferred taxation: (Reversal)/origination of temporary differences (Note 24)	(51,610)	34,699	(51,610)	34,699
	<u>76,672</u>	<u>70,635</u>	<u>75,502</u>	<u>70,615</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****37 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:

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	317,998	315,948	313,253	311,644
Tax calculated at Malaysian tax rate of 24% (2018: 24%)	76,320	75,828	75,181	74,795
Different tax rate in Labuan	-	(1,062)	-	-
Subsidiary's current year tax losses utilised	(28)	(39)	(28)	(39)
Loss not subject to tax	28	39	-	-
Expenses not deductible for tax purposes	5,394	(275)	5,391	(285)
Deduction arising from zakat contribution	(380)	(223)	(380)	(223)
Reversal of temporary differences recognised in prior year	(50,854)	-	(50,854)	-
Others	(50)	313	(50)	313
Under/(over) provision in prior year	46,242	(3,946)	46,242	(3,946)
	<u>76,672</u>	<u>70,635</u>	<u>75,502</u>	<u>70,615</u>

**38 DIVIDENDS**

Dividends paid, proposed and approved are as follows:

	<u>Group and Company</u>			
	Per	2019	Per	2018
	<u>share</u>	<u>Total</u>	<u>share</u>	<u>Total</u>
	<u>Sen</u>	<u>amount</u>	<u>Sen</u>	<u>amount</u>
		RM'000		RM'000
Interim dividend paid	5.00	7,500	5.00	7,500
Final dividend paid	15.00	22,500	15.00	22,500
	<u>20.00</u>	<u>30,000</u>	<u>20.00</u>	<u>30,000</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

**(a) Related parties and relationships**

The related parties and their relationships with the Group and the Company are as follows:

<u>Related parties</u>	<u>Relationships</u>
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSR")	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

Related company is defined as subsidiary of the ultimate holding company.

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group and its ultimate holding company, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

**(b) Significant related party transactions and balances**

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured Corporate Bonds and Sukuk are transacted with the shareholders of the ultimate holding company. These transactions have been disclosed on the statement of financial position and income statements of the Group and the Company.

During the financial year, the Company entered into a shared service arrangement with its ultimate holding company, CHB. Under this arrangement, the Company sets out the scope of services performed for CHB in the normal course of business.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 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.

	Ultimate holding company RM'000	Related company RM'000	Group Other related party RM'000
<b>2019</b>			
<u>Income</u>			
Transaction administrator and administrator fees	-	4,286	-
Management fee	52	3,602	-
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	27
Servicers fees	-	2,550	-
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	1,420	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(438)	-
Management fee receivable	52	839	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>2018</b>			
<u>Income</u>			
Transaction administrator and administrator fees	-	3,887	-
Management fee	-	2,445	-
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	(18)
Servicers fees	-	2,578	-
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	450	-
BNM current accounts	-	-	26
Reimbursement of operating expenses	-	-	8
Servicers fees	-	(534)	-
Management fee receivable	-	619	-
	<u>          </u>	<u>          </u>	<u>          </u>

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 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).

	Ultimate holding company	Subsidiaries	Related company	Company Other related party
	RM'000	RM'000	RM'000	RM'000
2019				
<u>Income</u>				
Transaction administrator and administrator fees	-	-	4,286	-
Management fee	52	-	3,602	-
	<u>52</u>	<u>-</u>	<u>7,888</u>	<u>-</u>
<u>Expenses</u>				
FAST* and RENTAS** charges	-	-	-	27
Servicers fees	-	-	2,550	-
Interest expense	-	129,954	-	-
Profit charged	-	-	-	-
	<u>-</u>	<u>129,954</u>	<u>2,550</u>	<u>27</u>
<u>Amount due from/(to)</u>				
Transaction administrator and administrator fees	-	-	1,420	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(438)	-
Loans/financing	-	(2,594,622)	-	-
Payment on behalf	-	3,430	-	-
Management fee receivable	52	-	839	-
	<u>52</u>	<u>(2,594,622)</u>	<u>1,821</u>	<u>40</u>

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****39 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 Other related party
	<u>Subsidiaries</u>	<u>Related</u>	
	RM'000	company	RM'000
		RM'000	
2018			
<u>Income</u>			
Transaction administrator and administrator fees	-	3,887	-
Management fee	-	2,445	-
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	(18)
Servicers fees	-	2,578	-
Interest expense	136,318	-	-
Profit charged	572	-	-
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	450	-
BNM current accounts	-	-	26
Reimbursement of operating expenses	-	-	8
Servicers fees	-	(534)	-
Loans/financing	(4,684,796)	-	-
Payment on behalf	5,379	-	-
Management fee receivable	-	619	-

\* 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 RM7,430,703 (2018: RM6,256,353).

The total remuneration paid to the Directors is disclosed in Note 36 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****39 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.

**40 CAPITAL AND LEASE COMMITMENTS****(a) Capital commitments**

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for	2,783	1,380
Authorised but not contracted for	741	1,322
	<u>3,524</u>	<u>2,702</u>
<i>Analysed as follows:</i>		
Equipment and others	24	54
Computer hardware and software	3,500	2,648
	<u>3,524</u>	<u>2,702</u>

**(b) 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:

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
Maturing within one year	-	4,550
One to three years	-	6,242
	<u>-</u>	<u>10,792</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 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.

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within <u>one year</u> RM'000	One to <u>three years</u> RM'000	Three <u>to five years</u> RM'000	More than <u>five years</u> RM'000	Non-interest/ Non-profit <u>bearing</u> RM'000	Total RM'000
<u>Group</u>						
2019						
<u>Financial assets</u>						
Cash and short-term funds	230,501	-	-	-	110,806	341,307 <sup>^1</sup>
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565 <sup>^2</sup>
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154 <sup>^3</sup>
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232 <sup>^4</sup>
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313 <sup>^5</sup>
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428 <sup>^6</sup>
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	- <sup>^7</sup>
- Islamic	147	-	-	-	(11)	136 <sup>^8</sup>
Other assets	22,854	16,004	492	22,506	35,296	97,152
	<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,123,967)</u>	<u>40,734,670</u>

<sup>^1</sup> Includes impairment losses on cash and short-term funds of RM105,036.<sup>^2</sup> Includes impairment losses on financial assets at FVOCI of RM127,815.<sup>^3</sup> Includes impairment losses on amount due from counterparties of RM59,047.<sup>^4</sup> Includes impairment losses on Islamic financing asset of RM653,198.<sup>^5</sup> Includes impairment losses on mortgage assets of RM34,992,500.<sup>^6</sup> Includes impairment losses on Islamic mortgage assets of RM35,084,485.<sup>^7</sup> Includes impairment losses on conventional hire purchase assets of RM2,059.<sup>^8</sup> Includes impairment losses on hire purchase assets of RM12,461.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 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
<u>Group</u>						
2019						
<u>Financial liabilities</u>						
Unsecured bearer bonds and notes	9,083,664	8,402,295	955,000	2,220,068	-	20,661,027
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
Other liabilities	126,133	15,677	10,499	-	145,209	297,518
	<u>12,974,633</u>	<u>14,447,972</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>145,209</u>	<u>36,808,428</u>
Total interest/profit sensitivity gap	<u>(375,741)</u>	<u>2,538,239</u>	<u>250,455</u>	<u>2,782,465</u>		
Cumulative gap	<u>(375,741)</u>	<u>2,162,498</u>	<u>2,412,953</u>	<u>5,195,418</u>		

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within <u>one year</u> RM'000	One to <u>three years</u> RM'000	Three <u>to five years</u> RM'000	More than <u>five years</u> RM'000	Non-interest/ Non-profit <u>bearing</u> RM'000	<u>Total</u> RM'000
<u>Group</u>						
2018						
<u>Financial assets</u>						
Cash and short-term funds	116,537	-	-	-	70,255	186,792
Financial asset at FVOCI	518,227	475,208	676,771	806,079	-	2,476,285
Amount due from counterparties	6,004,319	8,420,632	5,345,008	635,032	(67)	20,404,924 <sup>^1</sup>
Islamic financing assets	1,835,052	4,269,044	3,926,484	-	(627)	10,029,953 <sup>^2</sup>
Mortgage assets:						
- Conventional	893,068	1,150,650	1,007,432	3,013,592	(720,032)	5,344,710 <sup>^3</sup>
- Islamic	732,631	986,926	944,979	3,979,811	(728,820)	5,915,527 <sup>^4</sup>
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	- <sup>^5</sup>
- Islamic	795	-	-	-	(14)	781 <sup>^6</sup>
Other assets	356,716	1,699	795	6,900	71,974	438,084
	<u>10,457,347</u>	<u>15,304,159</u>	<u>11,901,469</u>	<u>8,441,414</u>	<u>(1,307,333)</u>	<u>44,797,056</u>

<sup>^1</sup> Includes impairment losses on amount due to counterparties of RM66,581.<sup>^2</sup> Includes impairment losses on Islamic financing assets of RM627,130.<sup>^3</sup> Includes impairment losses on mortgage assets of RM28,210,459.<sup>^4</sup> Includes impairment losses on Islamic mortgage assets of RM24,261,116.<sup>^5</sup> Includes impairment losses on conventional hire purchase assets of RM2,059.<sup>^6</sup> Includes impairment losses on Islamic hire purchase assets of RM14,937.

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within <u>one year</u> RM'000	One to <u>three years</u> RM'000	Three <u>to five years</u> RM'000	More than <u>five years</u> RM'000	Non-interest/ Non-profit <u>bearing</u> RM'000	<u>Total</u> RM'000
<u>Group</u>						
2018						
<u>Financial liabilities</u>						
Unsecured bearer bonds and notes	9,084,032	8,313,359	6,035,000	2,650,000	-	26,082,391
Sukuk	2,156,534	5,266,938	4,645,000	2,740,000	-	14,808,472
Other liabilities	127,352	9,792	17,471	-	114,338	268,953
	<u>11,367,918</u>	<u>13,590,089</u>	<u>10,697,471</u>	<u>5,390,000</u>	<u>114,338</u>	<u>41,159,816</u>
Total interest/profit sensitivity gap	<u>(910,571)</u>	<u>1,714,070</u>	<u>1,203,998</u>	<u>3,051,414</u>		
Cumulative gap	<u>(910,571)</u>	<u>803,499</u>	<u>2,007,497</u>	<u>5,058,911</u>		



## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within <u>one year</u> RM'000	One to <u>three years</u> RM'000	Three <u>to five years</u> RM'000	More than <u>five years</u> RM'000	Non-interest/ Non-profit <u>bearing</u> RM'000	<u>Total</u> RM'000
<u>Company</u>						
2019						
<u>Financial assets</u>						
Cash and short-term funds	230,501	-	-	-	91,499	322,000 <sup>^1</sup>
Financial asset at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565 <sup>^2</sup>
Financial asset at FVTPL	141,383	-	-	-	-	141,383
Amount due from counterparties	7,491,962	8,527,330	-	637,921	(59)	16,657,154 <sup>^3</sup>
Islamic financing assets	2,513,118	5,823,131	2,506,636	-	(653)	10,842,232 <sup>^4</sup>
Mortgage assets:						
- Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313 <sup>^5</sup>
- Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428 <sup>^6</sup>
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	- <sup>^7</sup>
- Islamic	147	-	-	-	(11)	136 <sup>^8</sup>
Other assets	22,854	16,004	492	22,506	38,678	100,534
	<u>12,598,892</u>	<u>16,986,211</u>	<u>4,845,954</u>	<u>7,427,580</u>	<u>(1,139,892)</u>	<u>40,718,745</u>

<sup>^1</sup> Includes impairment losses on cash and short-term funds of RM105,036.<sup>^2</sup> Includes impairment losses on financial assets at FVOCI of RM127,815.<sup>^3</sup> Includes impairment losses on amount due from counterparties of RM59,047.<sup>^4</sup> Includes impairment losses on Islamic financing asset of RM653,198.<sup>^5</sup> Includes impairment losses on mortgage assets of RM34,992,500.<sup>^6</sup> Includes impairment losses on Islamic mortgage assets of RM35,084,485.<sup>^7</sup> Includes impairment losses on conventional hire purchase assets of RM2,059.<sup>^8</sup> Includes impairment losses on Islamic hire purchase assets of RM12,461.

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 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
<u>Company</u>						
<u>2019</u>						
<u>Financial liabilities</u>						
Unsecured bearer bonds and notes	6,767,215	8,124,958	955,000	2,220,068	-	18,067,241
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	-	15,849,883
Loan/financing from subsidiaries	2,317,540	277,426	-	-	-	2,594,966
Other liabilities	126,133	15,677	10,499	-	143,701	296,010
	<u>12,975,724</u>	<u>14,448,061</u>	<u>4,595,499</u>	<u>4,645,115</u>	<u>143,701</u>	<u>36,808,100</u>
Total interest/profit sensitivity gap	<u>(376,832)</u>	<u>2,538,150</u>	<u>250,455</u>	<u>2,782,465</u>		
Cumulative gap	<u>(376,832)</u>	<u>2,161,318</u>	<u>2,411,773</u>	<u>5,194,238</u>		

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within <u>one year</u> RM'000	One to <u>three years</u> RM'000	Three <u>to five years</u> RM'000	More than <u>five years</u> RM'000	Non-interest/ Non-profit <u>bearing</u> RM'000	<u>Total</u> RM'000
<u>Company</u>						
2018						
<u>Financial assets</u>						
Cash and short-term funds	116,537	-	-	-	55,509	172,046
Financial asset at FVOCI	518,227	475,208	676,771	806,079	-	2,476,285
Amount due from counterparties	6,004,319	8,420,632	5,345,008	635,032	(67)	20,404,924 <sup>^1</sup>
Islamic financing assets	1,835,052	4,269,044	3,926,484	-	(627)	10,029,953 <sup>^2</sup>
Mortgage assets:						
- Conventional	893,068	1,150,650	1,007,432	3,013,592	(720,032)	5,344,710 <sup>^3</sup>
- Islamic	732,631	986,926	944,979	3,979,811	(728,820)	5,915,527 <sup>^4</sup>
Hire purchase assets:						
- Conventional	2	-	-	-	(2)	- <sup>^5</sup>
- Islamic	795	-	-	-	(14)	781 <sup>^6</sup>
Other assets	356,716	1,699	795	6,900	77,349	443,459
	<u>10,457,347</u>	<u>15,304,159</u>	<u>11,901,469</u>	<u>8,441,414</u>	<u>(1,316,704)</u>	<u>44,787,685</u>

<sup>^1</sup> Includes impairment losses on amount due to counterparties of RM66,581.<sup>^2</sup> Includes impairment losses on Islamic financing assets of RM627,130.<sup>^3</sup> Includes impairment losses on mortgage assets of RM28,210,459.<sup>^4</sup> Includes impairment losses on Islamic mortgage assets of RM24,261,116.<sup>^5</sup> Includes impairment losses on conventional hire purchase assets of RM2,059.<sup>^6</sup> Includes impairment losses on Islamic hire purchase assets of RM14,937.

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 41 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
<u>Company</u>						
<u>2018</u>						
<u>Financial liabilities</u>						
Unsecured bearer bonds and notes	6,997,713	5,718,736	6,035,000	2,650,000	-	21,401,449
Sukuk	2,156,534	5,266,938	4,645,000	2,740,000	-	14,808,472
Loan/financing from subsidiaries	2,089,297	2,595,500	-	-	-	4,684,797
Other liabilities	127,352	9,792	17,471	-	113,134	267,749
	<u>11,370,896</u>	<u>13,590,966</u>	<u>10,697,471</u>	<u>5,390,000</u>	<u>113,134</u>	<u>41,162,467</u>
Total interest/profit sensitivity gap	<u>(913,549)</u>	<u>1,713,193</u>	<u>1,203,998</u>	<u>3,051,414</u>		
Cumulative gap	<u>(913,549)</u>	<u>799,644</u>	<u>2,003,642</u>	<u>5,055,056</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****41 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.

	<u>+100 basis</u>		<u>Group -100 basis</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserves	(76,593)	(78,460)	82,369	83,437
Derivatives financial instruments	(36)	113	36	(114)
PWR (floating rate)	(9,977)	(7,033)	10,144	7,193
Unsecured bonds and notes (floating rate)	647	731	(657)	(740)
Taxation effects on the above at tax rate of 24%	20,630	20,316	(22,054)	(21,546)
Effect on shareholder's funds	<u>(65,329)</u>	<u>(64,333)</u>	<u>69,838</u>	<u>68,230</u>
As percentage of shareholder's funds	<u>(1.7%)</u>	<u>(1.8%)</u>	<u>1.8%</u>	<u>1.9%</u>
<i>Impact to income statements:</i>				
Net interest income	5,404	3,691	(5,398)	(3,685)
Taxation effects at the rate of 24%	(1,297)	(886)	1,296	885
Effect on net interest income	<u>4,107</u>	<u>2,805</u>	<u>(4,102)</u>	<u>(2,800)</u>
As percentage of profit after tax	<u>1.7%</u>	<u>1.2%</u>	<u>(1.7%)</u>	<u>(1.2%)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 INTEREST/PROFIT RATE RISK (CONTINUED)**

	+100 basis		Company -100 basis	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserve	(76,593)	(78,460)	82,369	83,437
Derivatives financial instruments	(36)	113	36	(114)
Loans/financing from subsidiaries	298	(41)	(302)	43
PWR (floating rate)	(9,977)	(7,033)	10,144	7,193
Unsecured bonds and notes (floating rate)	647	731	(657)	(740)
Taxation effects on the above at tax rate of 24%	20,558	20,326	(21,981)	(21,556)
Effect on shareholder's funds	<u>(65,103)</u>	<u>(64,364)</u>	<u>69,609</u>	<u>68,263</u>
As percentage of shareholder's funds	<u>(1.7%)</u>	<u>(1.8%)</u>	<u>1.8%</u>	<u>1.9%</u>
<i>Impact to income statements:</i>				
Net interest income	5,404	3,691	(5,398)	(3,685)
Taxation effects at the rate of 24%	(1,297)	(886)	1,296	884
Effect on net interest income	<u>4,107</u>	<u>2,805</u>	<u>(4,102)</u>	<u>(2,801)</u>
As percentage of profit after tax	<u>1.7%</u>	<u>1.2%</u>	<u>(1.7%)</u>	<u>(1.2%)</u>

**42 CREDIT RISK**

**42.1 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.

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

## 42.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

Group	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Financial asset at FVTPL 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
2019											
Government bodies	-	-	1,069,398	-	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	247,189	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	27,059,726
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	91,848	-	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	179,509	-	-	-	-	-	-	-	179,509
Transportation	-	-	384,292	-	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	8,978*	176,756
Total	341,307	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	9,447	40,705,387

\*Includes prepayment of RM2,727

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

## 42.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
<u>Group</u>										
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	144,550	362,078	364,632	19,875,677	10,029,953	-	-	-	-	30,776,890
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
- Development	-	-	151,135	-	-	-	-	-	-	151,135
Communication, electricity, gas and water	-	-	100,565	-	-	-	-	-	-	100,565
Transportation	-	-	365,378	-	-	-	-	-	-	365,378
Leasing	-	-	-	529,247	-	-	-	-	-	529,247
Consumers	-	-	-	-	-	5,344,710	5,915,527	781	-	11,261,018
Corporate	-	-	192,685	-	-	-	-	-	-	192,685
Construction	-	-	76,090	-	-	-	-	-	-	76,090
Others	-	-	273,134	-	-	-	-	-	6,878*	280,012
Total	186,792	362,078	2,476,285	20,404,924	10,029,953	5,344,710	5,915,527	781	7,651	44,728,701

\*Includes prepayment of RM1,523



## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

## 42.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

<u>Company</u>	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Financial asset at FVTPL 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
2019											
Government bodies	-	-	1,069,398	-	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	227,882	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	27,040,419
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development	-	-	91,848	-	-	361,267	-	-	-	-	453,115
Communication, electricity, gas and water	-	-	179,509	-	-	-	-	-	-	-	179,509
Transportation	-	-	384,292	-	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporate	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	12,360*	180,138
Total	322,000	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	12,829	40,689,462

\*Includes prepayment of RM2,678

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

## 42.1 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	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	129,804	362,078	364,632	19,875,677	10,029,953	-	-	-	-	30,762,144
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
- Development	-	-	151,135	-	-	-	-	-	-	151,135
Communication, electricity, gas and water	-	-	100,565	-	-	-	-	-	-	100,565
Transportation	-	-	365,378	-	-	-	-	-	-	365,378
Leasing	-	-	-	529,247	-	-	-	-	-	529,247
Consumers	-	-	-	-	-	5,344,710	5,915,527	781	-	11,261,018
Corporate	-	-	192,685	-	-	-	-	-	-	192,685
Construction	-	-	76,090	-	-	-	-	-	-	76,090
Others	-	-	273,134	-	-	-	-	-	12,233*	285,367
Total	172,046	362,078	2,476,285	20,404,924	10,029,953	5,344,710	5,915,527	781	13,006	44,719,310

\*Includes prepayment of RM1,500

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CREDIT RISK (CONTINUED)**

**42.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets**

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:

- neither more than 90 days past due nor individually impaired; or
- more than 90 days past due but not individually impaired.

Neither more than 90 days past due nor individually impaired comprise amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets which is not past due and classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise 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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

42.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

<u>Group and Company</u>	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2019							
Amount due from counterparties	16,657,213	-	16,657,213	59	16,657,154	-	-
Islamic financing assets	10,842,885	-	10,842,885	653	10,842,232	-	-
Mortgage assets:							
- Conventional	4,826,374	44,932	4,871,306	34,993	4,836,313	44,932	78%
- Islamic	5,507,347	38,165	5,545,512	35,084	5,510,428	38,165	92%
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100%
- Islamic	112	36	148	12	136	36	33%
	<u>37,833,931</u>	<u>83,135</u>	<u>37,917,066</u>	<u>70,803</u>	<u>37,846,263</u>	<u>83,135</u>	

\* These assets have been provided for under collective assessment

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 42 CREDIT RISK (CONTINUED)

42.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

<u>Group and Company</u>	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loans RM'000	Coverage ratio %
2018							
Amount due from counterparties	20,404,991	-	20,404,991	67	20,404,924	-	-
Islamic financing assets	10,030,580	-	10,030,580	627	10,029,953	-	-
Mortgage assets:							
- Conventional	5,312,311	60,609	5,372,920	28,210	5,344,710	60,609	47%
- Islamic	5,892,906	46,882	5,939,788	24,261	5,915,527	46,882	52%
Hire purchase assets:							
- Conventional	-	2	2	2	-	2	100%
- Islamic	741	55	796	15	781	55	27%
	<u>41,641,529</u>	<u>107,548</u>	<u>41,749,077</u>	<u>53,182</u>	<u>41,695,895</u>	<u>107,548</u>	

\* These assets have been provided for under collective assessment

**CAGAMAS BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****42 CREDIT RISK (CONTINUED)****42.2 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:

	2019		Group and Company 2018	
	<u>Strong</u>	<u>Total</u>	<u>Strong</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	16,657,213	16,657,213	20,404,991	20,404,991
Islamic financing assets	10,842,885	10,842,885	10,030,580	10,030,580
Mortgage assets:				
- Conventional	4,826,374	4,826,374	5,312,311	5,312,311
- Islamic	5,507,347	5,507,347	5,892,906	5,892,906
Hire purchase assets:				
- Islamic	112	112	741	741
	<u>37,833,931</u>	<u>37,833,931</u>	<u>41,641,529</u>	<u>41,641,529</u>

The amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets of the Group and the Company have been identified with strong credit risk quality which has a very high likelihood for full recovery.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CREDIT RISK (CONTINUED)**

**42.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)**

An aging analysis of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets that are past due but not individually impaired is set out below:

	Group and Company				
	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
<b>2019</b>					
Mortgage assets:					
- Conventional	5,093	2,869	1,721	35,249	44,932
- Islamic	5,158	1,665	1,517	29,825	38,165
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	-	36	36
	<u>10,251</u>	<u>4,534</u>	<u>3,238</u>	<u>65,112</u>	<u>83,135</u>
<b>2018</b>					
Mortgage assets:					
- Conventional	3,312	2,327	2,347	52,623	60,609
- Islamic	3,225	2,913	1,018	39,726	46,882
Hire purchase assets:					
- Conventional	-	-	-	2	2
- Islamic	-	-	-	55	55
	<u>6,537</u>	<u>5,240</u>	<u>3,365</u>	<u>92,406</u>	<u>107,548</u>

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CREDIT RISK (CONTINUED)**

42.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

	Group and Company			
	As at 1 <u>January</u> RM'000	Allowance/ (write-back) <u>made</u> RM'000	Allowance written-off to principal balance <u>outstanding</u> RM'000	As at 31 <u>December</u> RM'000
<b>2019</b>				
Amount due from counterparties	67	(8)	-	59
Islamic financing assets	627	26	-	653
Mortgage assets:				
- Conventional	28,210	6,838	(55)	34,993
- Islamic	24,261	10,823	-	35,084
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	15	(3)	-	12
	<u>53,182</u>	<u>17,676</u>	<u>(55)</u>	<u>70,803</u>
<b>2018</b>				
Amount due from counterparties	41	26	-	67
Islamic financing assets	222	405	-	627
Mortgage assets:				
- Conventional	31,116	(2,673)	(233)	28,210
- Islamic	28,116	(3,820)	(35)	24,261
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	21	(6)	-	15
	<u>59,518</u>	<u>(6,068)</u>	<u>(268)</u>	<u>53,182</u>

42.3 Amount due from related company

None of these assets are impaired nor past due but not impaired.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CREDIT RISK (CONTINUED)**

**42.4 Credit quality**

The following table contains an analysis of credit exposure by stages, together with the impairment allowance provision:

	Group and Company				
	<u>GOM</u>	<u>AAA</u>	<u>AA1 to AA2/ AA+ to AA</u>	<u>No rating</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
					<u>Impairment allowance RM'000</u>
2019					
Financial asset at FVOCI					
- Stage 1	514,044	1,459,617	289,788	-	2,263,449
- Stage 3	-	45,244	-	-	45,244
	<u>514,044</u>	<u>1,504,861</u>	<u>289,788</u>	<u>-</u>	<u>2,308,693</u>
Amount due from counterparties					
- Stage 1	-	11,070,691	5,586,522	-	16,657,213
	<u>-</u>	<u>11,070,691</u>	<u>5,586,522</u>	<u>-</u>	<u>16,657,213</u>
Islamic financing assets					
- Stage 1	-	2,268,430	8,574,455	-	10,842,885
	<u>-</u>	<u>2,268,430</u>	<u>8,574,455</u>	<u>-</u>	<u>10,842,885</u>
Mortgage assets:					
- Stage 1	-	-	-	5,388,779	5,388,779
- Stage 2	-	-	-	20,438	20,438
- Stage 3	-	-	-	44,932	44,932
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,454,149</u>	<u>5,454,149</u>
Islamic mortgage assets:					
- Stage 1	-	-	-	6,108,068	6,108,068
- Stage 2	-	-	-	15,575	15,575
- Stage 3	-	-	-	38,165	38,165
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,161,808</u>	<u>6,161,808</u>
Hire purchase asset					
- Stage 3	-	-	-	2	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Islamic hire purchase asset					
- Stage 1	-	-	-	111	111
- Stage 3	-	-	-	36	36
	<u>-</u>	<u>-</u>	<u>-</u>	<u>147</u>	<u>147</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CREDIT RISK (CONTINUED)**

**42.4 Credit quality (continued)**

The following table contains an analysis of credit exposure by stages, together with the impairment allowance provision:

	Group and Company					Impairment
	<u>GOM</u>	<u>AAA</u>	<u>AA1 to AA2/ AA+ to AA</u>	<u>No rating</u>	<u>Total</u>	<u>allowance</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2018						
Financial asset at FVOCI						
- Stage 1	<u>1,187,584</u>	<u>941,594</u>	<u>347,107</u>	<u>-</u>	<u>2,476,285</u>	<u>-</u>
Amount due from counterparties						
- Stage 1	<u>-</u>	<u>12,093,144</u>	<u>8,311,847</u>	<u>-</u>	<u>20,404,991</u>	<u>67</u>
Islamic financing assets						
- Stage 1	<u>-</u>	<u>1,918,267</u>	<u>8,112,313</u>	<u>-</u>	<u>10,030,580</u>	<u>627</u>
Mortgage assets:						
- Stage 1	-	-	-	5,992,111	5,992,111	7,687
- Stage 2	-	-	-	12,022	12,022	1,200
- Stage 3	-	-	-	60,609	60,609	19,323
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,064,742</u>	<u>6,064,742</u>	<u>28,210</u>
Islamic mortgage assets:						
- Stage 1	-	-	-	6,589,742	6,589,742	8,484
- Stage 2	-	-	-	7,723	7,723	775
- Stage 3	-	-	-	46,882	46,882	15,002
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,644,347</u>	<u>6,644,347</u>	<u>24,261</u>
Hire purchase asset						
- Stage 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>2</u>
Islamic hire purchase asset						
- Stage 1	-	-	-	740	740	1
- Stage 2	-	-	-	-	-	-
- Stage 3	-	-	-	55	55	14
	<u>-</u>	<u>-</u>	<u>-</u>	<u>795</u>	<u>795</u>	<u>15</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****42 CREDIT RISK (CONTINUED)****42.5 Offsetting financial instruments**

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group and Company						
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
	Gross amount of recognised financial liabilities	set off in the statement of financial position	of financial position	Financial instrument	Cash collateral placed	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
Derivatives financial liabilities	(152,309)	-	(152,309)	-	-	(152,309)
2018						
Derivatives financial liabilities	(154,614)	-	(154,614)	-	-	(154,614)

**43 LIQUIDITY RISK****43.1 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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 LIQUIDITY RISK (CONTINUED)

## 43.2 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	Financial asset at FVTPL RM'000	Financial asset at FVOCI 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
<u>Group</u>										
2019	341,307	58,422	141,383	2,308,565	4,836,313	5,510,428	16,657,154	10,842,232	6,905	40,702,709
2018	186,792	362,078	-	2,476,285	5,915,527	5,344,710	20,404,924	10,029,953	5,160	44,725,429
<u>Company</u>										
2019	322,000	58,422	141,383	2,308,565	4,836,313	5,510,428	16,657,154	10,842,232	10,287	40,686,784
2018	172,046	362,078	-	2,476,285	5,915,527	5,344,710	20,404,924	10,029,953	10,515	44,716,038

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 LIQUIDITY RISK (CONTINUED)

## 43.3 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					Total RM'000
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	
<u>Group</u>						
2019						
Financial liabilities						
Unsecured bonds and notes	2,568	394,605	8,517,651	9,357,295	4,482,422	22,754,541
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Other liabilities	119,911	1,777	-	-	-	121,688
	<u>122,479</u>	<u>396,382</u>	<u>12,155,172</u>	<u>19,017,295</u>	<u>9,499,429</u>	<u>41,190,757</u>
Assets held for managing liquidity risk	<u>750,286</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,477,612</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 LIQUIDITY RISK (CONTINUED)

## 43.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					<u>Total</u> RM'000
	<u>On demand</u> <u>up to one</u> <u>month</u> RM'000	<u>One to</u> <u>three</u> <u>months</u> RM'000	<u>Three to</u> <u>twelve</u> <u>months</u> RM'000	<u>One to</u> <u>five years</u> RM'000	<u>Over</u> <u>five years</u> RM'000	
<u>Group</u>						
2018						
Financial liabilities						
Unsecured bonds and notes	8,810	538,482	8,316,995	14,348,653	5,647,895	28,860,835
Sukuk	-	-	2,020,779	9,911,938	5,709,035	17,641,752
Other liabilities	85,407	1,584	-	-	-	86,991
	<u>94,217</u>	<u>540,066</u>	<u>10,337,774</u>	<u>24,260,591</u>	<u>11,356,930</u>	<u>46,589,578</u>
Assets held for managing liquidity risk	<u>1,072,503</u>	<u>2,072,588</u>	<u>6,365,288</u>	<u>26,971,209</u>	<u>8,944,187</u>	<u>45,425,775</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 LIQUIDITY RISK (CONTINUED)

## 43.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					<u>Total</u> RM'000
	<u>On demand up to one month</u> RM'000	<u>One to three months</u> RM'000	<u>Three to twelve months</u> RM'000	<u>One to five years</u> RM'000	<u>Over five years</u> RM'000	
<u>Company</u>						
2019						
Financial liabilities						
Unsecured bonds and notes	-	395,000	6,203,375	9,079,958	4,482,422	20,160,755
Sukuk	-	-	3,637,521	9,660,000	5,017,007	18,314,528
Loans/financing from subsidiaries	2,619	-	2,314,921	277,426	-	2,594,966
Other liabilities	119,574	1,777	-	-	-	121,351
	<u>122,193</u>	<u>396,777</u>	<u>12,155,817</u>	<u>19,017,384</u>	<u>9,499,429</u>	<u>41,191,600</u>
Assets held for managing liquidity risk	<u>734,410</u>	<u>1,611,943</u>	<u>9,727,322</u>	<u>21,692,305</u>	<u>7,695,756</u>	<u>41,461,736</u>

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 LIQUIDITY RISK (CONTINUED)

## 43.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					<u>Total</u> RM'000
	<u>On demand up to one month</u> RM'000	<u>One to three months</u> RM'000	<u>Three to twelve months</u> RM'000	<u>One to five years</u> RM'000	<u>Over five years</u> RM'000	
<u>Company</u>						
2018						
Financial liabilities						
Unsecured bonds and notes	-	530,000	6,248,261	11,753,736	5,647,895	24,179,892
Sukuk	-	-	2,020,779	9,911,938	5,709,035	17,641,752
Loans/financing from subsidiaries	9,477	9,073	2,070,748	2,595,500	-	4,684,798
Other liabilities	84,203	1,584	-	-	-	85,787
	<u>93,680</u>	<u>540,657</u>	<u>10,339,788</u>	<u>24,261,174</u>	<u>11,356,930</u>	<u>46,592,229</u>
Assets held for managing liquidity risk	<u>1,063,136</u>	<u>2,072,588</u>	<u>6,365,288</u>	<u>26,971,209</u>	<u>8,944,187</u>	<u>45,416,408</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****43 LIQUIDITY RISK (CONTINUED)****43.4 Derivative liabilities**

The Group's and the Company's derivatives comprise IRS, IPRS and CCS entered by the Group and the Company for which net cash flows are exchanged for hedging purposes. The derivatives held by the Group and 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
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2019</b>					
Derivatives held for hedging					
- IRS/IPRS	-	(5,320)	(283)	(26,176)	-
- CCS/ICCS	-	-	(120,530)	-	-
<b>2018</b>					
Derivatives held for hedging					
- IRS/IPRS	-	-	-	(27,263)	-
- CCS/ICCS	-	-	-	(127,351)	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 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.

**44.1 Exposure to foreign currency risk**

	<u>HKD</u>	<u>USD</u>	<u>Group</u> <u>SGD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2019			
Derivatives financial instruments	<u>355,910</u>	<u>1,550,156</u>	<u>694,748</u>
Unsecured bonds and notes	<u>352,201</u>	<u>1,553,180</u>	<u>688,405</u>
2018			
Derivatives financial instruments	<u>359,858</u>	<u>3,594,430</u>	<u>697,796</u>
Unsecured bonds and notes	<u>353,648</u>	<u>3,640,217</u>	<u>687,077</u>
	<u>HKD</u>	<u>USD</u>	<u>Company</u> <u>SGD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2019			
Derivatives financial instruments	<u>355,910</u>	<u>1,550,156</u>	<u>694,748</u>
Loans/financing from subsidiary	<u>352,503</u>	<u>1,553,622</u>	<u>688,841</u>
2018			
Derivatives financial instruments	<u>359,858</u>	<u>3,594,430</u>	<u>697,796</u>
Loans/financing from subsidiary	<u>354,124</u>	<u>3,642,798</u>	<u>687,875</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****44 FOREIGN EXCHANGE RISK (CONTINUED)****44.2 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.

	<u>Group</u>		<u>Company</u>	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2019				
HKD	28	-	28	-
USD	(25)	-	(25)	-
SGD	45	1	45	1
	<u>48</u>	<u>1</u>	<u>48</u>	<u>1</u>
2018				
HKD	44	-	44	-
USD	(362)	-	(362)	-
SGD	76	5	76	5
	<u>(242)</u>	<u>5</u>	<u>(242)</u>	<u>5</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**45.1 Fair value of financial instruments carried at fair value**

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivatives financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of the financial asset at FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS and CCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity's net exposure to the credit risk of the counterparty at the statement of financial position date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****45.1 Fair value of financial instruments carried at fair value (continued)**

	Group and Company			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<b>2019</b>				
<b>Assets</b>				
Financial asset at FVOCI	-	2,308,565	-	2,308,565
Financial asset at FVTPL	-	141,383	-	141,383
Derivatives financial instruments	-	58,422	-	58,422
<b>Liabilities</b>				
Derivatives financial instruments	-	152,309	-	152,309
<b>2018</b>				
<b>Assets</b>				
Financial asset at FVOCI	-	2,476,285	-	2,476,285
Derivatives financial instruments	-	362,078	-	362,078
<b>Liabilities</b>				
Derivatives financial instruments	-	154,614	-	154,614

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**45.2 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**

The carrying amount of cash and short-term funds 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 assets. 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 and subsidiaries**

The fair value of amount due from related company is estimated at their carrying amount due to short tenure of less than one year.

**(d) Other financial liabilities**

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount due to short tenure of less than one year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**45.2 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
	Carrying	2019	Carrying	2018
	value	Fair	value	Fair
	RM'000	value	RM'000	value
		RM'000		RM'000
<b>Financial assets</b>				
Amount due from counterparties	16,657,154	16,928,121	20,404,924	20,425,021
Islamic financing assets	10,842,232	10,913,242	10,029,953	10,015,154
Mortgage assets:				
- Conventional	4,836,313	5,524,220	5,344,710	5,876,416
- Islamic	5,510,428	6,386,388	5,915,527	6,709,264
Islamic hire purchase assets	136	250	781	822
	<u>37,846,263</u>	<u>39,752,221</u>	<u>41,695,895</u>	<u>43,026,677</u>
<b>Financial liabilities</b>				
Unsecured bearer bonds and notes	20,661,027	21,377,151	26,082,391	26,526,636
Sukuk	15,849,883	16,494,980	14,808,472	15,208,248
	<u>36,510,910</u>	<u>37,872,131</u>	<u>40,890,863</u>	<u>41,734,884</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**45.2 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	
	Carrying value	2019 Fair value	Carrying value	2018 Fair value
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Amount due from counterparties	16,657,154	16,928,121	20,404,924	20,425,021
Islamic financing assets	10,842,232	10,913,242	10,029,953	10,015,154
Mortgage assets:				
- Conventional	4,836,313	5,524,220	5,344,710	5,876,416
- Islamic	5,510,428	6,386,388	5,915,527	6,709,264
Islamic hire purchase assets	136	250	781	822
	<u>37,846,263</u>	<u>39,752,221</u>	<u>41,695,895</u>	<u>43,026,677</u>
<b>Financial liabilities</b>				
Unsecured bearer bonds and notes	18,067,241	18,724,109	21,401,449	21,842,505
Sukuk	15,849,883	16,494,980	14,808,472	15,208,248
Loans/financing from subsidiaries	2,594,966	2,628,073	4,684,797	4,721,641
	<u>36,512,090</u>	<u>37,847,162</u>	<u>40,894,718</u>	<u>41,772,394</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**45 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**45.2 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.

**46 SEGMENT REPORTING**

The Chief Executive Officer (the chief operating decision maker) of the Company makes strategic decisions and allocation of resources on behalf of the Group and the Company. The Group and the Company have determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

**(a) PWR**

Under the PWR scheme, the Group and the Company purchase the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group and the Company. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 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.

	PWR RM'000	PWOR RM'000	Group Total RM'000
2019			
External revenue	1,313,343	713,207	2,026,550
External interest/profit expense	(1,058,954)	(531,558)	(1,590,512)
Profit from operations	164,724	153,274	317,998
Zakat	(673)	(253)	(926)
Taxation	(50,927)	(25,745)	(76,672)
Profit after taxation and zakat by segment	113,124	127,276	240,400
Segment assets	29,613,843	11,120,827	40,734,670
Segment liabilities	26,280,811	10,527,617	36,808,428
Other information:			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	4,599	1,728	6,327

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 SEGMENT REPORTING (CONTINUED)**

	<u>PWR</u>	<u>PWOR</u>	<u>Group</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
2018			
External revenue	<u>1,321,385</u>	<u>747,962</u>	<u>2,069,347</u>
External interest/profit expense	<u>(1,068,285)</u>	<u>(566,303)</u>	<u>(1,634,588)</u>
Profit from operations	141,366	174,582	315,948
Zakat	(1,156)	(428)	(1,584)
Taxation	<u>(35,274)</u>	<u>(35,361)</u>	<u>(70,635)</u>
Profit after taxation and zakat by segment	<u>104,936</u>	<u>138,793</u>	<u>243,729</u>
Segment assets	<u>32,797,347</u>	<u>11,999,709</u>	<u>44,797,056</u>
Segment liabilities	<u>30,630,143</u>	<u>10,529,673</u>	<u>41,159,816</u>
Other information:			
Capital expenditure	8,104	2,967	11,071
Depreciation and amortisation	<u>3,161</u>	<u>1,157</u>	<u>4,318</u>

**CAGAMAS BERHAD**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****46 SEGMENT REPORTING (CONTINUED)**

	<u>PWR</u>	<u>PWOR</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
2019			
External revenue	<u>1,313,343</u>	<u>713,207</u>	<u>2,026,550</u>
Internal interest/profit expense	(129,954)	-	(129,954)
External interest/profit expense	<u>(934,100)</u>	<u>(531,558)</u>	<u>(1,465,658)</u>
Total interest/profit expense	<u>(1,064,054)</u>	<u>(531,558)</u>	<u>(1,595,612)</u>
Profit from operations	159,979	153,274	313,253
Zakat	(673)	(253)	(926)
Taxation	<u>(49,756)</u>	<u>(25,746)</u>	<u>(75,502)</u>
Profit after taxation and zakat by segment	<u>109,550</u>	<u>127,275</u>	<u>236,825</u>
Segment assets	<u>29,597,920</u>	<u>11,120,825</u>	<u>40,718,745</u>
Segment liabilities	<u>26,280,483</u>	<u>10,527,617</u>	<u>36,808,100</u>
Other information:			
Capital expenditure	2,291	861	3,152
Depreciation and amortisation	<u>4,599</u>	<u>1,728</u>	<u>6,327</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**46 SEGMENT REPORTING (CONTINUED)**

	<u>PWR</u>	<u>PWOR</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
2018			
External revenue	<u>1,321,385</u>	<u>747,962</u>	<u>2,069,347</u>
Internal interest/profit expense	(136,892)	-	(136,892)
External interest/profit expense	<u>(936,305)</u>	<u>(566,303)</u>	<u>(1,502,608)</u>
Total interest/profit expense	<u>(1,073,197)</u>	<u>(566,303)</u>	<u>(1,639,500)</u>
Profit from operations	137,062	174,582	311,644
Zakat	(1,156)	(428)	(1,584)
Taxation	<u>(35,254)</u>	<u>(35,361)</u>	<u>(70,615)</u>
Profit after taxation and zakat by segment	<u>100,652</u>	<u>138,793</u>	<u>239,445</u>
Segment assets	<u>32,787,979</u>	<u>11,999,706</u>	<u>44,787,685</u>
Segment liabilities	<u>30,632,794</u>	<u>10,529,673</u>	<u>41,162,467</u>
Other information:			
Capital expenditure	8,104	2,967	11,071
Depreciation and amortisation	<u>3,161</u>	<u>1,157</u>	<u>4,318</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 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. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET I capital ratio	29.3	28.3	29.1	28.2
Tier I capital ratio	29.3	28.3	29.1	28.2
Total capital ratio	30.7	29.9	30.5	29.8
<u>After deducting proposed final dividend*</u>				
CET I capital ratio	29.1	28.1	29.0	28.0
Tier I capital ratio	29.1	28.1	29.0	28.0
Total capital ratio	30.5	29.7	30.4	29.6

\* Refers to proposed final dividend which will be declared after the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**47 CAPITAL ADEQUACY (CONTINUED)**

Components of CET I, Tier I and Tier II capital:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>CET1/Tier I capital</b>				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,731,398	3,520,998	3,715,801	3,508,976
	<u>3,881,398</u>	<u>3,670,998</u>	<u>3,865,801</u>	<u>3,658,976</u>
Financial asset at FVOCI reserves	16,909	878	16,909	878
Deferred tax assets	(17,451)	(29,179)	(17,451)	(29,179)
Less : Regulatory reserves	<u>(109,779)</u>	<u>(144,472)</u>	<u>(109,779)</u>	<u>(144,472)</u>
	<u>3,771,077</u>	<u>3,498,225</u>	<u>3,755,480</u>	<u>3,486,203</u>
<b>Tier II capital</b>				
Allowance for impairment losses	71,037	53,182	71,037	53,182
Add : Regulatory reserves	<u>109,779</u>	<u>144,472</u>	<u>109,779</u>	<u>144,472</u>
Total Tier II capital	<u>180,816</u>	<u>197,654</u>	<u>180,816</u>	<u>197,654</u>
Total capital	<u>3,951,893</u>	<u>3,695,879</u>	<u>3,936,296</u>	<u>3,683,857</u>

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	12,197,228	11,672,578	12,196,749	11,675,005
Operational risk	<u>694,875</u>	<u>685,542</u>	<u>694,875</u>	<u>685,542</u>
Total risk-weighted assets	<u>12,892,103</u>	<u>12,358,120</u>	<u>12,891,624</u>	<u>12,360,547</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS****STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	Note	<u>Group</u>		<u>Company</u>	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	(a)	136,916	44,415	136,900	44,376
Derivative financial instruments		1,711	-	1,711	-
Financial asset at fair value through other comprehensive income (FVOCI)	(b)	461,841	357,129	461,841	357,129
Financing assets	(c)	10,842,232	9,493,458	10,842,232	9,493,458
Mortgage assets	(d)	5,507,533	5,911,950	5,507,533	5,911,950
Hire purchase assets	(e)	132	287	132	287
Tax recoverable		-	18,153	-	18,153
Other assets and prepayments		289,358	289,338	291,756	291,643
<b>TOTAL ASSETS</b>		<u>17,239,723</u>	<u>16,114,730</u>	<u>17,242,105</u>	<u>16,116,996</u>
<b>LIABILITIES</b>					
Sukuk	(f)	15,849,883	14,808,472	15,849,883	14,808,472
Derivative financial instruments		4,369	3,924	4,369	3,924
Deferred taxation		26,238	13,481	26,238	13,481
Provision for taxation		4,168	-	4,168	-
Other liabilities	(g)	9,989	10,459	8,918	9,404
<b>TOTAL LIABILITIES</b>		<u>15,894,647</u>	<u>14,836,336</u>	<u>15,893,576</u>	<u>14,835,281</u>
<b>ISLAMIC OPERATIONS' FUNDS</b>		<u>1,345,076</u>	<u>1,278,394</u>	<u>1,348,529</u>	<u>1,281,715</u>
<b>TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS</b>		<u>17,239,723</u>	<u>16,114,730</u>	<u>17,242,105</u>	<u>16,116,996</u>



**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)****INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Total income attributable		777,833	720,589	777,833	720,589
Income attributable to the					
Sukuk holders	(h)	(641,755)	(604,387)	(641,755)	(604,391)
Non-profit expense		(2,420)	(5,253)	(2,420)	(5,253)
Total net income attributable	(i)	133,658	110,949	133,658	110,945
Administration and general					
expenses		(108)	(4,665)	24	(4,456)
(Allowance)/write-back of					
impairment losses	(j)	(11,001)	3,457	(11,001)	3,457
PROFIT BEFORE TAXATION					
AND ZAKAT		122,549	109,741	122,681	109,946
Zakat		(926)	(1,584)	(926)	(1,584)
Taxation		(58,946)	(27,287)	(58,946)	(27,287)
PROFIT FOR THE FINANCIAL					
YEAR		62,677	80,870	62,809	81,075

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	62,677	80,870	62,809	81,075
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
- Net gain on fair value changes before taxation	4,505	231	4,505	231
- Deferred taxation	(1,082)	(55)	(1,082)	(55)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	766	1,730	766	1,730
- Deferred taxation	(184)	(415)	(184)	(415)
Other comprehensive gain for the financial year net of taxation	4,005	1,491	4,005	1,491
Total comprehensive income for the financial year	66,682	82,361	66,814	82,566

## CAGAMAS BERHAD

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		<u>Non-distributable</u>			<u>Distributable</u>	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>						
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	910,477	1,278,394
Profit for the financial year	-	-	-	-	62,677	62,677
Other comprehensive income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,677	66,682
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	<u>294,159</u>	<u>3,907</u>	<u>(2,157)</u>	<u>58,561</u>	<u>990,606</u>	<u>1,345,076</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		<u>Non-distributable</u>			<u>Distributable</u>	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>						
Balance as at 1 January 2018	294,159	308	(4,054)	83,655	821,965	1,196,033
Profit for the financial year	-	-	-	-	80,870	80,870
Other comprehensive income	-	176	1,315	-	-	1,491
Total comprehensive income for the financial year	-	176	1,315	-	80,870	82,361
Transfer to retained profits during the financial year	-	-	-	(7,642)	7,642	-
Balance as at 31 December 2018	<u>294,159</u>	<u>484</u>	<u>(2,739)</u>	<u>76,013</u>	<u>910,477</u>	<u>1,278,394</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		<u>Non-distributable</u>			<u>Distributable</u>	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
Balance as at 1 January 2019	294,159	484	(2,739)	76,013	913,798	1,281,715
Profit for the financial year	-	-	-	-	62,809	62,809
Other comprehensive Income	-	3,423	582	-	-	4,005
Total comprehensive income for the financial year	-	3,423	582	-	62,809	66,814
Transfer to retained profits	-	-	-	(17,452)	17,452	-
Balance as at 31 December 2019	<u>294,159</u>	<u>3,907</u>	<u>(2,157)</u>	<u>58,561</u>	<u>994,059</u>	<u>1,348,529</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		<u>Non-distributable</u>			<u>Distributable</u>	
	Allocated capital funds	Financial asset at FVOCI reserve	Cashflow hedge reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Company</u>						
Balance as at 1 January 2018	294,159	308	(4,054)	83,655	825,081	1,199,149
Profit for the financial year	-	-	-	-	81,075	81,075
Other comprehensive Income	-	176	1,315	-	-	1,491
Total comprehensive income for the financial year	-	176	1,315	-	81,075	82,566
Transfer to retained profits during the financial year	-	-	-	(7,642)	7,642	-
Balance as at 31 December 2018	<u>294,159</u>	<u>484</u>	<u>(2,739)</u>	<u>76,013</u>	<u>913,798</u>	<u>1,281,715</u>

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>OPERATING ACTIVITIES</b>				
Profit for the financial year	62,677	80,870	62,809	81,075
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- Financial asset at FVOCI	(4,568)	(10,536)	(4,568)	(10,536)
- Sukuk	(13,149)	(17,641)	(13,149)	(17,641)
Accretion of discount on:				
- Mortgage assets	(94,913)	(83,672)	(94,913)	(83,672)
- Hire purchases	-	(1)	-	(1)
Allowance/(write-back) of impairment losses on:				
- Cash and short-term funds	105	-	105	-
- Financial assets at FVOCI	9	-	9	-
- Financing assets	67	364	67	364
- Mortgage assets and hire purchase assets	10,820	(3,821)	10,820	(3,821)
Income from:				
- Financial asset at FVOCI	(10,788)	(12,306)	(10,788)	(12,306)
- Islamic operations	(667,559)	(614,063)	(667,559)	(614,063)
Income from derivatives	(46,307)	(47,221)	(46,307)	(47,221)
Profit attributable to Sukuk holders	641,755	604,387	641,755	604,391
Profit attributable to derivatives	47,423	49,153	47,423	49,153
Gain on disposal of financial asset at FVOCI	(22)	(10)	(22)	(10)
Taxation	58,946	27,287	58,946	27,287
Zakat	926	1,584	926	1,584
Operating loss before working capital changes	(14,578)	(25,626)	(14,446)	(25,417)

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

Note	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Increase in financing assets	(1,354,168)	(3,927,912)	(1,354,168)	(3,927,912)
Decrease in mortgage assets	494,034	467,538	494,034	467,538
Decrease/(increase) in hire purchase assets	158	(102)	158	(102)
Increase in other assets and prepayments	(786,316)	(98)	(786,409)	(168)
Decrease in deferred financing	-	29	-	-
(Decrease)/increase in derivatives	(3,532)	590,600	(3,532)	590,600
Decrease in other liabilities	(661)	(1,055)	(677)	(1,183)
Cash utilised in operating activities	(1,665,063)	(2,896,626)	(1,665,040)	(2,896,644)
Profit received from assets	1,464,598	599,103	1,464,598	599,103
Profit received from derivatives	49,957	52,593	49,957	52,593
Profit paid on derivatives	(48,042)	(650,638)	(48,042)	(650,638)
Payment of:				
- Taxation	(25,134)	(35,436)	(25,134)	(35,436)
- Zakat	(734)	(927)	(734)	(927)
Net cash utilised in operations	(224,418)	(2,931,931)	(224,395)	(2,931,949)
<b>INVESTING ACTIVITIES</b>				
Purchase of financial asset at FVOCI	(1,110,495)	(2,460,905)	(1,110,495)	(2,460,905)
Net proceed from sale/redemption of financial asset at FVOCI	1,003,564	2,690,000	1,003,564	2,690,000
Income received from financial asset at FVOCI	11,045	13,321	11,045	13,321
Net cash (generated from)/ utilised in investing activities	(95,886)	242,416	(95,886)	242,416



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
<b>FINANCING ACTIVITY</b>					
Proceed from issuance of Sukuk		3,995,000	6,020,000	3,995,000	6,020,000
Redemption of Sukuk		(2,932,000)	(2,812,053)	(2,932,000)	(2,660,000)
Repayment of financing from subsidiary		-	-	-	(152,025)
Profit paid to Sukuk holders		(650,195)	(584,107)	(650,195)	(584,149)
Net cash generated from financing activity		412,805	2,623,840	412,805	2,623,826
Net increase/(decrease) in cash and cash equivalents		92,501	(65,675)	92,524	(65,707)
Effect of foreign exchange translation		-	-	-	-
Cash and cash equivalents as at 1 January		44,415	110,090	44,376	110,083
Cash and cash equivalents as at 31 December		136,916	44,415	136,900	44,376
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	(a)	136,916	44,415	136,900	44,376
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		-	-	-	-
		136,916	44,415	136,900	44,376

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Balance as at the beginning of financial year RM'000	<u>Cash changes</u> Net cash flows from financing activities RM'000	<u>Non-cash changes</u>		Balance as at the end of financial year RM'000
			Accrued profits RM'000	Amortisation/ (accretion) RM'000	
<u>Group</u>					
2019					
Sukuk	14,808,472	412,805	641,755	(13,149)	15,849,883
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
2018					
Sukuk	11,597,878	2,623,848	604,387	(17,641)	14,808,472
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>Company</u>					
2019					
Sukuk	14,808,472	412,805	641,755	(13,149)	15,849,883
Financing from subsidiary	-	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	14,808,472	412,805	641,755	(13,149)	15,849,883
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
2018					
Sukuk	11,445,035	2,776,687	604,391	(17,641)	14,808,472
Financing from subsidiary	152,882	(153,454)	572	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	11,597,917	2,623,233	604,963	(17,641)	14,808,472
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

*(a) Cash and short-term funds*

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with bank and other financial institutions	638	156	622	117
Mudharabah money at call and deposit placements maturing within one month	136,383	44,259	136,383	44,259
Less:				
Allowance for impairment losses	(105)	-	(105)	-
	<u>136,916</u>	<u>44,415</u>	<u>136,900</u>	<u>44,376</u>

As at 31 December 2019, the gross carrying value of cash and short term funds and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	-	-
Allowance during the year on new investments	105	-
At 31 December	<u>105</u>	<u>-</u>

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)***(b) Financial asset at FVOCI*

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
<i>At fair value:</i>		
Sukuk	73,908	140,316
Government investment issues	214,409	40,580
Quasi government Sukuk	173,524	176,233
	<u>461,841</u>	<u>357,129</u>
The maturity structure of financial asset at FVOCI as follows:		
Maturing within one year	281,479	127,394
One to three years	81,270	144,208
Three to five years	67,077	75,503
More than five years	32,024	10,024
	<u>461,850</u>	<u>357,129</u>
Less:		
Allowance for impairment losses	(9)	-
	<u>461,841</u>	<u>357,129</u>

As at 31 December 2019, all financial asset at FVOCI balances are within stage 1 allocation (12-months ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact is immaterial.

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)**

		<u>Group and Company</u>	
		2019	2018
		RM'000	RM'000
(c)	<i>Financing assets</i>		
	Relating to:		
	House financing	10,842,232	9,474,562
	Personal financing	-	18,896
		<u>10,842,232</u>	<u>9,493,458</u>

The maturity structure of financing assets are as follows:

Maturing within one year	2,513,118	1,298,515
One to three years	5,823,131	4,269,044
Three to five years	2,506,636	3,926,485
	<u>10,842,885</u>	<u>9,494,044</u>
Less:		
Allowance for impairment losses	(653)	(586)
	<u>10,842,232</u>	<u>9,493,458</u>

The gross carrying value of Islamic financing assets and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

		<u>Group and Company</u>	
		2019	2018
		Stage 1	Stage 1
		RM'000	RM'000
At 1 January		586	222
Allowance during the year on new assets purchased		87	234
Loans derecognized during the period due to maturity of assets		(4)	-
Allowance during the year due to changes in credit risk		(16)	130
At 31 December		<u>653</u>	<u>586</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	2019	2018
	RM'000	RM'000
(d) <i>Mortgage assets</i>		
PWOR	5,507,533	5,911,950

The maturity structure of mortgage assets are as follows:

Maturing within one year	731,377	731,760
One to three years	966,315	985,492
Three to five years	904,587	944,252
More than five years	3,556,641	3,979,259
	<u>6,158,920</u>	<u>6,640,763</u>
Less:		
Unaccreted discount	(609,645)	(704,559)
Net advance received	(6,665)	-
Allowance for impairment losses	(35,077)	(24,254)
	<u>5,507,533</u>	<u>5,911,950</u>

The gross carrying value of mortgage assets by stage of allocation are as follows;

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	6,106,971	20,344
Stage 2 (Lifetime ECL; non credit impaired)	15,036	2,497
Stage 3 (Lifetime ECL; credit impaired)	36,913	12,236
	<u>6,158,920</u>	<u>35,077</u>
At 31 December		
	<u>6,158,920</u>	<u>35,077</u>
Impairment allowance over gross carrying value (%)		<u>0.57</u>
<u>2018</u>		
Stage 1 (12-months ECL; non credit impaired)	6,586,158	8,477
Stage 2 (Lifetime ECL; non credit impaired)	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	46,882	15,002
	<u>6,640,763</u>	<u>24,254</u>
At 31 December		
	<u>6,640,763</u>	<u>24,254</u>
Impairment allowance over gross carrying value (%)		<u>0.37</u>

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)***(d) Mortgage assets*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	8,477	775	15,002	24,254
Transfer between stages:				
Transfer to 12 months ECL (Stage 1)	7,951	(2,430)	(5,521)	-
Transfer to ECL not credit impaired (Stage 2)	(298)	648	(350)	-
Transfer to ECL credit impaired (Stage 3)	(6,057)	(72)	6,129	-
Total transfer between stages	1,596	(1,854)	258	-
Financing derecognised during the period (other than write-offs)	(168)	(37)	(2,109)	(2,314)
Allowance/ (write-back) during the year due to changes in credit risk	10,439	3,613	(915)	13,137
At 31 December	20,344	2,497	12,236	35,077

**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****48 ISLAMIC OPERATIONS (CONTINUED)***(d) Mortgage assets (continued)*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2018</b>				
At 1 January	8,798	3,739	15,571	28,108
Transfer between stages:				
Transfer to 12 months ECL (Stage 1)	5,892	(720)	(5,172)	-
Transfer to ECL not credit impaired (Stage 2)	(2,978)	3,829	(851)	-
Transfer to ECL credit impaired (Stage 3)	(5,299)	(54)	5,353	-
Total transfer between stages	(2,385)	3,055	(670)	-
Financing derecognised during the period (other than write-offs)	(147)	(225)	(1,581)	(1,953)
Allowance/ (write-back) during the year due to changes in credit risk	2,211	(5,794)	1,717	(1,866)
Amount written off	-	-	(35)	(35)
At 31 December	<u>8,477</u>	<u>775</u>	<u>15,002</u>	<u>24,254</u>



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

(e) *Hire purchase assets*

	<u>Group and Company</u>	
	2019	2018
	RM'000	RM'000
PWOR	132	287
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	143	301
Less:		
Allowance for impairment losses	(11)	(14)
	132	287

The gross carrying value of hire purchase assets by stage of allocation are as follows;

	<u>Gross carrying value</u>	<u>Impairment allowance</u>
	RM'000	RM'000
By stage of allocation:		
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	107	-
Stage 3 (Lifetime ECL; credit impaired)	36	11
At 31 December	143	11
Impairment allowance over gross carrying value (%)		7.7
<u>2018</u>		
Stage 1 (12-months ECL; non credit impaired)	246	-
Stage 3 (Lifetime ECL; credit impaired)	55	14
At 31 December	301	14
Impairment allowance over gross carrying value (%)		4.7

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

*(e) Hire purchase assets (continued)*

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

			Group
	Stage 1	Stage 3	Total
	RM'000	RM'000	RM'000
<u>2019</u>			
At 1 January	-	14	14
Financing derecognised during the period (other than write-offs)	-	(10)	(10)
Allowance during the year due to changes in credit risk	-	7	7
	<u>-</u>	<u>7</u>	<u>7</u>
At 31 December	<u>-</u>	<u>11</u>	<u>11</u>
<u>2018</u>			
At 1 January	1	18	19
Financing derecognised during the period (other than write-offs)	(1)	(4)	(5)
	<u>(1)</u>	<u>(4)</u>	<u>(5)</u>
At 31 December	<u>-</u>	<u>14</u>	<u>14</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

*(f) Sukuk*

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>
Commercial papers	906,587	406,358
Medium-term notes	14,943,296	14,402,114
	<u>15,849,883</u>	<u>14,808,472</u>
The maturity structure of Sukuk are as follows:		
Maturing within one year	3,764,836	2,156,534
One to three years	6,030,000	5,266,938
Three to five years	3,630,000	4,645,000
More than five years	2,425,047	2,740,000
	<u>15,849,883</u>	<u>14,808,472</u>

*(g) Other liabilities*

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	1,777	1,584	1,777	1,584
Other payables	8,212	8,875	7,141	7,820
	<u>9,989</u>	<u>10,459</u>	<u>8,918</u>	<u>9,404</u>

*(h) Income attributable to the Sukuk holders*

Mortgage assets	248,687	282,334	248,687	282,338
Hire purchase assets	188	214	188	214
Financing assets	392,880	321,839	392,880	321,839
	<u>641,755</u>	<u>604,387</u>	<u>641,755</u>	<u>604,391</u>
Income attributable to Sukuk Holders analysed by concept:				
Bai Al-Dayn	<u>641,755</u>	<u>604,387</u>	<u>641,755</u>	<u>604,391</u>

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 48 ISLAMIC OPERATIONS (CONTINUED)

(i) *Total net income attributable*

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	98,793	70,070	98,793	70,070
Hire purchase assets	(182)	30	(182)	30
Financing assets	17,792	18,726	17,792	18,722
Financial asset at FVOCI	15,356	27,376	15,356	27,376
Deposit and placements with financial institutions	4,319	-	4,319	-
Non-profit expense	(2,420)	(5,253)	(2,420)	(5,253)
	<u>133,658</u>	<u>110,949</u>	<u>133,658</u>	<u>110,945</u>
Total net income attributable analysed by concept are as follows:				
Ijarah	210	210	210	210
Murabahah	9,953	10,046	9,953	10,046
Bai Al-Dayn	113,983	83,574	113,983	83,570
Mudharabah	3,600	10,547	3,600	10,547
Musyarakah	1,962	1,438	1,962	1,438
Wakalah	1,950	1,950	1,950	1,950
Bai Bithaman Ajil	-	865	-	865
Wadiah Yad Dhamanah	-	1,471	-	1,471
Qard Al-Hasan	2,000	848	2,000	848
	<u>133,658</u>	<u>110,949</u>	<u>133,658</u>	<u>110,945</u>

(j) *Capital adequacy*

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET I	19.8	21.8	19.8	21.8
Tier I capital ratio	19.8	21.8	19.8	21.8
Total capital ratio	<u>21.2</u>	<u>23.6</u>	<u>21.3</u>	<u>23.7</u>
<u>After deducting proposed final dividend</u>				
CET I capital ratio	19.8	21.8	19.8	21.8
Tier I capital ratio	19.8	21.8	19.8	21.8
Total capital ratio	<u>21.2</u>	<u>23.6</u>	<u>21.3</u>	<u>23.7</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

*(k) Capital adequacy (continued)*

Components of CET I, Tier I and Tier II capital:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits*	1,049,167	986,490	1,052,620	989,811
	<u>1,343,326</u>	<u>1,280,649</u>	<u>1,346,779</u>	<u>1,283,970</u>
Less: Regulatory reserves	(58,561)	(76,013)	(58,561)	(76,013)
Financial asset at FVOCI reserves	1,758	218	1,758	218
Deferred tax assets	(5,985)	(6,850)	(5,985)	(6,850)
Total CET I/Tier I capital	<u><u>1,280,538</u></u>	<u><u>1,198,004</u></u>	<u><u>1,283,991</u></u>	<u><u>1,201,325</u></u>
Tier II capital:				
Add: Regulatory reserves	58,561	76,013	58,561	76,013
Allowance for impairment losses	35,864	24,854	35,864	24,854
Total Tier II capital	<u>94,425</u>	<u>100,867</u>	<u>94,425</u>	<u>100,867</u>
Total capital	<u><u>1,374,963</u></u>	<u><u>1,298,871</u></u>	<u><u>1,378,416</u></u>	<u><u>1,302,192</u></u>
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	6,244,654	5,260,917	6,247,049	5,263,214
Operational risk	233,760	238,453	233,760	238,453
Total risk-weighted assets	<u><u>6,478,414</u></u>	<u><u>5,499,370</u></u>	<u><u>6,480,808</u></u>	<u><u>5,501,667</u></u>

\* Refers to proposed final dividend which will be declared after the financial year.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**48 ISLAMIC OPERATIONS (CONTINUED)**

*(I) Shariah advisor*

The Group and the Company consult an independent Shariah advisor on an ad-hoc basis for all the 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 the Islamic products.

**49 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2020.

Registration No.

198601008739

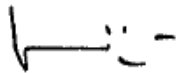
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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Dato' Bakarudin bin Ishak and Datuk Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 7 to 152 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 2019 and of the financial performance of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.



DATO' BAKARUDIN BIN ISHAK  
CHAIRMAN



DATUK CHUNG CHEE LEONG  
DIRECTOR

Registration No.

198601008739

(157931 A)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, 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 152 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 29 April 2020.

Before me,  
COMMISSIONER FOR OATHS



No. 43, Kompleks Emporium  
Makan Sek 52, Jalan Sultan  
46200 Petaling Jaya, Selangor





INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD  
(Incorporated in Malaysia)  
(Registration No. 198601008739 (157931 A))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, 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 2019 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 152.

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.

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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 AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Registration No. 198601008739 (157931 A))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.





INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Registration No. 198601008739 (157931 A))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Registration No. 198601008739 (157931 A))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

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  
LLP0014401-LCA & AF 1146  
Chartered Accountants

ONG CHING CHUAN  
02907/11/2021 J  
Chartered Accountant

Kuala Lumpur  
29 April 2020

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