STRICTLY CONFIDENTIAL – DO NOT FORWARD

ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 24 JANUARY 2025 ("INFORMATION MEMORANDUM"), IN RELATION TO THE PROPOSED ISSUANCE OF ISLAMIC MEDIUM TERM NOTES ("SUKUK CAGAMAS") PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME ("IMTN PROGRAMME") AND CONVENTIONAL MEDIUM TERM NOTES ("CMTNS") PURSUANT TO A CONVENTIONAL MEDIUM TERM NOTES PROGRAMME ("CMTN PROGRAMME"), WITH AN AGGREGATE COMBINED LIMIT OF RM80.0 BILLION IN NOMINAL VALUE BY CAGAMAS BERHAD (REGISTRATION NO. 198601008739 (157931-A)) ("ISSUER"). THE CMTNS AND SUKUK CAGAMAS SHALL COLLECTIVELY BE REFERRED TO AS THE "NOTES".

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

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

THE INFORMATION MEMORANDUM IS NOT A PROSPECTUS AND HAS NOT BEEN REGISTERED NOR WILL IT BE REGISTERED AS A PROSPECTUS UNDER THE CAPITAL MARKETS AND SERVICES ACT, 2007 AS AMENDED FROM TIME TO TIME ("CMSA"). AT THE POINT OF ISSUANCE, THE NOTES MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY, TO PERSONS TO WHOM AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES AND TO WHOM THE NOTES ARE ISSUED WOULD FALL WITHIN (I) PARAGRAPH 1(A), (B) OR (D) OF PART I OF SCHEDULE 5 OF THE CMSA AND (II) SCHEDULE 6 AND SCHEDULE 7 OF THE CMSA, READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA, SUBJECT TO ANY CHANGES IN THE APPLICABLE LAWS, ORDER, REGULATION, GUIDELINES OR OFFICIAL DIRECTIVE FROM TIME TO TIME. IN ADDITION TO THE ABOVE, AS (I) THE IMTN PROGRAMME HAS BEEN ASSIGNED A PRELIMINARY RATING OF AAA BY RAM RATING SERVICES BERHAD ("RAM") AND AAA_{IS} BY MARC RATINGS BERHAD ("MARC") AND (II) THE CMTN PROGRAMME HAS BEEN ASSIGNED A PRELIMINARY RATING OF AAA BY BOTH RAM AND MARC (COLLECTIVELY, RAM AND MARC ARE REFERRED TO AS THE "CREDIT RATING AGENCIES"), THE ISSUANCE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES WOULD FALL WITHIN SCHEDULE 8 OF THE CMSA. THEREAFTER, THE NOTES MAY ONLY BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY, TO PERSONS TO WHOM AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES AND TO WHOM THE NOTES ARE ISSUED WOULD FALL WITHIN

(I) PARAGRAPH 1(A), (B) OR (D) OF PART I OF SCHEDULE 5 OF THE CMSA AND (II) SCHEDULE 6 OR SECTION 229(1)(B) OF THE CMSA, READ TOGETHER WITH SCHEDULE 9 OR SECTION 257(3) OF THE CMSA, SUBJECT TO ANY CHANGES IN THE APPLICABLE LAWS, ORDER, REGULATION, GUIDELINES OR OFFICIAL DIRECTIVE FROM TIME TO TIME. IN ADDITION TO THE ABOVE, AS (I) THE IMTN PROGRAMME HAS BEEN ASSIGNED A PRELIMINARY RATING OF AAA BY RAM AND AAA_{IS} BY MARC AND (II) THE CMTN PROGRAMME HAS BEEN ASSIGNED A PRELIMINARY RATING OF AAA BY THE CREDIT RATING AGENCIES, THE ISSUANCE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE THE NOTES WOULD FALL WITHIN SCHEDULE 8 OF THE CMSA.

THIS TRANSMISSION SHALL NEITHER CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE LAWS OF SUCH JURISDICTIONS.

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

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

Strictly Private & Confidential

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

INFORMATION MEMORANDUM

IN RELATION TO THE PROPOSED ISSUANCE OF ISLAMIC MEDIUM TERM NOTES PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES PROGRAMME AND CONVENTIONAL MEDIUM TERM NOTES PURSUANT TO A CONVENTIONAL MEDIUM TERM NOTES PROGRAMME, WITH AN AGGREGATE COMBINED LIMIT OF RM80.0 BILLION IN NOMINAL VALUE

JOINT LEAD ARRANGERS FOR THE ISLAMIC MEDIUM TERM NOTES PROGRAMME

CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))	**HSBC Amanah Malaysia Berhad** (Registration No. 200801006421 (807705-X))	**Maybank Investment Bank Berhad** (Registration No. 197301002412 (15938-H))

JOINT LEAD ARRANGERS FOR THE CONVENTIONAL MEDIUM TERM NOTES PROGRAMME

CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))	**HSBC Bank Malaysia Berhad** (Registration No. 198401015221 (127776-V))	**Maybank Investment Bank Berhad** (Registration No. 197301002412 (15938-H))

THIS INFORMATION MEMORANDUM IS DATED 24 JANUARY 2025

IMPORTANT NOTICE

Responsibility Statements

This information memorandum dated 24 January 2025 (the "**Information Memorandum**") has been approved by the directors of Cagamas Berhad (Registration No. 198601008739 (157931-A)) ("**Issuer**" or "**Cagamas**") and the Issuer accepts full responsibility for the truth and accuracy of the information contained in this Information Memorandum. The Issuer, after having made enquiries as were reasonable in the circumstances and to the best of its knowledge and belief, has reasonable grounds to believe that: (a) the statements and information in this Information Memorandum are true and not misleading; (b) there are no material omissions from this Information Memorandum; and (c) no conduct was engaged in that was misleading or deceptive, in the context of the proposed issuance of Islamic medium term notes ("**Sukuk Cagamas**") (which shall include the Sustainability Sukuk Cagamas (as defined herein)) pursuant to an Islamic medium term notes programme ("**IMTN Programme**") and conventional medium term notes ("**CMTNs**") (which shall include the Sustainability CMTNs (as defined herein)) pursuant to a conventional medium term notes programme ("**CMTN Programme**"), with an aggregate combined limit of RM80.0 billion in nominal value. The IMTN Programme and the CMTN Programme shall collectively be referred to as the "**Programmes**" and the Sukuk Cagamas and the CMTNs shall collectively be referred to as the "**Notes**".

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

Important Notice and General Statement of Disclaimer

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

At the point of issuance of the Notes, the Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the Capital Markets and Services Act 2007 (as amended from time to time) ("**CMSA**") and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time. In addition to the above, as (i) the IMTN Programme has been assigned a preliminary rating of AAA by RAM Rating Services Berhad ("**RAM**") and AAA_{IS} by MARC Ratings Berhad ("**MARC**") and (ii) the CMTN Programme has been assigned a preliminary rating of AAA by both RAM and MARC (collectively, RAM and MARC are referred to as the "**Credit Rating Agencies**"), the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes would fall within Schedule 8 of the CMSA.

Thereafter, the Notes may only be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA and (ii) Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time. In addition to the above, as (i) the IMTN Programme has been assigned a preliminary rating of AAA by RAM and AAA_{IS} by MARC and (ii) the CMTN Programme has been assigned a preliminary rating of AAA by the Credit Rating Agencies, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes would fall within Schedule 8 of the CMSA.

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

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

The IMTN Programme has been accorded indicative ratings of AAA by RAM and AAA_{IS} by MARC, while the CMTN Programme has been accorded indicative ratings of AAA by the Credit Rating Agencies. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the Credit Rating Agencies.

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

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

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

This Information Memorandum does not, and will not be made to, comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an offer, or an invitation to subscribe for or purchase the Notes or any other securities of any kind by any party in any Foreign Jurisdiction.

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

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

(a) it will keep confidential all information and data contained in this Information Memorandum;

(b) it is lawful for the recipient to subscribe for or purchase the Notes under all jurisdictions to which the recipient is subject;

(c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Notes;

(d) the Issuer, the Joint Principal Advisers/Joint Lead Arrangers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Notes, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Notes is or shall become unlawful, unenforceable, voidable or void;

(e) it is aware that the Notes can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws;

(f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Notes, and is able and is prepared to bear the economic and financial risks of investing in or holding the Notes;

(g) it is subscribing for or accepting the Notes for its own account;

(h) at the point of issuance of the Notes, it is a person falling within one or more of the categories of persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would constitute an excluded issue, excluded offer or excluded invitation pursuant to (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA; and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 8, Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time; and

(i) after issuance, the Notes may be offered, sold, transferred or otherwise disposed of, directly or indirectly, to persons to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes and to whom the Notes are issued would fall within (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA; and (ii) Schedule 6 or Section 229(1)(b) of the CMSA, read together with Schedule 8, Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time.

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

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

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

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

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

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

Acknowledgement

The Issuer hereby acknowledges that it has authorised the Joint Principal Advisers/Joint Lead Arrangers to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed offer for subscription or purchase of, or invitation to subscribe for or purchase and issue of, the Notes to prospective investors falling within one or more of the categories of persons specified in (i) paragraph 1(a), (b) or (d) of Part I of Schedule 5 of the CMSA and (ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 8, Schedule 9 or Section 257(3) of the CMSA, subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time, and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission Malaysia

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

The issue, offer or invitation to subscribe or purchase the Notes in this Information Memorandum are subject to the fulfilment of various conditions precedent including without limitation the lodgement of information and documents in relation to the Programmes with the SC in accordance with the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) and revised on 5 February 2024 (as may be amended from time to time) ("**LOLA Guidelines**").

The Issuer has on 23 January 2025 lodged the documents and information relating to the Programmes with the SC in accordance with the LOLA Guidelines. However, please note that the lodgement with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. Further, the SC takes no responsibility for the contents of this Information Memorandum.

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

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

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

Documents Incorporated by Reference

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

(i) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements of the Issuer (if any);

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

(iii) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

CONFIDENTIALITY

To the recipient of this Information Memorandum:

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

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

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

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

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DEFINITIONS

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

2023 CCP Programme	:	The conventional commercial papers programme established in 2023 for the issue of conventional commercial papers, which together with the 2023 ICP Programme have an aggregate combined limit of RM20.0 billion in nominal value
2023 ICP Programme	:	The Islamic commercial papers programme established in 2023 for the issue of Islamic commercial papers, which together with the 2023 CCP Programme have an aggregate combined limit of RM20.0 billion in nominal value
BNM	:	Bank Negara Malaysia
BNM Sukuk	:	BNM Sukuk Berhad (Registration No. 200601001590 (721338-H))
Board	:	The Board of Directors of Cagamas
Cagamas or Issuer	:	Cagamas Berhad (Registration No. 198601008739 (157931-A))
Cagamas Global	:	Cagamas Global P.L.C. (Company No. LL10563)
Cagamas Global Sukuk	:	Cagamas Global Sukuk Berhad (Registration No. 201401016049 (1092135-D))
Cagamas Group	:	Cagamas Holdings and its Subsidiaries
Cagamas Holdings	:	Cagamas Holdings Berhad (Registration No. 200701004048 (762047-P))
Cagamas MBS	:	Cagamas MBS Berhad (Registration No. 200401016786 (655289-H))
Cagamas MGP	:	Cagamas MGP Berhad (Registration No. 200801012299 (813587-U))
Cagamas SME	:	Cagamas SME Berhad (Registration No. 200601004366 (724114-X))
Cagamas SRP	:	Cagamas SRP Berhad (Registration No. 201101000756 (928890-A))
Cagamas' Sustainability Bond/Sukuk Framework	:	The framework dated 28 March 2023 (and first issued by Cagamas on 17 January 2019) in relation to the issuance of Cagamas' sustainability bonds/sukuk, as published on Cagamas' website and shall include any addendum, supplement, amendment or revision thereof from time to time and any additional framework issued by Cagamas in relation to the Sustainability Guidelines/Framework
CMTNs	:	The conventional medium term notes (including the Sustainability CMTNs) to be issued from time to time pursuant to the CMTN Programme
CMTN Programme	:	The conventional medium term notes programme to be established by Cagamas, which together with the IMTN Programme have an aggregate combined limit of RM80.0 billion in nominal value
CIMB	:	CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))
CIMB Islamic	:	CIMB Islamic Bank Berhad (Registration No. 200401032872 (671380-H))
CMSA	:	The Capital Markets and Services Act 2007, as amended from time to time

Credit Rating Agencies	:	Collectively, RAM and MARC, and each a "Credit Rating Agency"
Existing MTN Programme	:	The existing medium term notes programme of Cagamas maturing in August 2067 for the issue of conventional medium term notes and Islamic medium term notes with an aggregate limit of RM60.0 billion in nominal value
FPE	:	Financial period ended
FYE	:	Financial year ended 31 December for the respective year
Government or GOM	:	Government of Malaysia
HSBC Amanah	:	HSBC Amanah Malaysia Berhad (Registration No. 200801006421 (807705-X))
HSBC Bank	:	HSBC Bank Malaysia Berhad (Registration No. 198401015221 (127776-V))
ICMA	:	International Capital Markets Association
ICMPS Guidelines	:	The Guidelines on Islamic Capital Market Products and Services issued by the SC on 28 November 2022 and revised on 8 February 2024 (as amended from time to time)
IMTN Programme	:	The Islamic medium term notes programme to be established by Cagamas, which together with the CMTN Programme have an aggregate combined limit of RM80.0 billion in nominal value
Joint Lead Arrangers	:	Collectively, CIMB, HSBC Amanah (only in relation to Sukuk Cagamas), HSBC Bank (only in relation to CMTNs) and MIBB
Joint Lead Managers	:	Collectively: (a) CIMB; (b) HSBC Amanah (only in relation to Sukuk Cagamas); (c) HSBC Bank (only in relation to CMTNs); (d) MIBB; and/or such other financial institutions as may be appointed by Cagamas at the point of each issuance under the Programmes
Joint Shariah Advisers	:	Collectively, CIMB Islamic, HSBC Amanah and Maybank Islamic
Lodgement	:	The lodgement of the relevant information and documents with the SC pursuant to the LOLA Guidelines
LOLA Guidelines	:	The Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015 and revised on 5 February 2024) (as amended from time to time)
LPD	:	16 December 2024, being the latest practicable date
MARC	:	MARC Ratings Berhad (Registration No. 202001041436 (1397757-W))
Maybank Islamic	:	Maybank Islamic Berhad (Registration No. 200701029411 (787435-M))
MIBB	:	Maybank Investment Bank Berhad (Registration No. 197301002412 (15938-H))
Noteholders	:	The holders of the Sukuk Cagamas and the CMTNs, as the case may be
Notes	:	Collectively, the Sukuk Cagamas and the CMTNs
Programmes	:	Collectively, the IMTN Programme and the CMTN Programme
RAM	:	RAM Rating Services Berhad (Registration No. 200701005589 (763588-T))

RAM Sustainability	:	RAM Sustainability Sdn Bhd (Registration No. 200001012972 (515578-M))
Ringgit/RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
SC	:	Securities Commission Malaysia
Second Opinion	:	A second party opinion issued by RAM Sustainability dated 21 September 2020 for the Cagamas' Sustainability Bond/Sukuk Framework as enclosed as Appendix III in this Information Memorandum and shall include any updates thereof from time to time as published on Cagamas' website
Subsidiaries	:	The subsidiaries of Cagamas Holdings, namely Cagamas, Cagamas MBS, Cagamas SME, BNM Sukuk, Cagamas SRP and Cagamas MGP including the subsidiaries of Cagamas namely, Cagamas Global and Cagamas Global Sukuk
Sukuk Cagamas	:	The Islamic medium term notes (including the Sustainability Sukuk Cagamas) to be issued from time to time pursuant to the IMTN Programme
Sustainability CMTNs	:	The CMTNs to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or the Cagamas' Sustainability Bond/Sukuk Framework
Sustainability Guidelines/Framework	:	Any one or more of the following guidelines or frameworks, as amended from time to time: (a) the ASEAN Green Bond Standards pursuant to the SC's LOLA Guidelines; (b) the ASEAN Social Bond Standards pursuant to the SC's LOLA Guidelines; (c) the ASEAN Sustainability Bond Standards pursuant to the SC's LOLA Guidelines; (d) the ASEAN Sustainability-Linked Bond Standards pursuant to the SC's LOLA Guidelines; (e) the ICMA's Green Bond Principles; (f) the ICMA's Social Bond Principles; (g) the ICMA's Sustainability Bond Guidelines; (h) the ICMA's Sustainability-Linked Bond Principles; (i) the SRI Sukuk Framework pursuant to the SC's LOLA Guidelines; (j) the SRI-linked Sukuk Framework pursuant to the SC's LOLA Guidelines; and (k) such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green/sustainability-linked or other thematic bonds issued from time to time
Sustainability Sukuk Cagamas	:	The Sukuk Cagamas to be issued from time to time in compliance with the Sustainability Guidelines/Framework and/or the Cagamas' Sustainability Bond/Sukuk Framework
Trustee	:	Malaysian Trustees Berhad (Registration No. 197501000080 (21666-V))
Transaction Documents	:	The transaction documents for the Programmes

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SECTION 1.0 INTRODUCTION

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

1.1 Brief background of Cagamas

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

The principal activity of Cagamas consists of the purchase of mortgage loans, personal loans, hire purchase and leasing debts and other loans and debts from primary lenders approved by Cagamas which are funded by the issuance of bonds and notes. Cagamas also purchases Islamic financing facilities such as home financing, personal financing, hire purchase financing and other financing which are funded by issuance of Sukuk.

1.2 Brief description of the IMTN Programme

The IMTN Programme for the issue of Sukuk Cagamas, which together with the CMTN Programme for the issue of CMTNs shall have an aggregate combined limit of RM80.0 billion in nominal value. Cagamas may also issue Sustainability Sukuk Cagamas which will be in compliance with the Sustainability Guidelines/Framework and/or the Cagamas' Sustainability Bond/Sukuk Framework.

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

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

The Issuer may issue Sukuk Cagamas based on but not limited to any one of the following Shariah principles which will be determined by the Issuer prior to each issuance:

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

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

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

i) to issue Sukuk Cagamas based on Shariah principles other than the Shariah principles listed in items (a) to (c) above;

ii) to amend the structure of the Shariah principles described in the transaction documents for the IMTN Programme so as to comply with any future requirements of the Shariah principles listed in items (a) to (c) above; or

iii) to amend the structure of any Shariah principles (other than those mentioned under items (a) to (c) above) which may be adopted by the Issuer, so as to comply with any future requirements of those Shariah principles,

provided that the Issuer shall:

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

1.3 Brief description of the CMTN Programme

The CMTN Programme for the issue of CMTNs, which together with the IMTN Programme for the issue of Sukuk Cagamas shall have an aggregate combined limit of RM80.0 billion in nominal value. Cagamas may also issue Sustainability CMTNs which will be in compliance with the Sustainability Guidelines/Framework and/or the Cagamas' Sustainability Bond/Sukuk Framework.

The tenure of the CMTN Programme will be perpetual, provided that the first issuance of the CMTNs shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

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

1.4 Utilisation of proceeds of the Programmes

(a) IMTN Programme

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

(i) for the purchase of Shariah compliant financing/assets;
(ii) for the investment in Shariah compliant instruments;
(iii) to defray the costs and expenses in relation to the issuance of Sukuk Cagamas;
(iv) for inter-company advances to the following entities in a Shariah-compliant manner:

(1) Cagamas' Shariah-compliant subsidiaries for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure;

(2) Cagamas Holdings' Shariah-compliant subsidiaries (via Issuer directly or via Cagamas Holdings) for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure; and

(v) to refinance any of Cagamas' sukuk/ Shariah-compliant financing on their respective expected maturity dates.

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

(b) CMTN Programme

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

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

The proceeds raised from the issuance of Sustainability CMTNs under the CMTN Programme shall be utilised by the Issuer to fund activities that meet the criteria as set out in the Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/Framework as further set out in the relevant documents in relation to the issuance of such Sustainability CMTNs.

1.5 Rating of the Programmes

Pursuant to RAM's letter dated 12 September 2024, the IMTN Programme and the CMTN Programme have been accorded an initial rating of AAA.

Pursuant to MARC's letter dated 6 August 2024, the IMTN Programme has been accorded a preliminary rating of AAA_{IS} and the CMTN Programme has been accorded a preliminary rating of AAA.

1.6 Selling Restrictions

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

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

(ii) Schedule 6 and Schedule 7 of the CMSA, read together with Schedule 9 or Section 257(3) of the CMSA, and subject to any change in the applicable laws, order, regulation, guidelines or official directive from time to time.

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

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

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

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

In addition to the above, as (i) the IMTN Programme has been assigned a preliminary rating of AAA by RAM and AAA_{IS} by MARC and (ii) the CMTN Programme has been assigned a preliminary rating of AAA by the Credit Rating Agencies, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes would fall within Schedule 8 of the CMSA.

1.7 Key Financial Highlights

Summary of the key financial highlights of Cagamas and its subsidiaries for the FYE2021, FYE2022, FYE2023 and FPE 30 June 2024 are set out below:

	As at 30 June	**As at 31 December**		
	2024 (Unaudited) RM'000	**2023 (Audited) RM'000**	**2022 (Audited) RM'000**	**2021 (Audited) RM'000**
ASSETS				
Cash and short-term funds	390,758	180,359	159,765	318,943
Deposits and placements with financial institutions	298,906	86,947	132,570	172,021
Financial asset at fair value through profit or loss (FVTPL)	-	-	-	123,132
Financial asset at fair value through other comprehensive income (FVOCI)	3,222,285	2,690,061	3,493,471	2,792,094
Financial asset at amortised cost	2,286,429	2,286,680	1,817,754	354,353
Derivatives financial instruments	49,103	207,659	102,583	29,607
Amount due from counterparties	17,874,468	19,987,790	17,097,746	17,141,175
Islamic financing assets	21,747,672	21,426,861	15,482,284	10,273,747
Mortgage assets				
- Conventional	2,804,806	3,021,850	3,426,761	3,886,956
- Islamic	3,686,960	3,881,528	4,275,424	4,691,424
Hire purchase assets				

- Islamic	58	55	50	62
Reserve mortgage assets	3,306	2,147	552	-
Amount due from				
- Related company	531	586	378	735
Other assets	15,331	20,476	33,261	7,570
Tax recoverable	-	-	51,501	64,194
Property and equipment	2,827	1,947	1,459	2,338
Intangible assets	15,069	16,804	18,586	18,357
Right-of-use asset	6,072	7,176	9,384	11,592
TOTAL ASSETS	**52,404,581**	**53,818,926**	**46,103,529**	**39,888,300**
LIABILITIES				
Short-term borrowings	868,309	648,790	812,339	302,367
Derivative financial liabilities	12,937	15,161	6,619	28,595
Other liabilities	117,008	150,411	201,371	164,019
Lease liability	8,533	9,308	11,384	13,738
Provision for taxation	28,192	10,205	-	-
Deferred taxation	196,883	198,371	213,063	181,935
Loans/financing from subsidiaries	-	-	-	-
Unsecured bearer bonds and notes	22,004,393	24,954,908	20,414,672	19,956,954
Sukuk	24,532,915	23,278,139	20,135,060	15,082,028
TOTAL LIABILITIES	**47,769,170**	**49,265,293**	**41,794,508**	**35,729,636**
Share capital	150,000	150,000	150,000	150,000
Reserves	4,485,411	4,403,633	4,159,021	4,008,664
SHAREHOLDER'S FUNDS	**4,635,411**	**4,553,633**	**4,309,021**	**4,158,664**
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	**52,404,581**	**53,818,926**	**46,103,529**	**39,888,300**
NET TANGIBLE ASSETS PER SHARE (RM)	**30.80**	**30.25**	**28.60**	**27.60**

INCOME STATEMENTS

	FPE	FYE		
	30 June 2024 (Unaudited) RM'000	2023 (Audited) RM'000	2022 (Audited) RM'000	2021 (Audited) RM'000
Interest income	549,463	1,071,757	881,187	836,414
Interest expense	(474,846)	(945,854)	(646,485)	(624,928)
Income from Islamic operations	99,836	186,292	128,238	115,165
Non-interest income/(expense)	5,744	38,940	(11,955)	2,142
	180,197	351,135	350,985	328,793
Personnel costs	(15,878)	(30,760)	(28,248)	(29,416)
Administration and general expenses	(15,845)	(27,700)	(29,823)	(22,811)
OPERATING PROFIT	148,474	292,675	292,914	276,566
Allowance for impairment losses	3,169	10,920	7,401	4,608
PROFIT BEFORE TAXATION AND ZAKAT	151,643	303,595	300,315	281,174
Zakat		(2,534)	(2,828)	(5,094)
Taxation	(42,622)	(74,713)	(73,092)	(67,205)
PROFIT FOR THE FINANCIAL YEAR/ FINANCIAL PERIOD	109,021	226,348	224,395	208,875
EARNINGS PER SHARE (SEN)	72.68	150.90	149.60	139.25
DIVIDEND PER SHARE (SEN)	15.00	20.0	20.0	86.7

STATEMENT OF COMPREHENSIVE INCOME

	FPE		FYE	
	30 June 2024	2023	2022	2021
	(Unaudited) RM'000	(Audited) RM'000	(Audited) RM'000	(Audited) RM'000
Profit for the financial year/ financial period	109,021	226,348	224,395	208,875
Other comprehensive income: **Items that may be subsequently reclassified to income statement**				
Financial assets at FVOCI				
- Net (loss)/gain on fair value changes before taxation	3,833	46,094	(49,085)	(95,503)
- FVOCI ECL	(32)	5	61	227
- Deferred taxation	(920)	(11,063)	11,780	22,921
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(10,031)	17,405	(8,939)	(8,749)
- Deferred taxation	2,407	(4,177)	2,145	2,100
Other comprehensive (loss)/income for the financial year/ financial period, net of taxation	(4,743)	48,264	(44,038)	(79,004)
Total comprehensive income for the financial year/ financial period	104,278	274,612	180,357	129,871

The annual audited financial information above has been derived from and should be read in conjunction with the audited financial statement of Cagamas for the respective years. The unaudited financial information for FPE 30 June 2024 above has been derived from and should be read in conjunction with the condensed interim financial statements of the Issuer for FPE 30 June 2024.

For the audited financial statements of the Issuer for FYE2023 and the condensed interim financial statements of the Issuer for FPE 30 June 2024, please refer to Appendix I of this Information Memorandum.

1.8 Cagamas' Sustainability Bond/Sukuk Framework

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

a) renewable energy
b) energy efficiency
c) green buildings
d) low-carbon and low emission transportation
e) sustainable water and wastewater management
f) affordable housing
g) employment generation via SME financing.

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

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

A copy of the Cagamas' Sustainability Bond/Sukuk Framework as at 28 March 2023 is attached in Appendix II of this Information Memorandum. The Cagamas' Sustainability Bond/Sukuk Framework sets out, amongst others, the environmental and social objectives of the Cagamas' Sustainability Bond/Sukuk Framework, project evaluation and selection process, management of proceeds and reporting commitments. The balance of funds from the issuance proceeds of Sustainability CMTNs/Sustainability Sukuk Cagamas which are not allocated to any eligible loans/financing/assets categories as set out in the Cagamas' Sustainability Bond/Sukuk Framework will be placed in money market instruments or such other types of temporary placement as disclosed by Cagamas under its annual Sustainability Bonds/ Sukuk progress report, which will be published on Cagamas' website at www.cagamas.com.my.

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

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

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SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE IMTN PROGRAMME AND THE CMTN PROGRAMME

2.1 PRINCIPAL TERMS AND CONDITIONS OF THE IMTN PROGRAMME

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

(1) **Name of facility/programme**

An Islamic medium term notes programme ("**IMTN Programme**") for the issuance of Islamic medium term notes ("**Sukuk Cagamas**").

(2) **Issuance type**

☐ One-Time Issue
☒ Programme

(3) **Type of issuance under this facility/programme**

☒	Sukuk
☒	ASEAN Sukuk
☒	SRI Sukuk
☒	SRI-Linked Sukuk
☒	ASEAN Sustainability-Linked Sukuk

(4) **For ASEAN Sukuk, to state whether the sukuk to be issued are –**

☒	ASEAN Green Sukuk
☒	ASEAN Social Sukuk
☒	ASEAN Sustainability Sukuk

(5) **For SRI Sukuk, to state whether the Eligible SRI Projects are –**

☒	Green Projects
☒	Social Projects
☐	Projects which are a combination of Green and Social projects
☐	Waqf projects that relate to the development of waqf properties or assets

(6) **Shariah principles (for sukuk)**

Each issue of Sukuk Cagamas will be based on but not limited to any one of the following Shariah principles which will be determined by the Issuer prior to each issuance:

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

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

(7)	**Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)**	An IMTN Programme for the issuance of Sukuk Cagamas from time to time, which together with a conventional medium term notes programme ("**CMTN Programme**") to be established by Cagamas at or about the same time as the IMTN Programme for the issuance of conventional medium term notes ("**CMTNs**"), shall have an aggregate combined limit of RM80.0 billion in nominal value. Cagamas may also issue Sukuk Cagamas which will be in compliance with any one or more of the following guidelines or frameworks, as amended from time to time: a. the ASEAN Green Bond Standards pursuant to the SC's LOLA Guidelines; b. the ASEAN Social Bond Standards pursuant to the SC's LOLA Guidelines; c. the ASEAN Sustainability Bond Standards pursuant to the SC's LOLA Guidelines; d. the ASEAN Sustainability-Linked Bond Standards pursuant to the SC's LOLA Guidelines; e. the International Capital Market Association ("**ICMA**")'s Green Bond Principles; f. the ICMA's Social Bond Principles; g. the ICMA's Sustainability Bond Guidelines; h. the ICMA's Sustainability-Linked Bond Principles; i. the SRI Sukuk Framework pursuant to the SC's LOLA Guidelines; j. the SRI-linked Sukuk Framework pursuant to the SC's LOLA Guidelines; and k. such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green/sustainability-linked or other thematic bonds issued from time to time. (collectively, "**Sustainability Guidelines/Framework**" and the Sukuk Cagamas issued under such Sustainability Guidelines/Framework shall be referred to as "**Sustainability Sukuk Cagamas**"). For the avoidance of doubt, references to Sukuk Cagamas herein shall also include Sustainability Sukuk Cagamas, where relevant. The relevant Sustainability Guidelines/Framework under which such Sustainability Sukuk Cagamas are issued, the naming of such Sustainability Sukuk Cagamas and the specific terms (if any) of the Sustainability Sukuk Cagamas shall be specified in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas. The Transaction Documents shall provide that no approval from the Sukukholders will be required for the Issuer to amend the terms and conditions of the IMTN Programme solely for the purpose of complying with any Sustainability Guidelines/Framework, provided that the Issuer shall have complied with the relevant guidelines as may be issued by the SC from time to time including the

LOLA Guidelines, the ICMPS Guidelines and the requirement thereunder.

The Issuer may issue Sukuk Cagamas based on but not limited to any one of the following Shariah principles which will be determined by the Issuer prior to each issuance:

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

The Transaction Documents shall provide that no approval from the Sukukholders will be required for the Issuer:

a) to issue Sukuk Cagamas based on Shariah principles other than the Shariah principles listed in items (i) to (iii) above;

b) to amend the structure described herein so as to comply with any future requirements of the Shariah principles listed in items (i) to (iii) above; or

c) to amend the structure of any Shariah principle (other than those mentioned under items (i) to (iii) above) which may be adopted by the Issuer, so as to comply with any future requirements of those Shariah principles,

provided that the Issuer shall:

a) obtain prior endorsement of the SC's SAC and the Joint Shariah Advisers;
b) obtain confirmation from the rating agencies that the rating of the IMTN Programme will not be affected thereby; and
c) comply with the relevant requirements under the LOLA Guidelines and the ICMPS Guidelines.

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

<u>Murabahah (via Tawarruq arrangement)</u>

1. The Sukuk Trustee (on behalf of the Sukukholders), via an agency agreement ("**Agency Agreement**"), shall appoint Cagamas as agent of the Sukukholders (in such capacity, "**Agent**") to purchase and sell the Shariah-compliant commodities, which exclude ribawi items in the category of medium exchange such as currency, gold and silver ("**Commodities**").

2. Cagamas, in its capacity as the purchaser ("**Purchaser**"), will enter into a commodity Murabahah master agreement ("**Commodity Murabahah Master Agreement**") with the Agent and the Sukuk Trustee. Pursuant to the Commodity Murabahah Master Agreement, the Purchaser shall from time to time, issue a purchase order ("**Purchase Order**") to the Agent to purchase the Commodities.

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

"**Profit Margin**" means:

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

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

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

The Discounted Amount (as defined below) plus the aggregate Periodic Distribution based on the Periodic Distribution Rate;

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

(1) <u>In respect of Sukuk Cagamas without Periodic Distribution and issued at a discount:</u>

The Discounted Amount.

(2) <u>In respect of Sukuk Cagamas with Periodic Distribution and issued at a premium:</u>

The aggregate Periodic Distribution based on the Periodic Distribution Rate less the Premium Amount (as defined below).

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

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

4. (i) The Issuer shall concurrently issue the Sukuk Cagamas to the Sukukholders.

   (ii) The proceeds of the Sukuk Cagamas shall be used to pay the Purchase Price of the Commodities to the Commodity Seller. The Sukuk Cagamas shall evidence the Sukukholders' ownership of the Commodities and all rights thereto (including all rights against the Purchaser under the Purchase Order).

5. Thereafter, pursuant to the undertaking to purchase under the Purchase Order, the Agent (acting on behalf of the Sukukholders) shall sell the Commodities to the Purchaser at the Deferred Sale Price pursuant to a sale and purchase agreement ("**Sale and Purchase Agreement**"). Once the Commodities are sold to the Purchaser, the Sukuk Cagamas shall represent the Sukukholders' entitlement to receive the Deferred Sale Price.

6. (i) Upon completion of such purchase from the Agent (acting on behalf of the Sukukholders), the Purchaser shall sell, on a spot basis, the Commodities to the commodity vendor(s) ("**Commodity Buyer**") on the commodity trading platform acceptable to the Joint Shariah Advisers. However, Commodities purchased by the Purchaser from the Agent may be used by Cagamas for its Islamic Operations before the onward sale to the Commodity Buyer.

   "**Islamic Operations**" means an arrangement whereby Cagamas purchases Islamic debt based financings/assets from the approved seller ("**Approved Seller**") under the Islamic Purchase with Recourse/ Islamic Purchase without Recourse schemes and will pay the purchase value of the debt by way of an exchange of Commodities with the Approved Seller. Subsequently, the Approved Seller appoints Cagamas as its agent to onsell the Commodities to Commodity Buyer for an amount equal to the Purchase Price. The proceeds received from the sale will be accounted for/ paid to the Approved Seller.

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

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

In relation to Sukuk Cagamas with Periodic Distribution and issued at a discount, the Purchaser as part of its obligation to pay the Deferred Sale Price, shall make Periodic Distribution and shall make a further lump sum payment equal to the Discounted Amount on the Maturity Date or the Declaration Date (as defined in the section entitled "*Events of default or enforcement events, where applicable, including recourse available to investors*") or the Call Date (as defined in the section entitled "*Call option and details, if applicable*"), whichever is earlier.

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

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

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

In the case of Sukuk Cagamas issued on an amortising basis, the Purchaser shall make periodic principal payment on each payment date of the relevant portion of the nominal value of the relevant Sukuk Cagamas and payment of each periodic principal payment shall pro tanto reduce the obligation of the Purchaser on the Deferred Sale Price payable for the Commodities.

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

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

Wakalah Bi Al-Istithmar

1. Pursuant to a Wakalah agreement entered into between the Sukuk Trustee (acting on behalf of the investors ("**Sukukholders**")) and Cagamas as issuer ("**Wakalah Agreement**"), Cagamas shall be appointed as agent for the Sukukholders ("**Wakeel**") to perform services which include investing the issue proceeds ("**Sukuk Proceeds**") in a Shariah-compliant Wakalah portfolio ("**Wakalah Portfolio**") and management of the Wakalah Portfolio, in accordance with the Wakalah Agreement. Each Wakalah Portfolio shall comprise a combination of investment in the following:

   i. the relevant portion of the Shariah-compliant general business of Cagamas at the relevant time which shall exclude Shariah non-compliant business activities of Cagamas ("**Shariah-compliant Business**"). The Sukukholders' interest in the Shariah-compliant Business shall be based on proportionate basis via specific percentage (mal musha`). Cagamas' Shariah-compliant Business comprises purchase of Islamic financing facilities such as home financing, personal financing and hire purchase financing, provision of capital support to Islamic financial institutions, provision of Islamic reverse mortgage facilities to eligible houseowners, and such other new Shariah-compliant business operations or ventures (for examples, financing of waqf property development, Islamic term financing and Rahn receivables) which may be carried out by Cagamas from time to time; and

ii. Shariah-compliant commodities ("**Commodities**") to be sold to Cagamas as purchaser ("**Purchaser**") under Shariah principle of Murabahah (via Tawarruq arrangement) ("**Commodity Murabahah Investment**").

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

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

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

2. Cagamas as the Issuer shall, from time to time, issue Sukuk Cagamas to the Sukukholders and the Sukukholders shall subscribe to the Sukuk Cagamas by paying the Sukuk Proceeds. The relevant Sukuk Cagamas shall represent the Sukukholders' undivided proportionate interest in the relevant Trust Assets.

3. Pursuant to an investment agreement entered into between the Wakeel and Cagamas as investment manager ("**Investment Manager**") ("**Investment Agreement**"), the Wakeel (on behalf of the Sukukholders) shall utilise at least 33% of the Sukuk Proceeds of the relevant Sukuk Cagamas for investment into the Shariah-compliant Business via the Investment Manager, subject to the valuation principles set out in the Wakalah Agreement. The Investment Manager shall manage the Shariah-compliant Business for the benefit of the Sukukholders.

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

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

4. The remaining proceeds of the Sukuk Cagamas shall be utilised by the Wakeel for the Commodity Murabahah Investment. The Commodity Murabahah Investment shall be effected as follows:

a) Pursuant to the commodity Murabahah investment agreement ("**Commodity Murabahah Investment Agreement**") entered into between Cagamas as the Purchaser, the Wakeel and the Sukuk Trustee, the Purchaser shall from time to time issue a purchase order ("**Purchase Order**") to the Wakeel and the Sukuk Trustee with an irrevocable and unconditional undertaking to purchase the Commodities from the Wakeel (on behalf of the Sukukholders) at the Deferred Sale Price (as defined below).

b) Pursuant to the Purchase Order, the Wakeel (on behalf of the Sukukholders) shall purchase the Commodities on spot basis from commodity vendor(s) ("**Commodity Seller**") on the commodity trading platform acceptable to the Joint Shariah Advisers at the commodity purchase price equivalent to such remaining Sukuk Proceeds of the relevant Sukuk Cagamas after investment into the Shariah-compliant Business ("**Commodity Purchase Price**"). The Commodity Purchase Price shall be in line with the asset pricing requirements stipulated under the ICMPS Guidelines.

c) Upon acquiring the Commodities, the Wakeel (for the benefit of the Sukukholders) shall sell the Commodities to the Purchaser for a sale price, which shall be equivalent to the Commodity Purchase Price plus the applicable profit margin, calculated as at the issue date of each relevant Sukuk Cagamas issuance to be paid on a deferred payment basis ("**Deferred Sale Price**"). For the avoidance of doubt, the Deferred Sale Price in respect of Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar shall be an amount equal to the aggregate of the Expected Periodic Distribution Amount (as defined herein), if any, and the nominal value of the Sukuk Cagamas.

d) The Purchaser will immediately sell the Commodities to commodity vendor(s) ("**Commodity Buyer**") on the commodity trading platform acceptable to the Joint Shariah Advisers on spot basis for an amount equal to the Commodity Purchase

Price. However, Commodities purchased by the Purchaser from the Wakeel may be used by Cagamas for its Islamic Operations before the onward sale to the Commodity Buyer.

"**Islamic Operations**" means an arrangement whereby Cagamas purchases Islamic debt based financings/assets from the approved seller ("**Approved Seller**") under the Islamic Purchase with Recourse/ Islamic Purchase without Recourse schemes and will pay the purchase value of the debt by way of an exchange of Commodities with the Approved Seller. Subsequently, the Approved Seller appoints Cagamas as its agent to onsell the Commodities to Commodity Buyer for an amount equal to the Commodity Purchase Price. The proceeds received from the sale will be accounted for/ paid to the Approved Seller.

5. The Wakeel shall distribute income generated from the Wakalah Portfolio ("**Income**") up to:

   i. in respect of Sukuk Cagamas with Periodic Distribution and issued at par or premium, the expected periodic distribution amount calculated based on the Periodic Distribution Rate ("**Expected Periodic Distribution Amount**") to the Sukukholders in the form of Periodic Distribution on each periodic distribution date ("**Periodic Distribution Date**"); or

   ii. in respect of Sukuk Cagamas with Periodic Distribution and issued at a discount, the Expected Periodic Distribution Amount on each Periodic Distribution Date and the expected one-off distribution amount which shall be equal to the difference between the nominal value and the Sukuk Proceeds of the Sukuk Cagamas ("**Expected One-off Distribution Amount**") to the Sukukholders upon the Declaration Date, the Call Date or the Maturity Date, whichever is earlier; or

   iii. in respect of Sukuk Cagamas without Periodic Distribution and issued at a discount, the Expected One-off Distribution Amount in the form of a one-off distribution upon the Declaration Date, the Call Date or the Maturity Date, whichever is earlier.

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

6. (a) Cagamas as the obligor ("**Obligor**") shall issue a purchase undertaking ("**Purchase Undertaking**") in favour of the Sukuk Trustee (acting on behalf of the Sukukholders), under which the Obligor undertakes to purchase the Sukukholders' interest in the Shariah-compliant Business or the relevant portion of the Shariah-compliant Business, as the case may be, from the Sukuk Trustee (acting on behalf of the Sukukholders) upon (i) the Declaration Date, (ii) Maturity Date or (iii) in the case of Sukuk Cagamas issued on an amortising basis, on each payment date of the relevant portion of the nominal value of the relevant Sukuk Cagamas, whichever is earlier, at the Exercise Price (as defined below) and enter into a sale agreement ("**Sale Agreement**") for such purchase.

"**Exercise Price**" shall be the fair value of the Shariah-compliant Business or the relevant portion of the Shariah-compliant Business, as the case may be, at the relevant (i) Declaration Date, (ii) Maturity Date or (iii) in the case of Sukuk Cagamas issued on an amortising basis, on each payment date of the relevant portion of the nominal value of the relevant Sukuk Cagamas, as the case may be, subject to the valuation principles.

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

(b) The Sukuk Trustee (on behalf of the Sukukholders) shall issue a sale undertaking ("**Sale Undertaking**") in favour of the Issuer, under which the Sukuk Trustee undertakes to sell the Sukukholders' interest in the Shariah-compliant Business or the relevant portion of the Shariah-compliant Business, as the case may be, to the Issuer on the Call Date at the relevant Early Redemption Amount and enter into a Sale Agreement with the Issuer for such sale.

"**Early Redemption Amount**" is the amount for redemption on a Call Date which shall be determined prior to issuance of the relevant Sukuk Cagamas.

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

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

<u>Ijarah</u>

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

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

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

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

4. Pursuant to the Ijarah Agreement, the Lessee shall pay Lease Rental in respect of the Ijarah Assets during the Lease Period up to the Maturity Date, the Call Date or the Declaration Date, whichever is applicable.

   The “**Lease Rental**” payable shall be equivalent to:

   (1) in respect of Sukuk Cagamas with periodic payments and issued at par or premium, the Ijarah Periodic Payments (as defined below).

   (2) in respect of Sukuk Cagamas with periodic payments and issued at a discount, the Ijarah Periodic Payments and the Ijarah One-off Rental (as defined below).

   (3) in respect of Sukuk Cagamas without periodic payments and issued at a discount, the Ijarah One-off Rental.

"**Ijarah Dissolution Event**" means:

(a) a dissolution event insofar as such events pertain to the Lessee; or

(b) the occurrence of a Total Loss Event (as defined below),

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

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

"**Ijarah Periodic Payments**" shall be calculated at the Periodic Distribution Rate on the nominal value (or in the case of Sukuk Cagamas issued on an amortising basis, the outstanding nominal value) of the relevant Sukuk Cagamas with periodic payments.

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

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

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

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

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

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

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

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

(b) The Sukuk Trustee (acting for and on behalf of the Sukukholders) shall grant an Ijarah Sale Undertaking (as defined below) to the Issuer, under which the Sukuk Trustee undertakes to sell the Ijarah Assets or the relevant portion of the Ijarah Assets, as the case may be, by way of transfer of the beneficial ownership and interest of the Ijarah Assets or relevant portion of the Ijarah Assets, as the case may be from the Sukuk Trustee to the Issuer on the Call Date at a pre-determined Ijarah Exercise Price and the Issuer shall enter into a Purchase Agreement for such purchase.

"**Ijarah Exercise Price**" shall be equal to the outstanding nominal value of the Sukuk Cagamas (or in the case of the Sukuk Cagamas issued on an amortising basis, the portion of the nominal value of the Sukuk Cagamas to be paid) plus all accrued but unpaid Lease Rental plus the Ownership Expenses or the Early Redemption Amount.

"**Ijarah Purchase Undertaking**" means in respect of each set of Ijarah Assets under a particular Ijarah Agreement, a purchase undertaking whereby the Obligor shall undertake to purchase the Ijarah Assets or relevant portion of the Ijarah Assets, as the case may be from the Sukuk Trustee at the relevant Ijarah Exercise Price.

"**Ijarah Sale Undertaking**" means each set of Ijarah Assets under a particular Ijarah Agreement in respect of the relevant Sukuk Cagamas which has a Call Option (as defined in the section entitled "*Call option and details, if applicable*"), a sale undertaking whereby the Sukuk Trustee shall undertake to sell the Ijarah Assets or the relevant portion of the Ijarah Assets, as the case may be, to the Issuer at the relevant Ijarah Exercise Price.

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

(8)	**Currency**	☐ Foreign Currency ☐ Multi-currency excluding Ringgit ☐ Multi-currency including Ringgit ☒ Ringgit
(9)	**Expected facility/programme size**	Combined limit with CMTN Programme: up to RM80.0 billion Sub limit: Not Applicable
(10)	**Option to upsize (for programme)**	Yes The Issuer shall have the option to upsize the IMTN Programme at any time and from time to time upon all of the following conditions being fulfilled prior to the exercise of the option to upsize by the Issuer: (a) consent from existing lenders/financiers shall have been obtained, if required; (b) the Issuer shall have complied with the relevant guidelines as may be issued by the SC from time to time including the LOLA Guidelines and the requirement thereunder; (c) receipt by the Issuer of a confirmation from the Credit Rating Agencies that the increase in size will not adversely affect the credit ratings of the IMTN Programme and the CMTN Programme; (d) the necessary corporate authorisation of the Issuer being obtained, including but not limited to the approval of the Issuer's board of directors; and (e) such other terms and conditions as may be advised by the Solicitors of the JLAs.

The Sukukholders shall be deemed to have provided their upfront consent to such upsizing of the limit of the IMTN Programme via the Trust Deed. No consent is required from the Sukuk Trustee, the Facility Agent or any other party under the IMTN Programme when the Issuer exercises its option to upsize the limit of the IMTN Programme subject to the fulfilment of the conditions above.

(11) **Tenure of facility/programme**

☐

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

☒ Perpetual

(12) **Availability period of debt or sukuk programme**

The Sukuk Cagamas may be issued under the IMTN Programme at any time upon the completion of documentation and compliance with all conditions precedent and other applicable conditions to the satisfaction of the JLAs, unless waived by the JLAs.

The first issuance of the Sukuk Cagamas under the IMTN Programme shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

(13) **Clearing and settlement platform**

Bank Negara Malaysia ("**BNM**") or its successors-in-title or successor in such capacity.

(14) **Mode of issue**

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

(15) **Selling restrictions**

<u>At Issuance</u>

☐ Exclusively to persons in Labuan or outside Malaysia
☒ Read together with Schedule 9 of CMSA
☒ Schedule 5, Part I, 1(b) of CMSA (consideration not less than RM250,000 or equivalent in foreign currencies for each transaction)
☒ Schedule 8 of CMSA
☐ Section 2(6) of the Companies Act 2016
☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)]
☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 7 of the CMSA]
☒ Other:

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

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

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

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

In addition to the above, as the IMTN Programme has been assigned a preliminary rating of AAA by RAM and AAA_{IS} by MARC, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Cagamas would fall within Schedule 8 of the CMSA.

<u>After Issuance</u>

☐ Exclusively to persons in Labuan or outside Malaysia

☒ Read together with Schedule 9 of CMSA

☒ Schedule 5, Part I, 1(b) of CMSA (consideration not less than RM250,000 or equivalent in foreign currencies for each transaction)

☒ Schedule 8 of CMSA

☐ Section 2(6) of the Companies Act 2016

☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)]

☒ Other:

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

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

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

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

In addition to the above, as the IMTN Programme has been assigned a preliminary rating of AAA by RAM and AAA_{IS} by MARC, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Sukuk Cagamas would fall within Schedule 8 of the CMSA.

(16)	**Tradability and transferability**	☒ Tradable & transferable ☐ Non-tradable & non-transferable ☐ Restricted transferability Size in Ringgit which are tradable and transferable: RM80.0 billion. Size in Ringgit which are non-tradable and non-transferrable: Not applicable. Size in Ringgit which are restricted transferability: Not applicable.
(17)	**Details of security/collateral pledged, if applicable**	☒ Unsecured ☐ Secured/combination of unsecured and secured, details as follows
(18)	**Details of guarantee, if applicable**	☒ Not guaranteed ☐ Guaranteed, details as follows:
(19)	**Convertibility of issuance and details of the convertibility, if applicable**	☒ Non-convertible ☐ Convertible, details as follows:
(20)	**Exchangeability of issuance and details of the exchangeability, if applicable**	☒ Non-exchangeable ☐ Exchangeable, details as follows:
(21)	**Call option and details, if applicable**	☐ No call option ☒ Call option, details as follows: The issuance of each Tranche of Sukuk Cagamas (including Sukuk Cagamas issued on an amortising basis) under the IMTN Programme may have a call option ("**Call Option**") which will be determined by the Issuer prior to each issuance of Sukuk Cagamas, to allow the Issuer to redeem (in whole or in part on a pro-rata basis) that Tranche of Sukuk Cagamas on the relevant call date(s) ("**Call Date**"). The terms of the Call Option (including the Call Date and the redemption amount) shall be determined prior to each issuance of the Sukuk Cagamas and shall be set out in the pricing supplement, if applicable, and/or any other relevant issuance documents of the relevant Tranche of the Sukuk Cagamas.
(22)	**Put option and details, if applicable**	☒ No put option ☐ Put option, details as follows:
(23)	**Details of covenants, including –**	
	(a) Positive Covenants	☐ No positive covenant ☒ Positive covenant, details as follows:

Including but not limited to:

(i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits which is or may become necessary for the Issuer to carry on its business, where failure to do so would result in a Material Adverse Effect;

(ii) the Issuer shall at all times on demand, execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents (as defined in the section entitled "*Other Terms and Conditions – Transaction Documents*" below);

(iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in all material respects, in accordance with sound financial and commercial standards and practices;

(iv) the Issuer shall promptly perform and carry out all its obligations under all the Transaction Documents, and the terms and conditions of the Sukuk Cagamas and ensure that it shall immediately notify the Sukuk Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;

(v) the Issuer shall prepare its financial statements in accordance with generally accepted accounting standards in Malaysia and keep proper books and accounting records at all times and provide the Sukuk Trustee and any person appointed by it (e.g. auditors) access to such financial statements, books and accounts to the extent permitted by law;

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

(vii) for so long as any Sustainability Sukuk Cagamas are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines/Framework as stated in the relevant documents in relation to the issuance of such Sustainability Sukuk Cagamas;

(viii) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the Facility Agent shall notify the Sukuk Trustee in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the Sukuk Cagamas;

(ix) the Issuer shall ensure that the provisions of the Information Memorandum do not contain any matter which is inconsistent with the terms and conditions of the Sukuk Cagamas;

(x) where the proceeds from the Issuer's proposed issuances are used towards funding the purchase of assets/receivables from Interested Persons (as defined below) who are not licensed banks or licensed investment banks (both as defined under the Financial Services Act 2013) or licensed Islamic banks (as defined under the Islamic Financial Services Act 2013), the Issuer shall submit to the SC, as and when requested by the SC, the following information in relation to such transactions:

(a) the counterparties involved;
(b) the relationship of the counterparties to the Issuer;
(c) the type of scheme involved, if applicable;
(d) the asset class involved; and
(e) details of the issuance; and

(xi) any other covenants as may be advised by the Solicitors and to be mutually agreed by the Issuer and the JLAs.

(b) Negative Covenants

☐ No negative covenant
☒ Negative covenant, details as follows:

Including but not limited to:

(i) save in the ordinary course of its business or in connection with the raising of funds in accordance with Shariah principles, under the terms of which the Issuer has the right to acquire back any undertakings or assets disposed, the Issuer shall not dispose of the whole or a material part of its undertakings or assets;

(ii) the Issuer shall not enter into a transaction whether directly or indirectly with Interested Persons unless such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons. "**Interested Persons**" means a director, substantial shareholder or persons connected with them but does not include the Issuer's related companies);

(iii) the Issuer shall not permit any amendment, supplement or variation to the constitution of the Issuer in a manner which may be materially prejudicial to the interest of the Sukukholders unless required by law or regulations; and

	(iv) any other covenants as may be advised by the Solicitors of the JLAs and to be mutually agreed between the Issuer and the JLAs.
(c) Financial Covenants	☒ No financial covenant ☐ Financial covenant, details as follows:
(d) Information Covenants	☐ No information covenant ☒ Information covenant, details as follows:

Including but not limited to:

(i) the Issuer shall promptly upon receipt of a written request from the Sukuk Trustee, give to the Sukuk Trustee any information which the Sukuk Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs and such information which are material and substantial to or necessary for the Sukukholders to make informed investment decisions, in each case to the extent permitted by law;

(ii) the Issuer shall provide to the Sukuk Trustee at least annually, a certificate confirming that to the best of its knowledge and after due and careful enquiry, it has complied with all its obligations under the Transaction Documents and the terms and conditions of the Sukuk Cagamas, and that there did not exist or had not existed, from the issue date or the date of the previous certificate as the case may be, any Dissolution Event, where applicable and if such is not the case, to specify the same;

(iii) the Issuer shall deliver to the Sukuk Trustee (which may be circulated by the Sukuk Trustee upon request by the registered Sukukholders and the Credit Rating Agencies) the following:

(a) as soon as they become available (and in any event within six (6) months of the expiration of each financial year), a copy of the annual audited consolidated financial statements of the Issuer for that financial year; and

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

(iv) the Issuer shall promptly notify the Sukuk Trustee in the event Cagamas Holdings Berhad is no longer a substantial shareholder of the Issuer;

(v) the Issuer shall promptly notify the Sukuk Trustee upon becoming aware of any change in its financial condition and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer, which in each case may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;

(vi) the Issuer shall immediately give notice to the Sukuk Trustee of the occurrence of any Dissolution Event upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Sukuk Trustee to remedy and/or mitigate the effect of the Dissolution Event;

(vii) the Issuer shall immediately notify the Sukuk Trustee of any substantial change in the nature of the business of the Issuer and/or any other matter that may materially prejudice the interests of the Sukukholders; and

(viii) any other covenants as advised by the Solicitors and mutually agreed between the JLAs and the Issuer.

(24) **Details of designated account(s), if applicable**

☒ No Designated account
☐ Designated account(s) as follows:

(25) **Details of credit rating, if applicable**

☐ Not rated
☒ Rated as follows:

Long Term/Short Term: Long Term
Credit rating agencies: RAM Rating Services Berhad ("**RAM**") and MARC Ratings Berhad ("**MARC**")
Credit rating: AAA and AAA$_{IS}$
Final/Indicative rating: Indicative rating
Name of Class/Series/Tranche: Not applicable
Amount rated: RM80,000,000,000.00

(26) **Conditions precedent**

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

A. Main Documentation

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

B. Issuer

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

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

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

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

(v) A report of the relevant company search of the Issuer with the Companies Commission of Malaysia.

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

C. <u>General</u>

(i) Acknowledgement from the SC on the lodgement relating to the IMTN Programme and, where applicable, approvals from all other regulatory authorities.

(ii) The IMTN Programme shall have been rated AAA (or its equivalent).

(iii) Confirmation from the Joint Shariah Advisers that the structure, mechanism and the Transaction Documents of the IMTN Programme are in compliance with Shariah.

(iv) Evidence that all transaction fees, costs and expenses have been or will be paid in full.

(v) The JLAs have received from their Solicitors a legal opinion addressed to them and the Sukuk Trustee on the legality, validity and enforceability of the Transaction Documents.

(vi) Evidence that all necessary approvals and consents required (including but not limited to the relevant regulatory authorities, if applicable) for IMTN Programme and the issue of the Sukuk Cagamas thereunder have been obtained.

(vii) Receipt of a written confirmation from the Solicitors of the JLAs that all conditions precedent to the IMTN Programme have been fulfilled or waived, as the case may be.

(viii) Such other conditions precedent as advised by the Solicitors of the JLAs and agreed to by the Issuer.

(27) **Representations and warranties**

Including but not limited to the following:

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

(ii) the Issuer has the power under its constitution to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;

(iii) save and except for payment of stamp duty or the endorsement of exemption of stamp duty payable on the Transaction Documents, all necessary actions, authorisations, consents, approvals, licences, exemptions, registrations, recordings, filings or notarisations required to enable the Issuer to lawfully enter into, exercise its rights and comply with its obligations pursuant to the Transaction Documents (to which it is a party), to ensure that those obligations are legally binding and enforceable and to make the Transaction Documents and the Sukuk Cagamas admissible in evidence in the courts of Malaysia, have been taken, fulfilled, obtained and are in full force and effect;

(iv) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;

(v) each of the Transaction Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;

(vi) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial condition;

(vii) no litigation, arbitration or administrative proceeding or any other proceeding or claim which might by itself or together with any other such proceedings or claims having a Material Adverse Effect is presently in progress or pending in relation to which the Issuer has not taken any action in good faith to set aside or defend;

(viii) the Issuer is unaware that an event has occurred which constitutes a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets are bound or affected, being a contravention or default which has or is likely to have a Material Adverse Effect;

(ix) the Issuer is in compliance with any applicable laws and regulations and all directives of governmental authorities having the force of law;

(x) no Dissolution Event has occurred and is continuing; and

(xi) any other representations and warranties as advised by the Solicitors and mutually agreed between the JLAs and the Issuer.

"**Material Adverse Effect**" means a material and adverse effect:

(1) on the financial condition of the Issuer; or

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

(28) **Events of default or enforcement events, where applicable, including recourse available to investors**

Customary events of default or dissolution events including an Ijarah Dissolution Event ("**Dissolution Event**") for a facility of this nature which include the following:

(i) the Issuer fails to make payment of any principal or periodic distribution/periodic payment under the Sukuk Cagamas due from it under any of the Transaction Documents on the due date or, if so payable, on demand, and the Issuer fails to remedy such default within a period of seven (7) business days from the date such amount is due;

(ii) any representation or warranty made by the Issuer under any provision of the Transaction Documents or any information, notice, opinion or certificate or other document furnished at any time pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading in any material respect;

(iii) the Issuer fails to observe or perform its obligations under any of the Transaction Documents or the Sukuk Cagamas or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of such failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of thirty (30) days after the Issuer having been notified by the Sukuk Trustee of the failure or such extended period as may be agreed with the Sukuk Trustee;

(iv) any indebtedness for Islamic financing/borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged within a period of thirty (30) days from the date of such declaration or call or if disputed in good faith by the Issuer in a court of competent jurisdiction, the dispute is not settled or dismissed in favour of the Issuer within sixty (60) business days from the date of such declaration or call (or such other extended period as may be agreed by the Sukuk Trustee), or any security created to secure such indebtedness becomes enforceable;

(v) a receiver, receiver and manager, judicial manager or other officer acting in a similar capacity is appointed in respect of any part of the assets of the Issuer which has a Material Adverse Effect;

(vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and no appeal against such judgement or no application for a stay of execution has been made within thirty (30) days from the date of such judgement (or such other timeframe prescribed under law) or the appeal or the application for a stay of execution has been dismissed by the final appellate court and such event has a Material Adverse Effect;

(vii) any step or action is taken for the winding up, dissolution or liquidation of the Issuer including, without limitation, the presentation of a petition for winding up against the Issuer or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of the Issuer other than any petition or proceeding which is contested by the Issuer in good faith and is set aside within sixty (60) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;

(viii) a scheme of arrangement under section 366 of the Companies Act 2016 or any other action or arrangement in relation to corporate rescue mechanism under the Companies Act 2016 has been instituted by or against the Issuer;

(ix) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent that may have a Material Adverse Effect;

(x) the Issuer is deemed unable to pay any of its debts or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

(xi) the Issuer changes the nature of a substantial part of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations, and such change, suspension or cessation may have a Material Adverse Effect;

(xii) it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under any Transaction Document or any of the obligations of the Issuer thereunder are not, or cease to be legal, valid, binding and enforceable;

(xiii) the Issuer repudiates any of the Transaction Documents;

(xiv) all or a substantial portion of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which has or is likely to have a Material Adverse Effect; or

(xv) such other event as may be advised by the Solicitors and mutually agreed with the Issuer.

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

Murabahah (via Tawarruq arrangement)
The Sukuk Trustee shall enforce its rights under the Transaction Documents, including but not limited to, requiring the Purchaser to pay the outstanding amounts of the Deferred Sale Price (subject to any Ibra', if applicable) and the Sukuk Trustee shall use the proceeds thereof to redeem the Sukuk Cagamas.

Wakalah Bi Al-Istithmar
The Sukuk Trustee shall enforce its rights under the Transaction Documents, including but not limited to, requiring:

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

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

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

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

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

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

		Upon full payment of all amounts due and payable under the relevant Sukuk Cagamas, the relevant trust in respect of the Trust Assets will be dissolved and the relevant Sukuk Cagamas held by the Sukukholders will be cancelled.
(29)	**Governing laws**	The Sukuk Cagamas will be governed by and shall be construed in accordance with the laws of Malaysia.
(30)	**Provisions on buy-back, if applicable**	<u>Purchase and Cancellation</u> The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the Sukuk Cagamas at any price in the open market or by private treaty. Such Sukuk Cagamas purchased by the Issuer or its subsidiary(ies) or agent(s) shall be cancelled by the Issuer and cannot be reissued or resold. The Sukuk Cagamas purchased by its related corporations (other than its subsidiaries) and/or interested persons (as defined in the SC's Guidelines on Trust Deeds first issued on 12 July 2011 (revised on 23 July 2020) (as amended from time to time) need not be cancelled but they will not entitle such related corporations or interested persons to vote at any meeting of the Sukukholders. <u>Redemption</u> Unless purchased and cancelled, the Sukuk Cagamas will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates. The Sukuk Cagamas redeemed by the Issuer shall be cancelled and cannot be reissued or resold.
(31)	**Provisions on early redemption, if applicable**	☐ No provisions on early redemption ☒ Provisions on early redemption, details as follows: Subject to the consent of the Sukukholders of the relevant Tranche by a special resolution in accordance with the terms of the Trust Deed, the Issuer may at any time early redeem, in whole or in part, that Tranche of the outstanding Sukuk Cagamas prior to its maturity date by giving the requisite notice and at a redemption price to be mutually agreed between the Issuer and the Sukukholders of the relevant Tranche in the said special resolution.
(32)	**Voting**	Voting by the Sukukholders under the IMTN Programme shall be carried out as follows, save for where any matter or decision which affects only a particular Tranche, then only the Sukukholders of such Tranche shall vote: **<u>Prior to upsizing of the IMTN Programme:</u>** All matters/resolutions which require all Sukukholders' consent under the IMTN Programme shall be carried out on a collective basis. **<u>Post upsizing of the IMTN Programme:</u>** All matters/resolutions which require all Sukukholders' consent under the IMTN Programme shall be carried out on a “per series” basis.

		"**per series**" shall mean, in relation to any Sukuk Cagamas, such Sukuk Cagamas with the same issue date and for any Reopened Sukuk Cagamas (as defined in the section entitled "*Other Terms and Conditions – Reopened Sukuk Cagamas*"), it shall fall within the series of the relevant reopened tranche.
(33)	**Permitted investments, if applicable**	Not applicable.
(34)	**Ta'widh (for ringgit denominated sukuk)**	**<u>Murabahah (via Tawarruq arrangement)</u>** In the event of any delay in payments of the Deferred Sale Price under the Sukuk Cagamas, the Issuer (in its capacity as Purchaser) shall pay to the Sukukholders Ta`widh (compensation) on such delay in payment at the rate and manner prescribed by the SC's SAC from time to time. **<u>Wakalah Bi Al-Istithmar</u>** In the event the Wakeel breaches its fiduciary duty as the Wakeel due to its failure to distribute the realised Periodic Distribution and/or the Obligor/ the Purchaser delays in the payment of the Deferred Sale Price and/or any amounts due and payable to the Sukukholders under the Sale Agreement pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking, the Wakeel and the Obligor/ the Purchaser shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta`widh (compensation) on such delay in payments at the rate and in the manner prescribed by the SAC of the SC from time to time. **<u>Ijarah</u>** In the event the Lessee delays payment of the Lease Rental under the Sukuk Cagamas, and/or the Obligor delays in the payment on any amounts due and payable to the Sukukholders under the Purchase Agreement pursuant to the exercise of the Ijarah Purchase Undertaking or the Ijarah Sale Undertaking, the Lessee and/or the Obligor shall pay to the Sukuk Trustee (acting on behalf of the Sukukholders) Ta`widh (compensation) on such delay in payments at the rate and in the manner prescribed by the SAC of SC from time to time.
(35)	**Ibra' (for ringgit denominated sukuk)**	An Ibra', where applicable, shall be granted by the Sukukholders. Ibra' refers to an act of releasing absolutely or conditionally the Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligations or liabilities towards the former. The release may be either partially or in full. With respect to the Murabahah contract, Ibra' refers to a release of rights on debts/amount due and payable under the said contract. The *Ibra'* shall be subject to the requirements stipulated under the ICMPS Guidelines.

The Sukukholders in subscribing to or purchasing the Sukuk Cagamas issued under the Shariah principles of Murabahah (via Tawarruq arrangement) and Wakalah Bi Al-Istithmar hereby consent to grant such Ibra' on the Deferred Sale Price if the Sukuk Cagamas issued under the Shariah principles of Murabahah (via Tawarruq arrangement) and Wakalah Bi Al-Istithmar are fully redeemed before the Maturity Date, upon the Call Date or upon the Declaration Date, where applicable.

The Ibra' for the redemption upon the Declaration Date shall be calculated as follows:

(i) <u>in the case of Sukuk Cagamas with Periodic Distribution and issued at a discount</u>, the aggregate of the unearned Periodic Distribution.

(ii) <u>in the case of Sukuk Cagamas without Periodic Distribution and issued at a discount</u>, the unearned Discounted Amount.

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

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

The Ibra' for redemption on a Call Date shall be the difference between the outstanding Deferred Sale Price of the relevant Sukuk Cagamas being redeemed and the Early Redemption Amount. For the avoidance of doubt, Ibra' shall only be granted upon receipt of the redemption amount of the Sukuk Cagamas. Any double counting shall be disregarded.

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

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

(36) **Kafalah (for ringgit denominated sukuk)** Not applicable.

(37)	**Waivers from complying with the Guidelines on UCMP under the LOLA Framework and other relevant guidelines of the SC obtained for the facility/programme, if any**	None.
(38)	**Other Terms and Conditions**	
	(a) Issue Price	The Sukuk Cagamas issued with periodic distribution/periodic payment may be issued at par, at a premium, or at a discount to its nominal value, whereas the Sukuk Cagamas issued without periodic distribution/periodic payment shall be issued at a discount to its nominal value. The issue price of the Sukuk Cagamas will be determined prior to each issuance and shall be calculated in accordance with BNM Procedures and Rules (as defined below).
	(b) Profit / coupon / rental rate (fixed or floating)	The Sukuk Cagamas will be issued at par, at a premium or at a discount with periodic distribution or issued at a discount without a periodic distribution. The periodic distribution (if applicable, and which may be fixed or floating) will be determined prior to each issuance of Sukuk Cagamas. "Periodic Distribution Rate" shall be a rate to be determined prior to the issuance of the relevant Sukuk Cagamas. For the avoidance of doubt, the periodic distribution is not applicable for Sukuk Cagamas which are issued without periodic distribution. In the case of Sukuk Cagamas issued on a floating rate basis, the Issuer shall pay periodic distribution at the relevant Effective Profit Rate. The "Effective Profit Rate" shall be the aggregate of a margin (%) per annum and the relevant reference benchmark to be agreed between the Issuer and the relevant qualified investors or the lead managers prior to each issuance and expressed as a rate in per cent per annum. The Effective Profit Rate may vary based on the movement of the relevant reference rate. In the case of Sukuk Cagamas issued under the Shariah principle of Murabahah (via Tawarruq arrangement) and Wakalah Bi Al-Istithmar, the Effective Profit Rate applicable for each periodic distribution shall not exceed the agreed ceiling profit rate determined prior to issuance of the Sukuk Cagamas ("Ceiling Profit Rate"). For Sukuk Cagamas where the periodic distribution are based on lease rental (Ijarah), the floating rate is achieved by varying the Lease Rental based on the agreed Effective Profit Rate.

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

(c)	**Profit / coupon / rental payment frequency**	In respect of the Sukuk Cagamas which are issued with a periodic distribution/periodic payment, the periodic distribution/periodic payment is payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such Sukuk Cagamas.
(d)	**Profit / coupon / rental payment basis**	In respect of the Sukuk Cagamas which are issued with a periodic distribution/periodic payment, the periodic distribution/periodic payment are to be calculated on actual/365 basis, subject always to the BNM Procedures and Rules.
(e)	**Yield to maturity (%)**	To be determined prior to issuance.
(f)	**Details on utilisation of proceeds**	The proceeds raised from the issuance of Sukuk Cagamas under the IMTN Programme (other than the Sustainability Sukuk Cagamas) shall be utilised by the Issuer:

i. for the purchase of Shariah-compliant financing/assets;
ii. for the investment in Shariah-compliant instruments;
iii. to defray the costs and expenses in relation to the issuance of Sukuk Cagamas;
iv. for inter-company advances to the following entities in a Shariah-compliant manner:
    a) Cagamas Berhad's Shariah-compliant subsidiaries for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure;
    b) Cagamas Holdings Berhad's Shariah-compliant subsidiaries (via Issuer directly or via Cagamas Holdings Berhad) for such subsidiaries' Shariah-compliant working capital, general corporate purposes and/or capital expenditure; and
v. to refinance any of Cagamas Berhad's sukuk/ Shariah-compliant financing on their respective expected maturity dates.

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

"Cagamas' Sustainability Bond/Sukuk Framework" means the framework dated 28 March 2023 (and first issued by Cagamas on 17 January 2019) in relation to the issuance of Cagamas' sustainability bonds/sukuk, as published on Cagamas' website and shall include any addendum, supplement, amendment or revision thereof from time to time and any additional framework issued by Cagamas in relation to the Sustainability Guidelines/ Framework.
The Eligible SRI projects and the categories of the Eligible SRI projects under Cagamas' Sustainability Bond/Sukuk Framework, will include, amongst others, the following:

Green projects that relate to:
(i) renewable energy:
(ii) energy efficiency;
(iii) clean transportation;
(iv) sustainable water and wastewater management;
(v) green buildings which meet regional, national or internationally recognised standards or certifications;

Social projects that relate to:
(i) affordable housing;
(ii) employment generation including the potential effect of SME financing and microfinance;

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

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

(g) Identified asset or Trust asset

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

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

(i) the Sukuk Proceeds;

(ii) the Wakalah Portfolio; and

(iii) the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents in connection with such Sukuk Cagamas under the IMTN Programme.

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

(i) the Ijarah Assets;

(ii) the rights, title, interest, entitlement and benefit in, to and under the relevant Transaction Documents in connection with such Sukuk Cagamas under the IMTN Programme; and

(iii) the proceeds of the Sukuk Cagamas.

(h)	**Purchase and selling price or rental, where applicable – compliance with asset pricing requirements**	In respect of the Sukuk Cagamas issued under the Shariah principle of Murabahah (via Tawarruq arrangement) Purchase Price: In respect of the Commodities, the Purchase Price shall be an amount equivalent to the proceeds raised from the issuance of the Sukuk Cagamas. The Purchase Price shall be in compliance with the asset pricing requirements under the ICMPS Guidelines. Deferred Sale Price: The Deferred Sale Price for the Sukuk Cagamas shall be as defined in the section entitled “Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)”. In respect of the Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar Commodity Purchase Price: In respect of the Commodity Murabahah Investment, the Commodity Purchase Price shall be equivalent to the remaining Sukuk Proceeds of the relevant Sukuk Cagamas after investment into the Shariah-compliant Business. The Commodity Purchase Price shall be in compliance with the asset pricing requirements under the ICMPS Guidelines. Deferred Sale Price: In respect of the Commodity Murabahah Investment, the Deferred Sale Price for the Sukuk Cagamas shall be as defined in the section entitled “Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)” in relation to Sukuk Cagamas issued under the Shariah principle of Wakalah Bi Al-Istithmar. In respect of the Sukuk Cagamas issued under the Shariah principle of Ijarah Ijarah Asset Purchase Price: The Ijarah Asset Purchase Price shall be equivalent to the Sukuk Cagamas proceeds of the relevant Sukuk Cagamas. The value of the Ijarah Assets shall be in compliance with the asset pricing requirements under the ICMPS Guidelines.

(i)	**Form and denomination**	The Sukuk Cagamas shall be issued in accordance with: (1) Operational Procedures for Securities Services and Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System ("RENTAS") issued by BNM or its successor-in-title or successor in such capacity ("BNM Procedures"); and (2) Participation Rules for Payment and Securities Services issued by BNM or its successor-in-title or successor in such capacity ("BNM Rules"). BNM Procedures and BNM Rules (as amended and/or substituted from time to time) are collectively referred to as "BNM Procedures and Rules". Each tranche of the Sukuk Cagamas shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer form only in certain limited circumstances. The denomination of the Sukuk Cagamas shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
(j)	**Listing status**	The Sukuk Cagamas will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.
(k)	**Status**	The Sukuk Cagamas, pursuant to the relevant Transaction Documents, will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, subject to those preferred by law or the Transaction Documents.
(l)	**Tenure of the Sukuk Cagamas**	The Sukuk Cagamas issued under the IMTN Programme may have tenures of any period of at least one (1) year.
(m)	**Taxation**	All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of any withholding or deduction required by law, the Issuer shall not be required to make payment of any additional amount on account of such withholding or deduction.
(n)	**Other conditions**	The Sukuk Cagamas shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, and any other relevant regulatory authority having jurisdiction over matters pertaining to the Sukuk Cagamas.
(o)	**Jurisdiction**	The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

(p)	**Transaction Documents**	The transaction documents for the IMTN Programme include the following documents: (i) Programme Agreement; (ii) Trust Deed; (iii) Tender Panel Agreements, if applicable; (iv) each Subscription Agreements; (v) Securities Lodgement Form; (vi) Islamic transaction documents entered into in accordance with the applicable Shariah principles; and (vii) any other agreements in connection with the issuance of the Sukuk Cagamas as advised by the Solicitors of the JLAs, (collectively, the "Transaction Documents").
(q)	**External reviewer of the Cagamas' Sustainability Bond/Sukuk Framework**	As at the date of the lodgement, RAM Sustainability Sdn Bhd has been appointed as the external reviewer for the Cagamas' Sustainability Bond/Sukuk Framework. The Issuer may appoint such other external reviewer from time to time throughout the tenure of the IMTN Programme.
(r)	**Reopened Sukuk Cagamas**	The Issuer may, from time to time, without the consent of the Sukukholders, increase the size of an existing Tranche of Sukuk Cagamas by offering for subscription, additional Sukuk Cagamas (“Reopened Sukuk Cagamas”) under that Tranche (hereinafter referred to as a “Reopening”). The Reopened Sukuk Cagamas shall have the same terms and conditions as the existing Tranche of Sukuk Cagamas in all respects (except for the issue date, the first payment of periodic distribution/periodic payments and the issue price, if applicable) and shall form a single Tranche with the existing Tranche of Sukuk Cagamas. The issue price of each Reopened Sukuk Cagamas shall take into consideration, where applicable, accrued profit from and including the original issue date or the last profit payment date whichever is later of a Tranche, to and excluding the date of the Reopening, except when the date of the Reopening falls on a periodic distribution/periodic payment date. All references to “Sukuk Cagamas” herein shall, upon a Reopening, be deemed to include the Reopened Sukuk Cagamas wherever the same appears.

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2.2 PRINCIPAL TERMS AND CONDITIONS OF THE CMTN PROGRAMME

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

(1)	**Name of facility/programme**	A conventional medium term notes programme ("**CMTN Programme**") for the issuance of conventional medium term notes ("**CMTNs**").
(2)	**Issuance type**	☐ One-Time Issue ☒ Programme
(3)	**Type of issuance under this facility/programme**	☒ Corporate Bonds ☒ ASEAN Corporate Bonds ☒ ASEAN Sustainability-Linked Corporate Bonds
(4)	**For ASEAN Corporate Bonds, to state whether the corporate bonds to be issued are –**	☒ ASEAN Green Corporate Bonds ☒ ASEAN Social Corporate Bonds ☒ ASEAN Sustainability Corporate Bonds
(5)	**Facility description (for ringgit-denominated sukuk, to provide description as cleared by the SC)**	A CMTN Programme for the issuance of CMTNs from time to time, which together with an Islamic medium term notes programme ("**IMTN Programme**") to be established by Cagamas at or about the same time as the CMTN Programme for the issuance of Islamic medium term notes ("**Sukuk Cagamas**") shall have an aggregate combined limit of RM80.0 billion in nominal value. Cagamas may also issue CMTNs which will be in compliance with any one or more of the following guidelines or frameworks, as amended from time to time: a. the ASEAN Green Bond Standards pursuant to the SC's LOLA Guidelines; b. the ASEAN Social Bond Standards pursuant to the SC's LOLA Guidelines; c. the ASEAN Sustainability Bond Standards pursuant to the SC's LOLA Guidelines; d. the ASEAN Sustainability-Linked Bond Standards pursuant to the SC's LOLA Guidelines; e. the International Capital Market Association ("**ICMA**")'s Green Bond Principles; f. the ICMA's Social Bond Principles; g. the ICMA's Sustainability Bond Guidelines; h. the ICMA's Sustainability-Linked Bond Principles; and i. such other guidelines or frameworks or standards which are incorporated by the SC into the LOLA Guidelines from time to time or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green/sustainability-linked or other thematic bonds issued from time to time.

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

The relevant Sustainability Guidelines/Framework under which such Sustainability CMTNs are issued, the naming of such Sustainability CMTNs and the specific terms (if any) of the Sustainability CMTNs shall be specified in the relevant documents in relation to the issuance of such Sustainability CMTNs.

The Transaction Documents (as defined in the section entitled "*Other Terms and Conditions -Transaction Documents*") shall provide that no approval from the holders of the CMTNs ("**CMTN Noteholders**") will be required for the Issuer to amend the terms and conditions of the CMTN Programme solely for the purpose of complying with any Sustainability Guidelines/Framework, provided that the Issuer shall have complied with the relevant guidelines as may be issued by the SC from time to time including the LOLA Guidelines and the requirement thereunder.

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

(6) **Currency**

☐ Foreign Currency
☐ Multi-currency excluding Ringgit
☐ Multi-currency including Ringgit
☒ Ringgit

(7) **Expected facility/programme size**

Combined limit with IMTN Programme: up to RM80.0 billion

Sub limit: Not Applicable

(8) **Option to upsize (for programme)**

Yes

The Issuer shall have the option to upsize the CMTN Programme at any time and from time to time upon all of the following conditions being fulfilled prior to the exercise of the option to upsize by the Issuer:

(a) consent from existing lenders/financiers shall have been obtained, if required;

(b) the Issuer shall have complied with the relevant guidelines as may be issued by the SC from time to time including the LOLA Guidelines and the requirement thereunder;

(c) receipt by the Issuer of a confirmation from the Credit Rating Agencies that the increase in size will not adversely affect the credit ratings of the CMTN Programme and the IMTN Programme;

(d) the necessary corporate authorisation of the Issuer being obtained, including but not limited to the approval of the Issuer's board of directors; and

(e) such other terms and conditions as may be advised by the Solicitors of the JLAs.

The CMTN Noteholders shall be deemed to have provided their upfront consent to such upsizing of the limit of the CMTN Programme via the Trust Deed. No consent is required from the Trustee, the Facility Agent or any other party under the CMTN Programme when the Issuer exercises its option to upsize the limit of the CMTN Programme subject to the fulfilment of the conditions above.

(9) **Tenure of facility/programme**

☐

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

☒ Perpetual

(10) **Availability period of debt or sukuk programme**

The CMTNs may be issued under the CMTN Programme at any time upon the completion of documentation and compliance with all conditions precedent and other applicable conditions to the satisfaction of the JLAs, unless waived by the JLAs.

The first issuance of the CMTNs under the CMTN Programme shall be made within ninety (90) business days from the date of the Lodgement or such other period as may be approved by the SC.

(11) **Clearing and settlement platform**

Bank Negara Malaysia ("**BNM**") or its successors-in-title or successor in such capacity

(12) **Mode of issue**

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

(13) **Selling restrictions**

<u>At Issuance</u>

☐ Exclusively to persons in Labuan or outside Malaysia
☒ Read together with Schedule 9 of CMSA
☒ Schedule 5, Part I, 1(b) of CMSA (consideration not less than RM250,000 or equivalent in foreign currencies for each transaction)
☒ Schedule 8 of CMSA
☐ Section 2(6) of the Companies Act 2016

☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)]

☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 7 of the CMSA]

☒ Other:

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

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

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

In addition to the above, as the CMTN Programme has been assigned a preliminary rating of AAA by the Credit Rating Agencies, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the CMTNs would fall within Schedule 8 of the CMSA.

__After Issuance__

☐ Exclusively to persons in Labuan or outside Malaysia

☒ Read together with Schedule 9 of CMSA

☒ Schedule 5, Part I, 1(b) of CMSA (consideration not less than RM250,000 or equivalent in foreign currencies for each transaction)

☒ Schedule 8 of CMSA

☐ Section 2(6) of the Companies Act 2016

☒ Sophisticated investors as set out in Guidelines on Categories of Sophisticated Investors [Prior to 5 February 2024, this was Part I of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)]

☒ Other:

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

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

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

In addition to the above, as the CMTN Programme has been assigned a preliminary rating of AAA by the Credit Rating Agencies, the issuance of, offer for subscription or purchase of, or invitation to subscribe for or purchase the CMTNs would fall within Schedule 8 of the CMSA.

(14) **Tradability and transferability**

☒ Tradable & transferable
☐ Non-tradable & non-transferable
☐ Restricted transferability

Size in Ringgit which are tradable and transferable:
RM80.0 billion.

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

Size in Ringgit which are restricted transferability:
Not applicable.

(15) **Details of security/collateral pledged, if applicable**

☒ Unsecured
☐ Secured/combination of unsecured and secured, details as follows

(16) **Details of guarantee, if applicable**

☒ Not guaranteed
☐ Guaranteed, details as follows:

(17) **Convertibility of issuance and details of the convertibility, if applicable**

☒ Non-convertible
☐ Convertible, details as follows:

(18) **Exchangeability of issuance and details of the exchangeability, if applicable**

☒ Non-exchangeable
☐ Exchangeable, details as follows:

(19) **Call option and details, if applicable**

☐ No call option
☒ Call option, details as follows:

The issuance of each Tranche of CMTNs (including CMTNs issued on an amortising basis) under the CMTN Programme may have a call option (“**Call Option**”) which will be determined by the Issuer prior to each issuance of CMTNs, to allow the Issuer to redeem (in whole or in part on a pro-rata basis) that Tranche of CMTNs on the relevant call date(s) (“**Call Date**”). The terms of the Call Option (including the Call Date and the redemption amount) shall be determined prior to each issuance of the CMTNs and shall be set out in the pricing supplement, if applicable, and/or any other relevant issuance documents of the relevant Tranche of the CMTNs.

(20) **Put option and details, if applicable**

☒ No put option
☐ Put option, details as follows:

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

(a) Positive Covenants

☐ No positive covenant

☒ Positive covenant, details as follows:

Including but not limited to:

(i) the Issuer shall maintain in full force and effect all relevant authorisations, consents, rights, licences, approvals and permits and will promptly obtain any further authorisations, consents, rights, licences, approvals and permits which is or may become necessary for the Issuer to carry on its business, where failure to do so would result in a Material Adverse Effect;

(ii) the Issuer shall at all times on demand, execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents (as defined in the section entitled "*Other Terms and Conditions – Transaction Documents*" below);

(iii) the Issuer shall exercise reasonable diligence in carrying out its business and affairs in a proper and efficient manner and in all material respects, in accordance with sound financial and commercial standards and practices;

(iv) the Issuer shall promptly perform and carry out all its obligations under all the Transaction Documents, and the terms and conditions of the CMTNs and ensure that it shall immediately notify the Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Transaction Documents;

(v) the Issuer shall prepare its financial statements in accordance with generally accepted accounting standards in Malaysia and keep proper books and accounting records at all times and provide the Trustee and any person appointed by it (e.g. auditors) access to such financial statements, books and accounts to the extent permitted by law;

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

(vii) for so long as any Sustainability CMTNs are outstanding, the Issuer shall promptly comply with the applicable Sustainability Guidelines/Framework as stated in the relevant documents in relation to the issuance of such Sustainability CMTNs;

(viii) the Issuer shall maintain a paying agent or its equivalent, who is based in Malaysia and the Issuer shall procure that the Facility Agent shall notify the Trustee in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the CMTNs;

(ix) the Issuer shall ensure that the provisions of the Information Memorandum do not contain any matter which is inconsistent with the terms and conditions of the CMTNs;

(x) where the proceeds from the Issuer's proposed issuances are used towards funding the purchase of assets/receivables from Interested Persons (as defined below) who are not licensed banks or licensed investment banks (both as defined under the Financial Services Act 2013) or licensed Islamic banks (as defined under the Islamic Financial Services Act 2013), the Issuer shall submit to the SC, as and when requested by the SC, the following information in relation to such transactions:

(a) the counterparties involved;
(b) the relationship of the counterparties to the Issuer;
(c) the type of scheme involved, if applicable;
(d) the asset class involved; and
(e) details of the issuance; and

(xi) any other covenants as may be advised by the Solicitors and to be mutually agreed by the Issuer and the JLAs.

(b) Negative Covenants

☐ No negative covenant
☒ Negative covenant, details as follows:

Including but not limited to:

(i) save in the ordinary course of its business or in connection with the raising of funds in accordance with Shariah principles, under the terms of which the Issuer has the right to acquire back any undertakings or assets disposed, the Issuer shall not dispose of the whole or a material part of its undertakings or assets;

(ii) the Issuer shall not enter into a transaction whether directly or indirectly with Interested Persons unless such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons. "**Interested Persons**" means a director, substantial shareholder or persons connected with them but does not include the Issuer's related companies;

(iii) the Issuer shall not permit any amendment, supplement or variation to the constitution of the Issuer in a manner which may be materially prejudicial to the interest of the CMTN Noteholders unless required by law or regulations; and

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

(c) Financial Covenants

☒ No financial covenant

☐ Financial covenant, details as follows:

(d) Information Covenants

☐ No information covenant

☒ Information covenant, details as follows:

Including but not limited to:

(i) the Issuer shall promptly upon receipt of a written request from the Trustee, give to the Trustee any information which the Trustee may reasonably require in order to discharge its duties and obligations under the Transaction Documents relating to the Issuer's affairs and such information which are material and substantial to or necessary for the CMTN Noteholders to make informed investment decisions, in each case to the extent permitted by law;

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

(iii) the Issuer shall deliver to the Trustee (which may be circulated by the Trustee upon request by the registered CMTN Noteholders and the Credit Rating Agencies) the following:

(a) as soon as they become available (and in any event within six (6) months of the expiration of each financial year), a copy of the annual audited consolidated financial statements of the Issuer for that financial year; and

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

(iv) the Issuer shall promptly notify the Trustee in the event Cagamas Holdings Berhad is no longer a substantial shareholder of the Issuer;

(v) the Issuer shall promptly notify the Trustee upon becoming aware of any change in its financial condition and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer, which in each case may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Transaction Documents;

(vi) the Issuer shall immediately give notice to the Trustee of the occurrence of any Event of Default upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Trustee to remedy and/or mitigate the effect of the Event of Default;

(vii) the Issuer shall immediately notify the Trustee of any substantial change in the nature of the business of the Issuer and/or any other matter that may materially prejudice the interests of the CMTN Noteholders; and

(viii) any other covenants as advised by the Solicitors and mutually agreed between the JLAs and the Issuer.

(22) **Details of designated account(s), if applicable**

☒ No Designated account
☐ Designated account(s) as follows:

(23) **Details of credit rating, if applicable**

☐ Not rated
☒ Rated as follows:

Long Term/Short Term: Long Term
Credit rating agencies: RAM Rating Services Berhad ("**RAM**") and MARC Ratings Berhad ("**MARC**")
Credit rating: AAA
Final/Indicative rating: Indicative rating
Name of Class/Series/Tranche: Not applicable
Amount rated: RM80,000,000,000.00

(24) **Conditions precedent**

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

A. Main Documentation

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

B. Issuer

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

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

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

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

(v) A report of the relevant company search of the Issuer with the Companies Commission of Malaysia.

(vi) A report of the relevant winding up search of the Issuer with the Director General of Insolvency’s office confirming that the Issuer has not been wound up.

C. General

(i) Acknowledgement from the SC on the lodgement relating to the CMTN Programme and, where applicable, approvals from all other regulatory authorities.

(ii) The CMTN Programme shall have been rated AAA (or its equivalent).

(iii) Evidence that all transaction fees, costs and expenses have been or will be paid in full.

(iv) The JLAs have received from their Solicitors a legal opinion addressed to them and the Trustee on the legality, validity and enforceability of the Transaction Documents.

(v) Evidence that all necessary approvals and consents required (including but not limited to the relevant regulatory authorities, if applicable) for CMTN Programme and the issue of the CMTNs thereunder have been obtained.

(vi) Receipt of a written confirmation from the Solicitors of the JLAs that all conditions precedent to the CMTN Programme have been fulfilled or waived as the case may be.

(vii) Such other conditions precedent as advised by the Solicitors of the JLAs and agreed to by the Issuer.

(25) **Representations and warranties**

Including but not limited to the following:

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

(ii) the Issuer has the power under its constitution to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;

(iii) save and except for payment of stamp duty or the endorsement of exemption of stamp duty payable on the Transaction Documents, all necessary actions, authorisations, consents, approvals, licences, exemptions, registrations, recordings, filings or notarisations required to enable the Issuer to lawfully enter into, exercise its rights and comply with its obligations pursuant to the Transaction Documents (to which it is a party), to ensure that those obligations are legally binding and enforceable and to make the Transaction Documents and the CMTNs admissible in evidence in the courts of Malaysia, have been taken, fulfilled, obtained and are in full force and effect;

(iv) neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, licence, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;

(v) each of the Transaction Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;

(vi) the audited financial statements of the Issuer have been prepared on a basis consistently applied and in accordance with approved accounting standards in Malaysia and give a true and fair view of its financial condition;

(vii) no litigation, arbitration or administrative proceeding or any other proceeding or claim which might by itself or together with any other such proceedings or claims having a Material Adverse Effect is presently in progress or pending in relation to which the Issuer has not taken any action in good faith to set aside or defend;

(viii) the Issuer is unaware that an event has occurred which constitutes a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets are bound or affected, being a contravention or default which has or is likely to have a Material Adverse Effect;

(ix) the Issuer is in compliance with any applicable laws and regulations and all directives of governmental authorities having the force of law;

(x) no Event of Default has occurred and is continuing; and

(xi) any other representations and warranties as advised by the Solicitors and mutually agreed between the JLAs and the Issuer.

"**Material Adverse Effect**" means a material and adverse effect:

(1) on the financial condition of the Issuer; or

(2) on the ability of the Issuer to make payment of any principal or interest/coupon under the CMTNs.

(26) **Events of default or enforcement events, where applicable, including recourse available to investors**

Customary events of default ("**Event of Default**") for a facility of this nature which include the following:

(i) the Issuer fails to make payment of any principal or interest/coupon under the CMTNs due from it under any of the Transaction Documents on the due date or, if so payable, on demand, and the Issuer fails to remedy such default within a period of seven (7) business days from the date such amount is due;

(ii) any representation or warranty made by the Issuer under any provision of the Transaction Documents or any information, notice, opinion or certificate or other document furnished at any time pursuant to the terms of the Transaction Documents proves to have been incorrect or misleading in any material respect;

(iii) the Issuer fails to observe or perform its obligations under any of the Transaction Documents or the CMTNs or under any undertaking or arrangement entered into in connection therewith other than an obligation of the type referred to in paragraph (i) above, and in the case of such failure which in the opinion of the Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of thirty (30) days after the Issuer having been notified by the Trustee of the failure or such extended period as may be agreed with the Trustee;

(iv) any indebtedness for Islamic financing/borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged within a period of thirty (30) days from the date of such declaration or call or if disputed in good faith by the Issuer in a court of competent jurisdiction, the dispute is not settled or dismissed in favour of the Issuer within sixty (60) business days from the date of such declaration or call (or such other extended period as may be agreed by the Trustee), or any security created to secure such indebtedness becomes enforceable;

(v) a receiver, receiver and manager, judicial manager or other officer acting in a similar capacity is appointed in respect of any part of the assets of the Issuer which has a Material Adverse Effect;

(vi) the Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and no appeal against such judgement or no application for a stay of execution has been made within thirty (30) days from the date of such judgement (or such other timeframe prescribed under law) or the appeal or the application for a stay of execution has been dismissed by the final appellate court and such event has a Material Adverse Effect;

(vii) any step or action is taken for the winding up, dissolution or liquidation of the Issuer including, without limitation, the presentation of a petition for winding up against the Issuer or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of the Issuer other than any petition or proceeding which is contested by the Issuer in good faith and is set aside within sixty (60) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;

(viii) a scheme of arrangement under section 366 of the Companies Act 2016 or any other action or arrangement in relation to corporate rescue mechanism under the Companies Act 2016 has been instituted by or against the Issuer;

(ix) where there is a revocation, withholding, invalidation or modification of any license, authorisation, approval or consent that may have a Material Adverse Effect;

(x) the Issuer is deemed unable to pay any of its debts or becomes unable to pay any of its debts as they fall due or suspend or threaten to suspend making payments with respect to all or any class of its debts;

(xi) the Issuer changes the nature of a substantial part of its business, suspends, ceases or threatens to suspend or cease a substantial part of its business operations, and such change, suspension or cessation may have a Material Adverse Effect;

(xii) it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations under any Transaction Document or any of the obligations of the Issuer thereunder are not, or cease to be legal, valid, binding and enforceable;

(xiii) the Issuer repudiates any of the Transaction Documents;

(xiv) all or a substantial portion of the assets, undertakings, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body which has or is likely to have a Material Adverse Effect; or

(xv) such other event as may be advised by the Solicitors and mutually agreed with the Issuer.

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

(27)	**Governing laws**	The CMTNs will be governed by and shall be construed in accordance with the laws of Malaysia.
(28)	**Provisions on buy-back, if applicable**	<u>Purchase and Cancellation</u> The Issuer or its subsidiary(ies) or agent(s) may at any time purchase the CMTNs at any price in the open market or by private treaty. Such CMTNs purchased by the Issuer or its subsidiary(ies) or agent(s) shall be cancelled by the Issuer and cannot be reissued or resold. The CMTNs purchased by its related corporations (other than its subsidiaries) and/or interested persons (as defined in the SC's Guidelines on Trust Deeds first issued on 12 July 2011 (revised on 23 July 2020) (as amended from time to time) need not be cancelled but they will not entitle such related corporations or interested persons to vote at any meeting of the CMTN Noteholders. <u>Redemption</u> Unless purchased and cancelled, the CMTNs will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates. The CMTNs redeemed by the Issuer shall be cancelled and cannot be reissued or resold.
(29)	**Provisions on early redemption, if applicable**	☐ No provisions on early redemption ☒ Provisions on early redemption, details as follows: Subject to the consent of the CMTN Noteholders of the relevant Tranche by a special resolution in accordance with the terms of the Trust Deed, the Issuer may at any time early redeem, in whole or in part, that Tranche of the outstanding CMTNs prior to its maturity date by giving the requisite notice and at a redemption price to be mutually agreed between the Issuer and the CMTN Noteholders of the relevant Tranche in the said special resolution.
(30)	**Voting**	Voting by the CMTN Noteholders under the CMTN Programme shall be carried out as follows, save for where any matter or decision which affects only a particular Tranche, then only the CMTN Noteholders' of such Tranche shall vote: **<u>Prior to upsizing of the CMTN Programme:</u>** All matters/resolutions which require all CMTN Noteholders' consent under the CMTN Programme shall be carried out on a collective basis. **<u>Post upsizing of the CMTN Programme:</u>** All matters/resolutions which require all CMTN Noteholders' consent under the CMTN Programme shall be carried out on a "per series" basis. "**per series**" shall mean, in relation to any CMTNs, such CMTNs with the same issue date and for any Reopened CMTNs (as defined in the section entitled "*Other Terms and Conditions – Reopened CMTNs*"), it shall fall within the series of the relevant reopened tranche.

(31)	**Permitted investments, if applicable**	Not applicable.
(32)	**Ta'widh (for ringgit denominated sukuk)**	Not applicable.
(33)	**Ibra' (for ringgit denominated sukuk)**	Not applicable.
(34)	**Kafalah (for ringgit denominated sukuk)**	Not applicable.
(35)	**Waivers from complying with the Guidelines on UCMP under the LOLA Framework and other relevant guidelines of the SC obtained for the facility/programme, if any**	None.
(36)	**Other Terms and Conditions**	

(a)	**Issue Price**	The CMTNs issued with coupon may be issued at par, at a premium, or at a discount to its nominal value, whereas the CMTNs issued without coupon shall be issued at a discount to its nominal value. The issue price of the CMTNs will be determined prior to each issuance and shall be calculated in accordance with BNM Procedures and Rules (as defined below).
(b)	**Interest/ coupon (fixed or floating)**	The CMTNs will be issued at par, at a premium or at a discount with coupon or issued at a discount without a coupon. The coupon rate (if applicable, and which may be fixed or floating) will be determined prior to each issuance of CMTNs.
(c)	**Interest/ coupon payment frequency**	In respect of the CMTNs which are issued with a coupon rate, the coupon is payable on a semi-annual basis or such other periodic basis as determined prior to the issuance of such CMTNs.
(d)	**Interest/ coupon payment basis**	In respect of the CMTNs which are issued with a coupon rate, the coupon payments are to be calculated on actual/365 basis, subject always to the BNM Procedures and Rules.
(e)	**Yield to maturity (%)**	To be determined prior to issuance.
(f)	**Details on utilisation of proceeds**	The proceeds raised from the issuance of CMTNs under the CMTN Programme (other than the Sustainability CMTNs) shall be utilised by the Issuer to defray the costs and expenses in relation to the issuance of the CMTNs, for its working capital, general corporate purposes (including for the purpose of refinancing) and to refinance any CMTNs on their respective expected maturity dates.

The proceeds raised from the issuance of Sustainability CMTNs under the CMTN Programme shall be utilised by Cagamas to fund activities that meet the criteria as set out in Cagamas' Sustainability Bond/Sukuk Framework and/or the Sustainability Guidelines/Framework as further set out in the relevant documents in relation to the issuance of such Sustainability CMTNs.

"Cagamas' Sustainability Bond/Sukuk Framework" means the framework dated 28 March 2023 (and first issued by Cagamas on 17 January 2019) in relation to the issuance of Cagamas' sustainability bonds/sukuk, as published on Cagamas' website and shall include any addendum, supplement, amendment or revision thereof from time to time and any additional framework issued by Cagamas in relation to the Sustainability Guidelines/Framework.

(g) Form and denomination

The CMTNs shall be issued in accordance with:

(1) Operational Procedures for Securities Services and Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System ("RENTAS") issued by BNM or its successor-in-title or successor in such capacity ("BNM Procedures"); and

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

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

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

(h) Listing status

The CMTNs will not be listed on Bursa Malaysia Securities Berhad or any other stock exchanges.

(i) Status

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

(j) Tenure of the CMTNs

The CMTNs issued under the CMTN Programme may have tenures of any period of at least one (1) year.

(k)	**Default Interest**	There will be no provision in the documentation relating to the CMTNs for default interest to be paid on overdue amounts.
(l)	**Taxation**	All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In the event of any withholding or deduction required by law, the Issuer shall not be required to make payment of any additional amount on account of such withholding or deduction.
(m)	**Other conditions**	The CMTNs shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, and any other relevant regulatory authority having jurisdiction over matters pertaining to the CMTNs.
(n)	**Jurisdiction**	The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
(o)	**Transaction Documents**	The transaction documents for the CMTN Programme include the following documents: (i) Programme Agreement; (ii) Trust Deed; (iii) Tender Panel Agreements, if applicable; (iv) each Subscription Agreements; (v) Securities Lodgement Form; and (vi) any other agreements in connection with the issuance of the CMTNs as advised by the Solicitors of the JLAs, (collectively, the "Transaction Documents").
(p)	**External reviewer of the Cagamas' Sustainability Bond/Sukuk Framework**	As at the date of the lodgement, RAM Sustainability Sdn Bhd has been appointed as the external reviewer for the Cagamas' Sustainability Bond/Sukuk Framework. The Issuer may appoint such other external reviewer from time to time throughout the tenure of the CMTN Programme.
(q)	**Reopened CMTNs**	The Issuer may, from time to time, without the consent of the CMTN Noteholders, increase the size of an existing Tranche of CMTNs by offering for subscription, additional CMTNs ("Reopened CMTNs") under that Tranche (hereinafter referred to as a "Reopening"). The Reopened CMTNs shall have the same terms and conditions as the existing Tranche of CMTNs in all respects (except for the issue date, the first payment of coupons and the issue price, if applicable) and shall form a single Tranche with the existing Tranche of CMTNs. The issue price of each Reopened CMTNs shall take into consideration, where applicable, accrued interest from and including the original issue date or the last coupon payment date whichever is later of a Tranche, to and excluding the date of the Reopening, except when the date of the Reopening falls on a coupon payment date.

All references to “CMTNs” herein shall, upon a Reopening, be deemed to include the Reopened CMTNs wherever the same appears.

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SECTION 3.0 BACKGROUND INFORMATION OF CAGAMAS

3.1 Overview

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

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

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

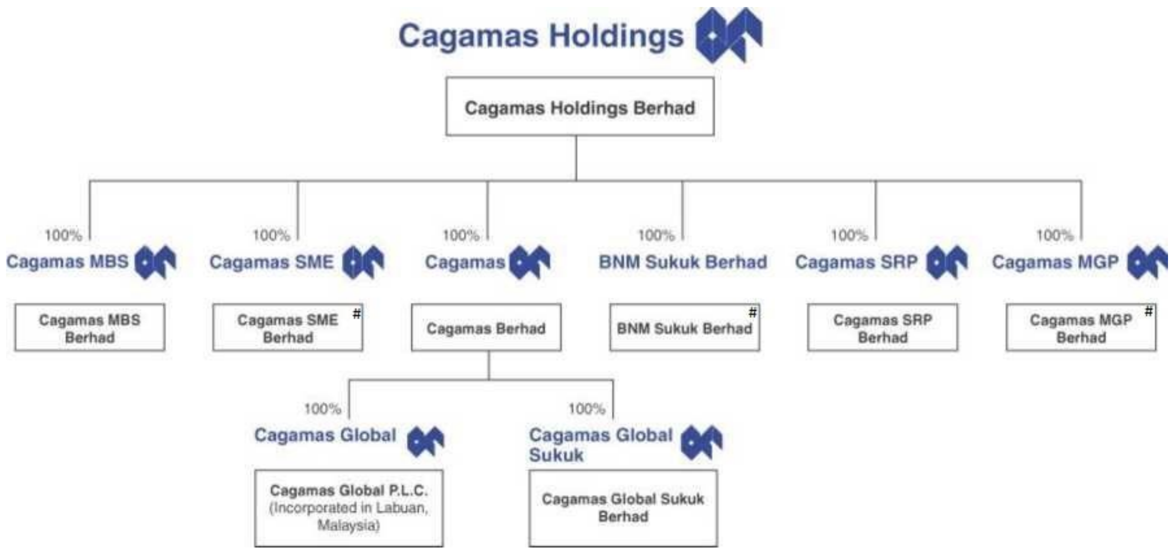
In addition, Cagamas Holdings, through its Subsidiaries, namely:

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

(b) Cagamas SRP provides guarantees to mortgage providers/financiers under the Mortgage Guarantee Programme including the GOM-initiated Skim Rumah Pertamaku or "My First Home Scheme" and Skim Perumahan Belia or "Youth Housing Scheme". Both schemes have since been discontinued in 2023 and 2020, respectively and Cagamas SRP continues to develop its guarantee related business.

Cagamas is the second largest issuer of debt instruments after the Government and the largest issuer of AAA corporate bonds and Sukuk in the market. Since its incorporation up to 30 November 2024, Cagamas and its subsidiaries have cumulatively issued circa RM425.04 billion worth of corporate bonds and Sukuk in Malaysia, and has concluded RM4.36 billion worth of sustainability-related bonds and Sukuk since its inaugural issuance in 2020.

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



#Note: Dormant company

3.2 Share capital

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

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

3.3 Shareholders

Cagamas is a wholly-owned subsidiary of Cagamas Holdings.

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

Institution of Shareholders	Shareholding Percentage (%)	Number of Shareholders	Range of Shareholding (%)
Central Bank of Malaysia	20.0	1	20.0
Commercial Banks	78.3	17	0.2 - 16.5
Investment Banks	1.7	3	0.4 - 0.8
Total	100.0	21	-

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

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

Name of Shareholder	Total Number of Shares Held	Shareholding Percentage (%)
RHB Investment Bank Berhad	1,200,000	0.8
AmBank (M) Berhad	12,066,000	8.0
Public Bank Berhad	9,885,600	6.6
Public Investment Bank Berhad	600,000	0.4
Hong Leong Bank Berhad	8,958,000	6.0
HSBC Bank Malaysia Berhad	6,201,000	4.1
Alliance Bank Malaysia Berhad	5,583,000	3.7
Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
Affin Bank Berhad	3,660,000	2.4
Affin Hwang Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
OCBC Bank (Malaysia) Berhad	2,997,000	2.0
MUFG Bank (Malaysia) Berhad	738,000	0.5
SIBB Berhad	450,000	0.3
Bangkok Bank Berhad	696,000	0.5
Deutsche Bank (Malaysia) Berhad	300,000	0.2
Bank of China (Malaysia) Berhad	300,000	0.2
Total	**150,000,000**	**100.0**

3.4 *Subsidiaries and related companies of Cagamas*

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

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

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

Cagamas Global

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

Cagamas Global Sukuk

Cagamas Global Sukuk was incorporated on 5 May 2014 under the Companies Act, 2016. It is a special purpose vehicle and was formed for the purpose of establishing a multi-currency Sukuk issuance programme of USD2.5 billion in nominal value (or its equivalent in other currencies) under the Shariah principle of Wakala, which was established in year 2014.

BNM Sukuk

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

BNM Sukuk has remained dormant since 1 September 2015.

Cagamas MBS

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

Cagamas MGP

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

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

Cagamas SME

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

Cagamas SME has been dormant since 10 October 2012.

Cagamas SRP

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

SRP and SPB were discontinued by the Government respectively in March 2023 and September 2020. Cagamas SRP continues to provide guarantees to the remaining exposure of the schemes accordingly.

The provision of guarantees under both schemes is similar to that previously offered by Cagamas MGP to financial institutions, which is now undertaken by Cagamas SRP.

3.5 Profile of Directors

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

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

Name	Nationality	Designation
Dato' Bakarudin Ishak	Malaysian	Independent Non-Executive Chairman
Dato' Wee Yiaw Hin @ Ong Yiaw 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
Encik Kameel Abdul Halim	Malaysian	President/ Chief Executive Officer/ Non-Independent Executive Director

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

Dato' Bakarudin Ishak – Independent Non-Executive Chairman

Dato' Bakarudin Ishak **(Independent Non-Executive Chairman)** **Aged 63, Malaysian**		
Date Appointed to the Board	**:**	26 March 2019
Membership of Board Committees	**:**	Member, Board Staff Compensation and Organisation Committee
QUALIFICATION		
• Bachelor of Economics (Hons), University of Malaya		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Chairman, Cagamas Holdings Berhad • Chairman, Cagamas SRP Berhad • Director, Hong Leong MSIG Takaful Berhad		
Past:		
• Assistant Governor, Bank Negara Malaysia - Member, BNM Monetary Policy Committee - Director, Foreign Exchange Administration Department - Director, Islamic Banking and Takaful Department • Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear) • Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF) • Investment Panel, Employees' Provident Fund • Director, ACE Money Exchange Sdn. Bhd. • Director, Affin Islamic Bank Berhad		

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

Dato' Wee Yiaw Hin @ Ong Yiaw Hin **(Independent Non-Executive Director)** **Aged 66, Malaysian**		
Date Appointed to the Board	**:**	1 July 2016
Membership of Board Committees	**:**	Chairman, Board Staff Compensation and Organisation Committee
QUALIFICATION		
• Bachelor of Engineering, Civil Engineer, University of Wales • Masters of Science Degree, Imperial College, United Kingdom		

WORKING EXPERIENCE /OTHER DIRECTORSHIPS
Present:
• Independent Non-Executive Director, ENRA Group Berhad • Independent Non-Executive Director, Anton Oilfield Services Group Ltd. HK • Independent Non-Executive Director, Hextar Kimia Australia Pty Ltd • Fellow, Society of Petroleum Engineers
Past:
• Director, PETRONAS - Executive Vice President and CEO, Upstream Business - Member, Executive Committee - Chairman and Director of several companies • Managing Director, Shell Malaysia Exploration and Production Companies • Vice President, Talisman Energy, Malaysia

Puan Ho Chai Huey –Independent Non-Executive Director

Puan Ho Chai Huey **(Independent Non-Executive Director)** **Aged 64, Malaysian**		
Date Appointed to the Board **Membership of Board Committees**	**:** **:**	1 February 2019 Member, Board Risk Committee Member, Board Staff Compensation and Organisation Committee
QUALIFICATION		
• Bachelor of Economics, Honours Class 1 Statistics, University of Malaya		
WORKING EXPERIENCE /OTHER DIRECTORSHIPS		
Present:		
• Senior IT Consultant for STF Resources Sdn Bhd (STFR), supporting its group entities namely the Asian Institute of Chartered Bankers (AICB) and Asian Banking School (ABS) in the financial education sector • IT and digital consultancy service on strategic plans and digital transformation including project management • Establishment of enterprise risk management and its operationalisation • Director, AEON Bank (M) Berhad		
Past:		
• Director, Information Technology (IT) Services Department, Bank Negara Malaysia, responsible for providing technology solution and IT direction as well as managing technology risk and IT governance • Director, HSBC Amanah Malaysia Berhad		

Tan Sri Tajuddin Atan – Independent Non-Executive Director

Tan Sri Tajuddin Atan **(Independent Non-Executive Director)** **Aged 65, Malaysian**
Date Appointed to the Board : 1 May 2020 **Membership of Board Committees** : Chairman, Board Risk Committee
QUALIFICATION
• Bachelor of Science (Agribusiness), University Putra Malaysia • Master in Business Administration, Ohio University • Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB) • Honorary Degree of Doctorate in Finance, University Putra Malaysia • Malaysian Futures & Options Registered Representative (MFORR)
WORKING EXPERIENCE /OTHER DIRECTORSHIPS
Present:
• Chairman, MMC Corporation Berhad • Director, MMC Gamuda KVMRT (PDP SSP) Sdn Bhd. • Director, MMC Gamuda KVMRT (T) Sdn. Bhd. • Director, MMC Gamuda KVMRT (PDP) Sdn Bhd. • Chairman, Bank Muamalat Malaysia Berhad • Chairman, Honda Malaysia Sdn. Bhd. • Chairman, Asian Institute of Chartered Bankers (AICB) Disciplinary Panel
Past:
• Chief Executive Officer/Executive Director, Bursa Malaysia Berhad • RHB Banking Group - Group Managing Director, RHB Capital Berhad - Managing Director, RHB Bank Berhad • President/ Group Managing Director, Bank Pembangunan Malaysia Berhad • Chief Executive Officer, Bank Simpanan Nasional • Managing Director, Chase Perdana Berhad • Senior General Manager, Corporate Finance, Penang Shipbuilding Group • Head of Treasury Division, Bank Bumiputra Commerce Berhad • Non-Independent Executive Director in all subsidiary companies within Bursa Malaysia Group • Director, Capital Market Development Fund • Director, Securities Industry Development Corporation • Member of Executive Committee, Financial Reporting Foundation • Member of Executive Committee, Malaysia International Islamic Financial Centre • Member of Malaysian Communications and Multimedia Commission (MCMC)

Encik Abdul Rahman bin Hussein – Independent Non-Executive Director

Encik Abdul Rahman bin Hussein **(Independent Non-Executive Director)** **Aged 59, Malaysian**
Date Appointed to the Board : 1 April 2022 **Membership of Board Committees** : Member, Board Risk Committee
QUALIFICATION
• Bachelor of Land Economy (Hons), University of Aberdeen, Scotland
WORKING EXPERIENCE /OTHER DIRECTORSHIPS
Present:
• Nil
Past:
• Bank Negara Malaysia (BNM) - Chairman of BNM Sukuk Berhad - Director of Sukuk Kijang Berhad - Board member of Kumpulan Wang Amanah Persaraan (KWAP), representing BNM from January to September 2018 - Portfolio Manager, London Representative Office - Deputy Director of Treasury Risk Management, Investment Operations and Financial Market Department - Director of Risk Management Department and Secretary to the Board Risk Committee - Director of Investment Operation and Financial Market - Member of the Financial Market Committee • International Islamic Liquidity Management Corporation (IILM) (2011-2020) - Member of Board Risk Management Committee, representing BNM • Executive Meeting of Asia-Pacific Central Banks (EMEAP) (2003-2020) - Member of the Working Group on Financial Markets, representing BNM - Task Force member for the Asian Bond Funds 1 and Asian Bond Funds 2

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

Puan Sophia Ch'ng Sok Heang **(Independent Non-Executive Director)** **Aged 52, Malaysian**
Date Appointed to the Board : 1 April 2022 **Membership of Board Committees** : Member, Board Risk Committee
QUALIFICATION
• Fellow, Actuarial Society of Malaysia • Chartered Accountant, Malaysian Institute of Accountants • Chartered Audit Committee Director, Institute of Internal Auditors • Fellow, Institute and Faculty of Actuaries, UK

- Fellow, Chartered Institute of Management Accountants, UK
- Qualified Risk Director, Institute of Enterprise Risk Practitioners
- Climate and Sustainability Risk, Global Association of Risk Professionals
- Bachelor of Economics, Macquarie University, Australia

WORKING EXPERIENCE /OTHER DIRECTORSHIPS

Present:

- Director, Nicholas Actuarial Solutions
- Consulting Actuary, Sunway University
- Director, Syarikat Takaful Malaysia Keluarga Berhad
- Director, Private Pension Administrator Malaysia

Past:

- Actuarial Society of Malaysia- President
- AmMetlife Insurance Berhad - Chief Financial Officer (CFO)
- Zurich Insurance Malaysia Berhad - Chief Financial Officer (CFO)
- Great Eastern Life Insurance (Malaysia) Berhad - Senior Vice President and Head, Finance, Strategic Planning, Actuarial, Products and Pricing

Encik Kameel Abdul Halim — President/ Chief Executive Officer/ Non-Independent Executive Director

Encik Kameel Abdul Halim
(Non-Independent Executive Director)
Aged 51, Malaysian

Date Appointed to the Board	**:**	11 September 2023
Membership of Board Committees	**:**	Nil

QUALIFICATION

- Masters in Risk Management (MA) with Merit, University of Nottingham, United Kingdom (2007)
- BA (Hons) Business Administration, Coventry University, United Kingdom (1997)

WORKING EXPERIENCE / OTHER DIRECTORSHIPS

Present:

- President/CEO, Cagamas Berhad
- Chairman, Cagamas Global P.L.C.
- Chairman, Cagamas Global Sukuk Berhad
- Director, Cagamas MBS Berhad
- Director, Cagamas SRP Berhad
- Director, BNM Sukuk Berhad
- Chairman, Cagamas SME Berhad
- Chairman, Cagamas MGP Berhad

Past:
• Chief Operating Officer, Affin Hwang Investment Bank Berhad (February 2022 to September 2023) • Chief Operating Officer, Bank Simpanan Nasional (September 2014 to January 2022) • Deputy Director, Bank Negara Malaysia (May 2001 to August 2014) • Resident Manager, HSBC (M) Berhad (April 1998 to April 2001)

3.6 *Senior management of Cagamas*

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

Name	Nationality	Designation
Encik Kameel bin Abdul Halim	Malaysian	President/Chief Executive Officer
Dr. Mazatul Aini Shahar binti Abdul Malek Shahar	Malaysian	Chief Financial Officer
Encik Abdul Hakim Amir bin Zainol	Malaysian	Chief Business Officer
Encik Delvin Chong	Malaysian	Chief Treasury & Investment Officer
Encik Ridzuan Shah Alladin	Malaysian	Chief Human Capital Officer
Puan Yusniza Wan Yahya	Malaysian	Chief Strategy Officer
Encik Tan Yong Nien	Malaysian	Chief Technology Officer
Y.M. Raja Shahriman Raja Harun Al Rashid	Malaysian	Chief Risk & Compliance Officer
Encik Shahrul Farelli Zulkiffli	Malaysian	Chief Internal Auditor

The biographies of the management are set forth below:

(a) Encik Kameel Abdul Halim
President/Chief Executive Officer

Please refer to the biography of Encik Kameel Abdul Halim set out above.

(b) Dr Mazatul Aini Shahar binti Abdul Malek Shahar
Chief Financial Officer

Dr. Mazatul Aini Shahar binti Abdul Malek Shahar is the Chief Financial Officer. She leads the Finance division overseeing the Asset & Liability Management, Reporting & Taxation, Planning & Analysis and Procurement & Settlement departments. Dr. Mazatul Aini Shahar has 27 years of hands-on experience in Finance, M&A, Fund-raising, Strategic Planning, Turnaround & Transformation, and Investment. She is a strong advocate of Digitalisation & AI and is passionate about ESG initiatives. She was the editor of the 1st Islamic Finance Accounting Textbook (MIA).

Dr. Mazatul Aini Shahar is a Fellow of ICAEW (FCA). She holds a PhD in Economics & Islamic Finance, MPHIL in Islamic Banking from University of East London (UEL) and BA (Hons) Industrial Economics from University of Nottingham, United Kingdom.

(c) Encik Abdul Hakim Amir Bin Zainol
Chief Business Officer

Encik Abdul Hakim Amir Bin Zainol is the Chief Business Officer overseeing Client Coverage, Core & Structured Business and Islamic Business Departments. He sits on Board of Directors of Cagamas SME Berhad, Cagamas MGP Berhad, Cagamas Global P.L.C and Cagamas Global Sukuk Berhad.

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

Encik Abdul Hakim Amir also holds a BSc (Hons) Accounting & Finance from the London School of Economics and Political Science. He is a Fellow of the Association of Chartered Certified Accountants.

(d) Encik Delvin Chong
Chief Treasury & Investment Officer

Encik Delvin Chong is the Chief Treasury & Investment Officer overseeing the funding, liquidity management and investment operations for Cagamas. He is also the Head of regulated activities for Cagamas.

Encik Delvin Chong has over 27 years of experience in treasury, structured finance, debt capital markets and pricing analytics. He was the Senior Vice President, Corporate Strategy and Analytics before being appointed as the Chief Treasury & Investment Officer in 2018.

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

(e) Encik Ridzuan Shah Alladin
Chief Human Capital Officer

Encik Ridzuan Shah Alladin, Chief Human Capital Officer, oversees the Human Capital and Administration departments.

Encik Ridzuan Shah Alladin has over 17 years of experience in human resources and strategic talent management. He started his career with Ogilvy & Mather Group, Malaysia and later he joined Procter & Gamble (Malaysia) Sdn. Bhd. Prior to joining Cagamas, he was the Senior Consultant for Korn Ferry Hay Group, Malaysia.

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

(f) Puan Yusniza Wan Yahya
Chief Strategy Officer

Puan Yusniza Wan Yahya is the Chief Strategy Officer. She leads the Strategy & Research division overseeing the ESG & Strategic Management, Research and Credit Management departments.

Puan Yusniza has more than 23 years of experience across strategic planning, economic regulation, corporate finance and asset management. Career highlights include leading the organisational strategy and business planning process, developing a 5-year capital market masterplan and leading the development of the national aeronautical charges framework for the airports industry. Prior to joining Cagamas, she was the General Manager, Corporate Planning & Strategy for Securities Commission of Malaysia (SC).

Puan Yusniza is a Chartered Financial Analyst (CFA) and holds a Bachelor of Engineering (Hons) in Materials with Management from Imperial College, London, United Kingdom.

(g) Encik Tan Yong Nien
Chief Technology Officer

Encik Tan Yong Nien is the Chief Technology Officer. He leads the Technology & Operations division overseeing the Information Technology and Operations departments.

Encik Tan Yong Nien has 26 years of experience~~s~~ in the technology sector with over 16 years in leadership positions across a wide span of industries including financial, manufacturing, telecommunication and e-government. He had pioneered two IT shared services centres from ground up covering applications development, support and infrastructure management supporting global locations such as the United States of America (USA), Australia, China and Southeast Asia. Prior to joining Cagamas, he was the Head of IT & Transformation for a major insurance company.

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

(h) Y.M. Raja Shahriman Raja Harun Al Rashid
Chief Risk & Compliance Officer

Y.M. Raja Shahriman Raja Harun Al Rashid is the Chief Risk & Compliance Officer. He leads the Risk Management & Compliance division overseeing the Risk Management, and Compliance departments.

Y.M. Raja Shahriman has 21 years of experience in the financial services industry, particularly in compliance, risk and audit. He was previously 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 Shahriman holds a Master of Business Administration from Charles Sturt University, Australia, a Bachelor of Commerce majoring in Accounting from University of Queensland, Australia and he is a Chartered Banker from the Asian Institute of Chartered Bankers.

(i) Encik Shahrul Farelli Zulkiffli
Chief Internal Auditor

Encik Shahrul Farelli Zulkiffli is the Chief Internal Auditor. He leads the Internal Audit department and also the Secretary to the Group Board Audit Committee of Cagamas Holdings Berhad.

Encik Shahrul Farelli has 19 years of experience in the financial services industry, particularly in audit. Prior to joining Cagamas, he was attached to various organisations including banking, statutory and regulatory bodies. He was the Vice President, Strategic Management before being appointed as the Senior Vice President, Internal Audit in 2022.

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

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SECTION 4.0 INVESTMENT CONSIDERATIONS

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

4.1 Risks relating to Cagamas

(a) Volatility in the capital markets

Cagamas depends on its access to the debt capital markets as one of its key funding avenues to fund the purchase of financial assets in the secondary market. 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. Accordingly, its business, financial condition, results of operations and prospects may be adversely affected.

(b) Cagamas' hedging strategies may not prevent losses

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

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

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

(d) Cagamas' internal control system may be inadequate

In the course of its business activities, Cagamas is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational risk and reputational risk. Investors should note that any failure to adequately control these risks may have an adverse effect on Cagamas' financial condition, operations, prospects and reputation.

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

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

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

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

Under Capital Management Solution (CMS), Cagamas is exposed to credit risk of the issuers who are mainly financial institutions and development financial institutions as it may subscribe to subordinated debt securities issued mainly by these financial institutions pursuant to BNM's Capital Adequacy Framework.

An adverse effect on the business, operations and financial conditions of Cagamas as a result of counterparty risk/underlying borrower/obligor default under the PWR, PWOR and CMS schemes, respectively, may ultimately result in

Cagamas being unable to meet its obligations in relation to the Notes issued under the Programmes.

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

Cagamas was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia, in line with the GOM's policy at such time. There is no assurance that the GOM will continue to pursue and support this policy. Any change in policy with regard to the promotion of home ownership in Malaysia (including, for example, an increase in the down payment requirement for mortgage financing) or changes in certain economic factors, such as an increase in profit/interest rates resulting in an increase in the cost of mortgage financing in Malaysia, may consequently reduce the attractiveness of mortgages as a source of financing for property purchases and which may in turn, adversely affect the business, operations and financial conditions of Cagamas.

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

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

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

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

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

(i) <u>Cagamas is dependent upon its status as an "Approved Interbank Institution" as determined by BNM</u>

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

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

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

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

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

(k) <u>Exposure to the Malaysian property market</u>

Cagamas has exposure to the Malaysian property market through its portfolio of mortgage loans and financings, including SSB and SSB-i (both as described in section 5.1.1 (*Business Overview — Cagamas Business Model*) below. The property market is inherently cyclical, with prices influenced by factors such as supply and demand, as well as political and economic developments in Malaysia. In 2024, the property market showed steady improvement, in tandem with sustained economic growth momentum, driven by ongoing government initiatives and a strong labour market condition. The National Property Information Centre (NAPIC) reported a 6.1% year-on-year (YoY) increase in residential housing transactions by volume, and a 10.4% YoY rise in value as of 1H 2024. The Malaysian House Price Index (MHPI) grew moderately by 0.9% to 218.7 points during the same period. Meanwhile, overhang units declined by 12.3% YoY and

19.5% YoY in volume and value terms, respectively in 1H 2024, reflecting proactive measures by the government and developers to address the overhang issues. While the property market is expected to remains stable, rising building material costs and the elevated cost of living may pose significant challenges to the industry, which could negatively impact Cagamas' business, financial conditions and operations.

(l) Impact of re-imposition of capital controls

As part of the package of policy responses to the 1997 economic crisis in Southeast Asia, the GOM introduced, on 1 September 1998, selective capital control measures. The GOM subsequently liberalised such selective capital control measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to an exit levy based on a percentage of profits repatriated.

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

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

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

Headline and core inflation remain modest, averaging 1.8% year-to-date. Going into 2025, inflation is expected to remain manageable, amid the easing global cost conditions and the absence of excessive domestic demand pressures. Nevertheless, the inflation outlook remains subject to the details of the implementation of announced domestic policy measures. Upside risk to inflation would be dependent on the extent of spillover effects of domestic policy measures, as well as global commodity prices and financial market developments.

(*Source: BNM's Monetary Policy Statement dated 6 November 2024)*

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

The outbreak of an infectious disease or pandemic (e.g., the COVID-19 pandemic) in Malaysia and/or globally, along with accompanying restrictions such as travel bans, lockdowns, and quarantines, could adversely affect Cagamas' business operations, financial performance, and overall prospects. Such an event could disrupt global supply chains, hinder trade, and negatively impact both the Malaysian and global economies, posing challenges to economic growth and business continuity.

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

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

Nevertheless, there can be no assurance that any precautionary measures taken against prolonged infectious diseases or pandemic would be effective. A future outbreak of a prolonged infectious disease or any other serious public health concerns in Malaysia and/or globally could adversely affect the business, financial condition, results of operations and/or prospects of Cagamas.

4.2 Risks relating to the Notes

(a) Ratings of the Programmes

The IMTN Programme has been accorded an indicative rating of AAA and AAA_{IS} by RAM and MARC respectively, whereas the CMTN Programme has been accorded an indicative rating of AAA by RAM and MARC respectively.

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

(b) Shariah compliance

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

(c) Liquidity in the secondary market

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Legal risk factors may restrict certain investments

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

(k) Cagamas' Sustainability Bonds/Sukuk Framework

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

4.3 General Considerations

(a) Change in law

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

(b) Regulatory compliance

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

(c) Force majeure

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

4.4 Forward-looking statements

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

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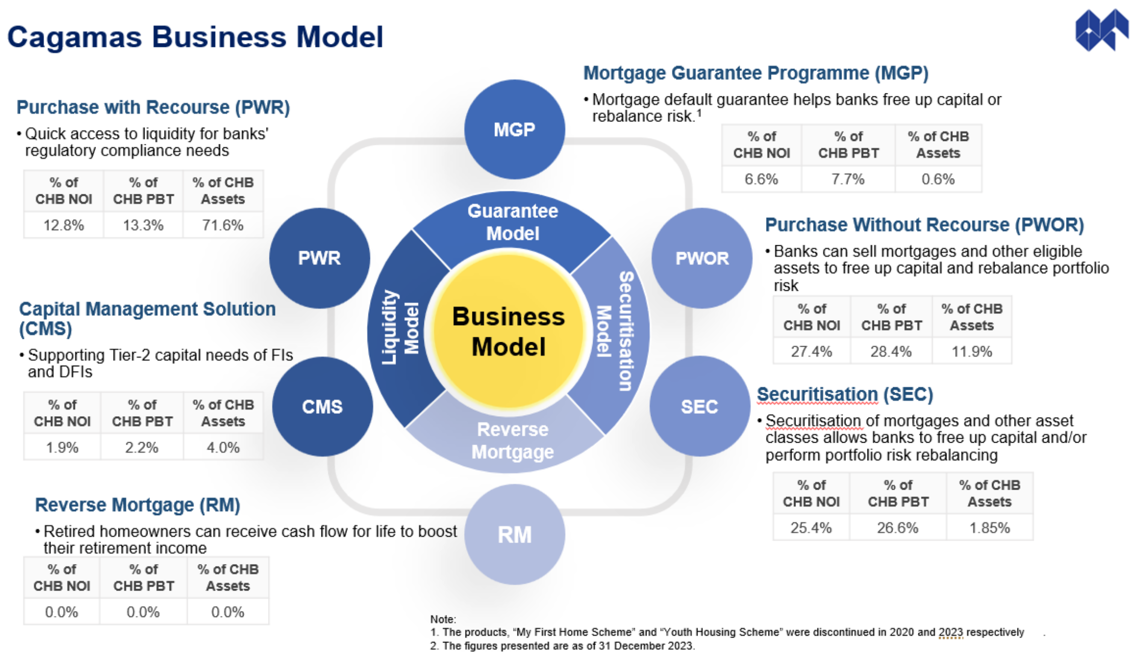
SECTION 5.0 BUSINESS

5.1 Business overview

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

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

BUSINESS MODEL



5.1.1 <u>Cagamas Business Model</u>

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

In 2023, Cagamas purchased RM20.5 billion worth of loans and financing on a PWR basis, surpassing the previous year's level by RM1.2 billion (2022: RM19.3 billion). Notably, there was a purchase on the PWOR basis in 2023 — since 2017 — albeit small at RM51.8 million. Corresponding with the higher purchases made in 2023, Cagamas' net outstanding loans and financing portfolio increased to RM48.3 billion at end-2023 (2022: RM40.3 billion). As at end-2023, the PWR:PWOR ratio was 86:14 (end-2022: 81:19). Residential mortgages accounted for 93.6% of Cagamas' portfolio (end-2022: 93.0%). In

1H2024, Cagamas bought another RM4.5 billion worth of loans/financing under its PWR scheme, of which about 94% were residential mortgages. Net outstanding loans and financing portfolio, however, stood lower at RM46.1 billion as at end-June 2024 from 2023 due largely to loan maturities. The PWOR portfolio's GIL ratio has remained resilient, declining further to 0.33% at end-2023 from an already low 0.45% at end-2022, and significantly lower than the banking industry's average default rate of 1.33% for residential mortgages. As at end-June 2024, the GIL ratio for its PWOR portfolio eased further to 0.31%.

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

PWR Scheme

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

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

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

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

Under the PWR scheme, the loans and financings are purchased by Cagamas based on their book value (i.e. the principal balance outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date) either at par or at a discount to its book value. Following such sale, the Selling Institution undertakes to conduct the Retained Functions (as defined below) at its own cost as a term of the sale. The scope of Retained Functions are set out in the relevant agreement selling the loans and financings to Cagamas and include tasks such as monitoring the performance of loans and financings sold to Cagamas, the collection of monthly instalments relating to the loans and financings (the "**Monthly Instalments**"), the remittance of the Cagamas instalments and any administrative duties and obligations arising in relation to the loans and financings (the "**Retained Functions**"). By undertaking the Retained Functions, each Selling Institution reduces the risk of Cagamas seeking recourse and/or indemnity from the Selling Institution. Cagamas will not purchase the loans and financings under the PWR scheme without the Selling Institutions undertaking the Retained Functions.

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

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

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

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

To assist Selling Institutions in meeting their credit requirements, Cagamas offers the Selling Institutions alternatives to cash settlement for the sale of loans and financings. On the purchase date, the relevant Selling Institution can choose to settle the purchase consideration by receiving debt and/or other similar securities issued by Cagamas, or by nominating such debts and/or other similar securities issued by Cagamas to be delivered to such other party chosen by the Selling Institution and approved by Cagamas, or partly in cash and partly by way of an issuance of Cagamas debt and/or other similar securities.

As a result, the Selling Institutions have the option to sell their loans and financings to Cagamas without having to endure negative carry in an excess liquidity environment by receiving debt and/or other similar securities issued by Cagamas to fund such purchases instead of cash. In addition to the periodic payment/repayment of principal and profit/interest of the Cagamas instalment by the Selling Institutions on the loans and financings sold to Cagamas with recourse, the Selling Institution can now choose to pay profit/interest only throughout the contracted review period with bullet payment/repayment of the principal on the review date.

As part of Cagamas' sustainability journey, Cagamas has established the Cagamas' Sustainability Bond/Sukuk Framework in 2019 to purchase loans, assets and financings related to environmental and/or social impact projects via PWR; in line with the country's aspirations of transitioning to a more environmentally and socially friendly economy. The purchase of loans, assets and financings would be funded via the issuance of Sustainability bonds and Sukuk. Up to end November 2024, Cagamas has issued a total of RM4.36 billion Sustainability bonds and Sukuk to fund loans, assets and financings related to environmental and/or social impact projects.

Individual PWR products and their individual criteria for purchase by Cagamas

PWR Housing Loans

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

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

PWR Hire Purchase and Leasing Debts

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

(a) the PWR HPL Debt must be in relation to the hire purchase, sale on credit terms or the leasing of equipment;
(b) the PWR HPL Debt must be fully disbursed;

(c) the PWR HPL Debt must be an amortising debt;

(d) the monthly instalment of the PWR HPL Debt must not be more than one month in arrears at the time of the proposed sale;

(e) the PWR HPL Debt must not expire before the end of the agreed contracted review period;

(f) each PWR HPL Debt must, disregarding any unearned finance charges, have a book balance of less than RM2 million;

(g) all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts) must be satisfied; and

(h) in the event that the PWR HPL Debts are related to sustainability, the PWR HPL Debts must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

PWR Industrial Property Loans

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

(a) the purpose of the Industrial Property Loan must be for the financing or refinancing the purchase, construction or renovation of industrial properties;

(b) the Industrial Property Loan must be fully disbursed;

(c) the monthly instalment of Industrial Property Loan must not be more than one month in arrears at the time of the proposed sale;

(d) each Industrial Property Loan, disregarding any unearned interest, must have a book balance of less than RM20 million;

(e) the Industrial Property Loan must be secured by a first ranking charge over the secured property or an assignment of rights over the secured property;

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

(g) in the event that the Industrial Property Loans are related to sustainability, the Industrial Property Loans must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

PWR Personal Loans

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

(a) the PWR Personal Loan must have arisen pursuant to an agreement entered into between the borrower and the Selling Institution or the vendor from whom the Selling Institution has purchased the personal loan;

(b) the PWR Personal Loan must be fully disbursed;

(c) the monthly instalment of PWR Personal Loan must not be more than one month in arrears at the time of the proposed sale of the personal loan to Cagamas;

(d) the PWR Personal Loan must not expire before the end of the agreed contracted review period; and
(e) all other eligibility criteria contained in the Cagamas Guide (Personal Loans) must be satisfied.

PWR SME Loans

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

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

PWR Infrastructure Loans

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

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

Islamic PWR

Under the Islamic PWR scheme, Cagamas purchases Islamic facilities from Islamic financial institutions ("**IFIs**"), the Government or selected corporations based on the same principles as the conventional PWR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financings. Pursuant to carrying out the Retained Functions, any money collected by the Selling Institution from such financings on behalf of or belonging and/or payable to Cagamas is held on trust for Cagamas. Cagamas undertakes (based on Shariah principles of Wa'd) to give Hibah (gift) 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 Instalments and the Cagamas instalment (for fixed rate facility), or between the amount outstandings and variable Cagamas instalment (for floating rate facility) provided that the Selling Institution continues to carry out the Retained Functions.

Under this scheme, Cagamas purchases debt-based financings using cash or commodities, i.e. the Shariah principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn bi al-Sila'i (exchange of debts with commodities) and it purchases asset based financings (such as Al-Ijarah Thumma Al-Bai' (lease to purchase) ("**AITAB**") or Musharakah Mutanaqisah (diminishing partnership) in the form of cash alone (i.e. the Shariah principles of Bai' al-A'yaan (asset trading)). A flexibility approach was introduced in 2024 to allow Cagamas to purchase asset-based financings using the Shariah principles of Bai' al-Dayn al-Sila'i. However, this purchase must be limited to the debt or receivable portion of the asset. In contrast, under the Shariah principles of Bai' al-A'yaan, Cagamas would need to purchase both the debt and the underlying asset. For Rahn (collateral) receivables/financings, Cagamas purchases the receivables using cash under Shariah principle of Hiwalah (transfer of debt).

Islamic PWR House Financing

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

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

Islamic PWR Hire Purchase/Leasing

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

(a) the IHP/ Islamic Leasing must be conducted under approved Shariah principles;
(b) the IHP/ Islamic Leasing must be fully disbursed;
(c) the monthly instalment of IHP/ Islamic Leasing must be no more than one month in arrears at the time of sale;
(d) the IHP/ Islamic Leasing must not expire before the end of the agreed contracted review period;
(e) the IHP/Islamic Leasing must have a book balance (less unearned profit, if any) not exceeding RM2 million per facility;
(f) the IHP/ Islamic Leasing must have an effective rate equal to or greater than Cagamas' required rate of return (not applicable for floating rate and purchase at discount to its book value);
(g) the IHP /Islamic Leasing must comply with any other criteria contained in the Cagamas Guide (Islamic Hire Purchase/Islamic Leasing); and
(h) in the event that the IHP/Islamic Leasing are related to sustainability, the IHP/Islamic Leasing must satisfy the Sustainability Eligibility Criteria under Cagamas Sustainability Bond/Sukuk Framework in addition to the Core Eligibility Criteria.

Islamic PWR Industrial Property Financings

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

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

Islamic PWR Personal Financing

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

(a) the IPF must be conducted under approved Shariah principles;
(b) the IPF must be fully disbursed;

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

Islamic PWR Rahn receivables/financings

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

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

PWR SME Financings

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

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

PWR Infrastructure Financings

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

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

PWOR Scheme

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

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

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

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

PWOR Housing Loans

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

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

PWOR Hire Purchase and Leasing Debts

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

(a) the PWOR HPL Debt must be taken in relation to hire purchase of private and non-commercial passenger car(s) only;
(b) the age of the car/equipment of the PWOR HPL Debts must not be more than seven years prior to the proposed date of sale to Cagamas;
(c) the initial amount financed under the PWOR HPL Debt must not exceed RM400,000;

(d) the original margin of finance must not be more that 80% of the purchase price or market value;

(e) the maturity date of the PWOR HPL Debt must not be less than six months from the proposed date of sale of the PWOR HPL Debt to Cagamas;

(f) the monthly instalment payable under the PWOR HPL Debt must be greater than 110% of the interest portion of the monthly instalment; and

(g) all other eligibility criteria in relation to PWOR HPL Debts provided in the Cagamas Guide (PWOR HPL Debts) must be satisfied.

Islamic PWOR

Under the Islamic PWOR scheme, Cagamas purchases Islamic facilities from IFIs, the Government or selected corporations based on the same principles as the conventional PWOR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financing. Under the Islamic PWOR scheme Cagamas appoints a Selling Institution as its agent and pays the Selling Institution a Wakalah (agent) fee for continuing to carry out services on its behalf. Under this scheme, Cagamas purchases debt-based financings using cash or commodities, i.e. the Shariah principles of Bai’ al-Dayn (debt trading) and Bai’ al-Dayn al-Sila’i (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)). A flexibility approach was introduced in 2024 to allow Cagamas to purchase asset-based financings using the Shariah principles of Bai' al-Dayn al-Sila'i. However, this purchase must be limited to the debt or receivable portion of the asset. In contrast, under the Shariah principles of Bai' al-A'yaan, Cagamas would need to purchase both the debt and the underlying asset. The minimum eligibility criteria for products under the Islamic PWOR scheme is the same as the eligibility criteria adopted for the PWOR scheme. Products purchased under the Islamic PWOR scheme are also subject to any Shariah principles that need to be complied with.

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

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

Capital Management Solution (CMS)

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

Skim Saraan Bercagar (SSB)

SSB, a reverse mortgage loan scheme, was launched by the then 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 will be sold to settle the outstanding loan amount and any residual balance will be paid to their estate.

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

Skim Saraan Bercagar Islamik (SSB-i)

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

In 2024, Cagamas has extended its business to the following:

PWR MSME Loans

Under the PWR scheme, Cagamas purchases mirco small medium enterprise loans ("**PWR MSME Loans**") granted for working capital and business usage. The following Core Eligibility Criteria must be satisfied in order for a PWR MSME Loan to be eligible for sale to Cagamas:

(a) the PWR MSME 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 PWR MSME Loan;
(b) the PWR MSME Loan must be fully disbursed;
(c) the monthly instalment of PWR MSME Loan must not be in arrears at the time of the sale of the PWR MSME Loan to Cagamas;
(d) the PWR MSME Loan must not expire before the end of the agreed contracted review period; and
(e) all other eligibility criteria contained in the Cagamas Guide (MSME Loans) must be satisfied.

PWR MSME Financing

Under the PWR scheme, Cagamas purchases mirco small medium enterprise financing ("**PWR MSME Financing**") granted for working capital and business usage. The following Core Eligibility Criteria must be satisfied in order for a PWR MSME Financing to be eligible for sale to Cagamas:

(a) the PWR MSME Financing 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 PWR MSME Financing;

(b) the PWR MSME financing must be fully disbursed;

(c) the monthly instalment of PWR MSME financing must not be in arrears at the time of the sale of the PWR MSME Financing to Cagamas;

(d) the PWR MSME financing must not expire before the end of the agreed contracted review period; and

(e) all other eligibility criteria contained in the Cagamas Guide (Islamic MSME Financing) must be satisfied.

FHMGP

Following the discontinuation of Skim Rumah Pertamaku (SRP), the Cagamas Group through Cagamas SRP Berhad, introduced a new mortgage guarantee programme, the First Home Mortgage Guarantee Programme ("**FHMGP**"). The new features enable a larger number of Malaysians to access full home financing from the participating financial institutions to purchase their first home through enhanced product features and eligibility criteria.

5.1.2 ***Regulatory Treatment of Debt Securities***

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

(i) Holdings of debt securities by licensed institutions will qualify for a twenty percent (20%) risk weight under the Risk Weighted Capital Ratio framework;

(ii) Holdings of debt securities that qualify for high quality liquid assets ("**HQLA**") under Class Level 2A with 15% haircut under the Liquidity Coverage Ratio guidelines issued by BNM;

(iii) Holdings of the debt securities will be aggregated with other credit facilities granted to Cagamas in the computation of "Single Customer Credit Limit"; and

(iv) Holdings of debt securities by insurance companies incur a risk charge of 1.6% under rating category "One" under the Risk-Based Capital Framework for Insurers issued by BNM.

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

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

Conventional Debt Securities

Conventional debt securities were/are typically issued under the 2023 CCP Programme and the Existing MTN Programme.

The conventional instruments issued under the programmes are as follows:

CMTNs with Fixed Rate

Conventional Medium-Term Notes (“**CMTNs**”) with fixed rate under the Existing MTN Programme have tenures of more than one year and carry a fixed coupon rate which is determined at the point of issuance. Interest on these CMTNs is normally paid at half-yearly intervals. The redemption of the relevant CMTNs is at nominal value together with the interest due upon maturity.

CMTNs with Floating Rate

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

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

CPs under the 2023 CCP Programme were short-term instruments with maturities of between one to twelve months, typically issued at either a discount from the face value where the relevant CPs were redeemable at their nominal value upon maturity or issued at par with interest where interest was paid on a semi-annual basis or such other periodic basis as determined by Cagamas.

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

Conventional Multicurrency Debt Securities

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

The tenure of each EMTN 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, Cagamas or the relevant specific currencies. The EMTN Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant series of EMTN Notes issued.

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

The following table sets out the outstanding conventional debt securities issued and guaranteed by Cagamas as at 30 June 2024.

Outstanding Conventional Debt Securities issued and guaranteed by Cagamas	**As at 30 June 2024**
	(RM ’000)
Instrument issued by Cagamas	
Conventional Medium-Term Notes	**18,875**
Instrument guaranteed by Cagamas	
Conventional Multicurrency Debt Securities	**2,926**
Total	**21,801**

Sukuk

Sukuk were/are typically issued under the 2023 ICP Programme and the Existing MTN Programme. The Islamic instruments issued under the programmes are as follows:

Sukuk with Fixed Profit Rate

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

Sukuk with Variable Profit Rate

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

Sukuk under the 2023 ICP Programme

Sukuk under the 2023 ICP Programme were short term Islamic instruments issued by Cagamas with maturities ranging from one to twelve months issued at either a discount from the face value where the relevant Sukuk were redeemable at their nominal value upon maturity or issued at par with profit paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

Sukuk under the 2023 ICP Programme and the Existing MTN Programme were/are issued based on but not limited to the following Shariah principles:

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

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

Islamic Multicurrency Debt Securities

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

The tenure of each series of Multicurrency Sukuk under the Sukuk Programme shall be determined prior to each issuance, subject to such minimum and maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws and regulations applicable to Cagamas Global Sukuk, Cagamas or the relevant specified currencies. The Multicurrency Sukuk will be issued on a fully paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Multicurrency Sukuk issued.

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

The following table sets out the outstanding Sukuk issued by Cagamas as at 30 June 2024.

Outstanding Sukuk issued by Cagamas	**As at 30 June 2024**
	(RM '000)
Instrument	
Islamic Medium-Term Notes	**24,365**
Total	**24,365**

5.2 Strategy and Key Objectives

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

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

Cagamas seeks to achieve these objectives by:

(a) developing the secondary mortgage market in Malaysia through the provision of innovative facilities and efficient service at a competitive cost to primary home lenders;

(b) enhancing the capital market, particularly the corporate bonds and Sukuk market, through widening and deepening the scope of securitisation including issuance of Cagamas' Sustainability bonds and/or Sukuk;

(c) continuing to support GOM's initiative to promote affordable home ownership in Malaysia;

(d) offering bespoke risk and capital management solutions in line with the company's objectives;

(e) embracing a culture of deploying sustainable initiatives;

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

(g) using technology to enhance productivity and efficiency;

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

(i) inculcating a caring and responsible corporate culture.

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

(a) remaining committed to its mandate of helping Malaysians gain access to affordable, competitive and innovative housing finance across the life-cycle through the following:

- continuing to support the GOM's initiative in promoting affordable homes and first-time homeownership via mortgage guarantee program as well as provision of project financing to selected affordable housing developers; and

- continuing to promote reverse mortgage product to provide alternative steady monthly cash payout to retirees throughout their lifetime to supplement their retirement funds;

(b) continuing to undertake its primary role in the financial system to accelerate liquidity to the secondary mortgage market through the following:

- enhancing our offerings to financial institutions including the new entrants by digital banks through development of alternative liquidity and structured funding solutions as well as risk-transfer mechanism that are suited to meet individual needs and requirements; and

- providing competitively priced funding, which is achieved through its diversification of funding sources and widening of its investor base;

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

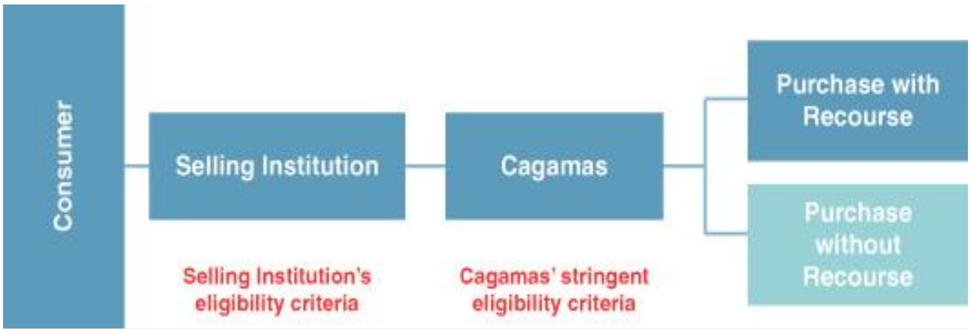
5.3 Key strengths

Cagamas' key strengths include the following:

(a) Strategic Business Model

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

The diagram below illustrates Cagamas' strategic business model:



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

(b) Strong Shareholding Structure

Cagamas is wholly owned by Cagamas Holdings. Cagamas Holdings benefits from a strong, stable shareholding structure, demonstrated by the negligible disposals of shares by shareholders of Cagamas Holdings (other than as a direct result of the merger of two or more shareholders and disposal of 0.4% of shares) since its incorporation in 2007. The largest shareholder of Cagamas Holdings is BNM with whom the Cagamas Group maintains close ties. The Chairmen of Cagamas Holdings and Cagamas are appointed by their respective Board of Directors, in consultation with BNM. Although the Cagamas Group operates independently of BNM, major strategic decisions are made in consultation with

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

(c) Systemically Important to the Domestic Financial System

Cagamas plays a systemically important role in the Malaysian domestic financial system, which is underscored by its dual function as a liquidity provider via the purchase of loans and financings from Selling Institutions and as a leading issuer of conventional debt securities and Sukuk. Since its incorporation up to 30 November 2024, Cagamas and its subsidiaries have issued conventional debt securities and Sukuk of RM425.04 billion in nominal value in Malaysia. In addition, Cagamas provides credit and portfolio risk management as well as capital management solutions to Selling Institutions. Cagamas also acts as a conduit to remove systemic risk in the financial sector.

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

(d) Robust Asset Quality and Solid Capitalisation

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

(e) Strong Risk Management Framework

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

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

(f) Financial position

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

(g) Management team

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

5.4 Recent developments

(a) Cagamas' profitability remains fairly stable as it operates on a low-cost base. For the first half of 2024 (1H24), Cagamas' cost to income ratio stood at 17.6% (FYE 2023: 16.7%), which is below the level of 40% - 50% maintained by most commercial banks in Malaysia. Cagamas incurred minimal credit costs between 2012 and 1H24 as a result of good asset-quality performance and conservative level of risk appetite.

Cagamas maintains strong capitalisation with reported Common Equity Tier 1 capital ratio of 33.7% as at 1H24 (FYE 2023: 31.6%). Cagamas' Board and management have voluntarily adopted the central bank's regulatory bank capital framework as part of Cagamas' internal governance framework. Cagamas' total adequacy ratio was 34.1% as at 1H24 (FYE 2023: 32.0%), well above its internal minimum requirement of 15%.

Cagamas is also exploring the possibility of issuing bonds in other new foreign currencies and in new markets to diversify its funding sources and investor base.

(b) As part of its effort to enhance strategic cooperation in various areas, including research and knowledge related to housing finance, Cagamas has entered into collaborative arrangements with some of its Asian peers. Cagamas has signed memorandums of understandings namely with Indonesia's PT Sarana Multigriya Finansial, Mongolian Mortgage Corporation, Philippines' National Home Mortgage Finance Corporation, Korea Housing Finance Corporation, Japan Housing Finance Agency, The State Mortgage Company of Kyrgyzstan, Pakistan Mortgage Refinance Company Limited, Hong Kong Mortgage Corporation and Mortgage Refinancing Company of Uzbekistan. This cooperation is a synergistic effort between the members of the Asian Secondary Mortgage Market Association (ASMMA) as well as the newly established International Secondary Mortgage Market Association (ISMMA) in the development of mortgage financing market.

(c) As a testament to the expertise within Cagamas in the development of the housing finance market, Cagamas has been appointed as the first chair of ISMMA by the World Bank in June 2018. ISMMA will focus on advocacy of regulatory issues, share information, and provide support to newly established institutions in the field of housing finance market. This is the first association to bring together secondary mortgage markets institutions around the world.

(d) In 2021, Cagamas' new Capital Management Solution product was launched, whereby Cagamas may subscribe to subordinated debt securities issued by financial institutions/development financial institutions, thereby providing capital support to enable financial institutions/development financial institutions to comply with BNM's Capital Adequacy Framework.

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

(f) As part of Cagamas' sustainability strategy, Cagamas is collaborating with the Asian Development Bank (ADB) to identify challenges and constraints in scaling up green residential mortgages in Malaysia. This includes the development of green/ESG-based financial products to incentivise FIs to offer these products to the market and encourage a transition to green and energy-efficient mortgages. Cagamas is currently developing a Cagamas Green Home Standard (CGHS) to promote more consistent and transparent energy-efficient rating assessments for different properties.

5.5 General

(a) Implementation of Basel II and Basel III

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

(b) Corporate Social Responsibility ("**CSR**")

Cagamas' CSR activities are in line with the GOM's policy of nurturing a caring society. Beneficiaries of Cagamas' CSR activities include charitable, non-profit organisations registered with the Social Welfare Department or the Inland Revenue Board, associations with which Cagamas has a working relationship or other charitable, non-profit organisations as may be decided upon by Cagamas, i.e. hospitals, welfare homes, old folks' homes, orphanages, etc. established in Malaysia with the aim of providing as much assistance to the needy as possible. Cagamas also gives emphasis to the promotion of sustainability via education and vocation-based programmes when considering donations towards improving society. Cagamas also encourages employees to become involved in their communities, lending their voluntary support towards CSR programmes which Cagamas endorses. Such programmes may include, but are not limited to sustainability related programmes, i.e. those concerning the environment, social and community, education and economic causes as below:

Cagamas Corporate Social Responsibility Programmes For Year 2024

No	Non-Governmental Organisation Partner	Beneficiary	Project Description
1	Pertubuhan Keselamatan Sosial ("PERKESO") through Yayasan Kebajikan Negara ("YKN")	Housewives' Social Security Scheme or Skim Keselamatan Sosial Suri Rumah ("SKSSR")	Sponsorship of contribution to the Housewives' Social Security Scheme ("SKSSR") for women in the B40 income group. This contribution will impact 400 women in the B40 group.

Cagamas Zakat Wakalah Programme (CZWP)

Cagamas actively contributes to the well-being of asnaf communities, through its Corporate Zakat Distributable Committee (CZD). The CZD leverages the Zakat Wakalah Program of Majlis Agama Islam Wilayah Persekutuan (MAIWP) to receive zakat funds from the Cagamas Group and distribute them through its CZWP activities, fulfilling Cagamas' commitment to social responsibility.

This impactful initiative aligns seamlessly with Cagamas' existing CSR initiatives, empowering and improving asnaf livelihood via collaborations with various associations and charity homes. As of December 2024, Cagamas Group distributed RM1,581,599.00 in zakat funds through its CZWP. During Ramadan and Eid, 2,051 asnaf beneficiaries received direct financial aid, essential food packages, and food sponsorships for programs conducted by local suraus, non-profit organizations, and tahfiz schools.

Furthermore, CZWP funded refurbishment and renovation projects at mosques, schools, and universities, enhancing public accessibility to these vital institutions. The program also supported students' education by covering fees and providing essential learning materials, alleviating the financial burden on their families. In addition, CZWP extended assistance to 780 flood victims in Pahang and Kelantan, providing funds for the purchase of essential items such as mattresses, pillows, bed sheets, prayer mats, and food.

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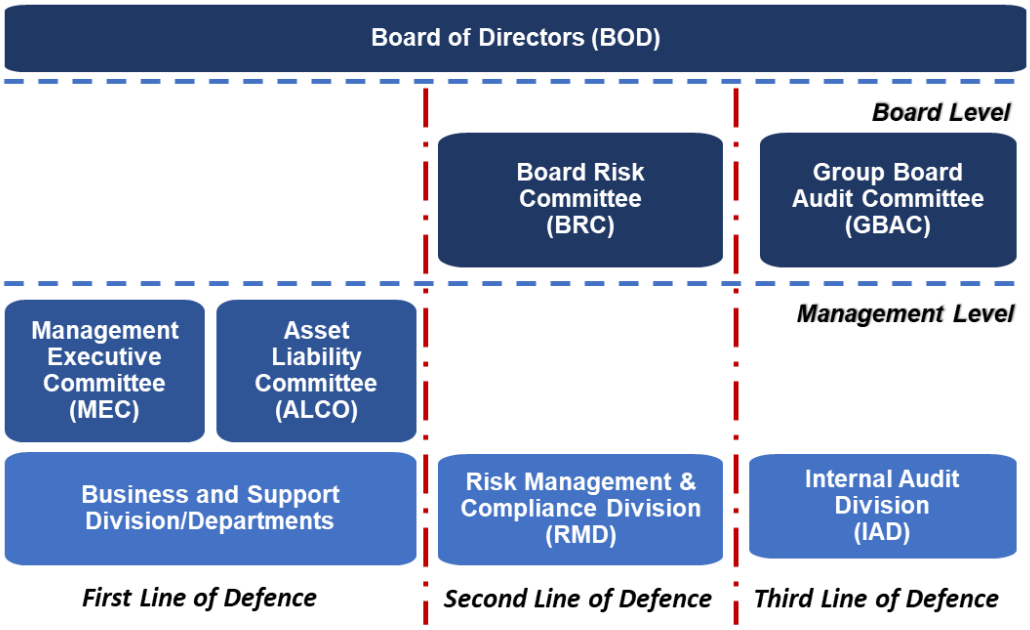
SECTION 6.0 RISK MANAGEMENT

6.1 Enterprise Risk Management Framework

Cagamas takes a holistic and enterprise-wide view in managing risk. The Board approved the Enterprise Management Framework ("**ERM**") which details the responsibility and accountability of the Board, Board Risk Committees ("**BRC**"), President/Chief Executive Officer ("**CEO**"), Senior Vice President, Risk Management ("**SVP Risk Management**"), Management Executive Committee ("**MEC**"), Asset Liability Committee ("**ALCO**"), Risk Management and Compliance Division ("**RMD**"), 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 act as Cagamas' second line of defence by providing specialised resources to proactively manage risks. This includes assessment of risk exposures and the coordination of risk and compliance management on an enterprise-wide basis. RMD is also responsible for ensuring that risk and compliance policies are implemented, respectively.

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

6.2 Risk Governance Structure

The Board sets the overall strategic direction for Cagamas. It provides ultimate oversight to ensure that management has set up appropriate risk management systems to manage risks associated with Cagamas' operations and activities. The Board sets the risk appetite and tolerance level to be consistent with Cagamas' overall business objectives and desired risk profile. The Board also reviews and approves all significant risk management policies and risk exposures.

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

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

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

6.3 Key Areas of Risk Management

(a) <u>Strategic Risk Management</u>

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

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

(b) <u>Credit Risk Management</u>

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

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

(c) Market and Liquidity Risk Management

Market risk is defined as the potential loss arising from movements of market prices and rates. Within Cagamas, market risk exposure is limited to profit/interest rate and foreign exchange as Cagamas does not engage in any equity or commodity trading activities. Involvement in the purchase and sale of commodities is solely to facilitate the issuance of Islamic debt securities. Liquidity risk arises when Cagamas does not have sufficient funds to meet its financial obligations when they fall due.

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

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

(d) Operational Risk Management

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

(e) Reputational Risk

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

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

(f) Shariah Non-Compliance Risk

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

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

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

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SECTION 7.0 ECONOMY AND INDUSTRY OVERVIEW

7.1 *Economic and Financial Developments in Malaysia in the Third Quarter of 2024*

The economy grew by 5.3% in the third quarter

The Malaysian economy expanded by 5.3% in the third quarter of 2024 (2Q 2024: 5.9%), driven by strong investment activity and continued improvement in exports. Investment activity was underpinned by strong spending on structures and machinery and equipment (M&E), while household spending sustained its expansion amid positive labour market conditions and policy support. In the external sector, exports continued to strengthen on the back of recovering external demand and positive spillovers from the global tech upcycle. Meanwhile, imports also grew at a faster pace, following strong demand for capital and intermediate goods to support rising investments and trade. On the supply side, most sectors remained supportive of growth. In particular, the improvement in the manufacturing sector was driven by export-oriented clusters. However, growth was partly offset by maintenance activities in the mining sector. On a quarter-on-quarter, seasonally-adjusted basis, growth momentum moderated to 1.8% (2Q 2024: 2.9%). Overall, the Malaysian economy expanded by 5.2% in the first three quarters of 2024.

Inflation remained stable at 1.9%

During the quarter, both headline and core inflation remained stable at 1.9% (2Q 2024: 1.9%). Higher inflation was observed for diesel (20.1%; 2Q 2024: 5.3%) and vehicle insurance (0.8%; 2Q 2024: -0.1%), which was offset by broader moderation in inflation for food and beverages (1.6%; 2Q 2024: 1.9%), particularly food away from home, cereals, and fresh vegetables. On the whole, the share of Consumer Price Index (CPI) items recording monthly price increases was lower at 38.9% during the quarter (2Q 2024: 49.4%).

Year to date, both headline and core inflation averaged at 1.8%. Spillovers from the diesel price adjustment to broader prices have been contained, given effective mitigation and enforcement measures to minimise the impact on business costs and pass-through to retail prices. Going forward, the outlook for inflation will depend on the implementation of further domestic policy measures on subsidies and price controls, as well as global commodity prices and financial market developments.

Ringgit appreciated against the US dollar and on NEER basis

In the third quarter of 2024, the ringgit appreciated by 14.9% against the US dollar, while the ringgit nominal effective exchange rate (NEER) also appreciated by 9.9%. This, in part, can be attributed to the shift towards a monetary policy easing stance by the US Federal Reserve, which has alleviated pressure on regional currencies, including the ringgit. However, the ringgit has since depreciated by 7.8% against the US dollar between 1 October and 13 November 2024. This was mainly driven by a stronger US dollar in the same period, amid expectations for smaller US policy rate reductions following robust US economic data. Nevertheless, on a year-to-date basis (as at 13 November 2024), the ringgit appreciated by 3.1% against the US dollar (NEER: +6.6%). Moving forward, movements in the ringgit will continue to be influenced by external developments. Nevertheless, Malaysia’s favourable macroeconomic outlook and ongoing structural reforms would support the ringgit over the medium term. BNM will continue to ensure the orderly functioning of the domestic foreign exchange market.

Credit growth for businesses moderated, while household loan growth remained sustained

Credit growth to the private non-financial sector moderated (4.8%, 2Q 2024: 5.5%), following slower growth in outstanding business loans and corporate bonds. Slower loan growth was attributed to non-SMEs, while SME loan growth remained forthcoming. By sector, loan growth to the services sector was sustained, while loan growth for the manufacturing and construction sectors moderated. For households, loan growth remained steady, driven by loans for the purchase of housing and cars. Growth in household loan applications remained robust with sustained approval rates.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2024, BNM)

7.2 *Economic Outlook of the Malaysian Economy for 2025*

The global economy is projected to remain steady in 2024 and 2025 as growth in most major economies stabilises. Inflation continues to track downwards as energy prices moderate and the labour market softens. International trade is expected to strengthen despite an increase in trade tensions and policy uncertainties.

Malaysia’s economy continued its growth momentum, supported by favourable economic performance, amid persistent challenges in the external environment. This signifies the country’s strong fundamentals and diversified economic activities as well as investor confidence in the domestic market, anchored by sound Government policies. Furthermore, the Ekonomi MADANI framework, which focuses on restructuring and reforming Malaysia's economic agenda, coupled with the implementation of key policy plans such as the National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030), have started to yield positive results. During the first half of 2024, the economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of the year, albeit at a moderate pace. Overall, real GDP in 2024 is revised upward, ranging between 4.8% and 5.3%, surpassing the initial target of 4% to 5%.

For 2025, the economy is projected to grow between 4.5% and 5.5%. On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of ICT-related activities. Tourism-related industries, particularly food & beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the E&E segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries is anticipated to remain favourable in line with higher domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (CPO) and demand from food-related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shut down for maintenance purposes.

On the demand side, growth will be buoyed by strong private sector expenditure and stable global trade. Accounting for about 60% of the economy, private consumption is projected to continue spearheading growth, backed by firm labour market conditions and income growth amid manageable inflation. Gross fixed capital formation or total investment remains high, underpinned by the realisation of private investment, acceleration of public sector strategic projects and initiatives under the Government-linked Enterprises Activation and Reform Programme (GEAR-uP) as well as new and ongoing multi-year projects in the services and manufacturing sectors.

The external sector is expected to continue expanding in 2025, supported by steady global demand. Robust trade activities are projected to contribute to a surplus in the goods account, while the services account is anticipated to post a narrowing deficit attributed to vigorous tourism activities. The income accounts are forecast to continue recording net outflows resulting from a ramp-up in investment activities. Hence, the current account is projected to register a healthier surplus of RM49.1 billion or 2.4% of gross national income (GNI).

On the income side, the compensation of employees (CE) is anticipated to grow supported by, among others, the implementation of the new minimum wage rate and upward salary revision for civil servants. This is also backed by sustained economic growth which will provide better employment opportunities for the rakyat.

However, as an open economy, Malaysia remains susceptible to global vulnerabilities which may pose risks to the nation's economic growth. These include the escalation of geopolitical tensions, supply chain disruptions, volatility in financial market conditions and varying growth prospects across economies. Therefore, the Government remains resolute in ensuring the continuous implementation of pragmatic measures and initiatives to further strengthen the economy.

(Source: *Economic Outlook 2025, Ministry of Finance, Malaysia*)

7.3 Malaysian Property Market

The Department of Valuation and Property Services (JPPH) Property Market Report for the First Half of 2024 shows the highest growth in property transactions in Malaysia over the past five years, with volume increasing by 8.0% and value rising by 23.8% to 198,806 transactions valued at RM105.65 billion compared to the first half of 2023.

The strong performance of Malaysia's property market in the first half of 2024 reflects confidence in the nation's progress towards its economic transformation goals under the MADANI Economy framework. Continued government support through Budget 2024 measures, including up to RM10 billion in guarantees under the Housing Credit Guarantee Scheme (SJKP), maintaining the OPR at 3.0%, and extending stamp duty exemptions for first-time homebuyers, has acted as a catalyst for a stronger property market.

The MADANI government has launched several initiatives to drive Malaysia's economy and stimulate the property market through the MADANI Economy framework. These include enhancing the Malaysia My Second Home (MM2H) program, developing the 3 Johor-Singapore Special Economic Zones (JS-SEZ), major industrial projects in northern Malaysia, the New Industrial Master Plan (NIMP) 2030, and creating a Special Financial Zone in Forest City. Additionally, ongoing developments like the Rapid Transit System Link (RTS) project in Johor and the Pan Borneo Highway in Sabah and Sarawak are expected to serve as key catalysts for economic growth and the national property market.

(*Source: National Property Information Centre (NAPIC): Press Release Property Market Report H1 2024 dated 9 September 2024*)

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SECTION 8.0 OTHER INFORMATION

8.1 Material litigation

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

8.2 Material contingent liabilities

Save as disclosed in the Information Memorandum and the audited financial statements for the FYE 2023 of the Issuer (attached herein as Appendix I), Cagamas is not aware of any material contingent liabilities or material capital commitments, which upon becoming enforceable may have a substantial impact on its financial position and/or business as at the LPD.

8.3 Conflict-of-interest situations and appropriate mitigating measures

(a) <u>CIMB</u>

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

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

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

(a) CIMB is a licensed investment bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes is in the ordinary course of its business;

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

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

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

(b) <u>HSBC Amanah</u>

Cagamas is wholly owned by Cagamas Holdings. HSBC Bank Malaysia Berhad ("**HSBC Bank**") holds 4.1% of the shareholding in Cagamas Holdings as at the LPD and wholly-owns HSBC Amanah.

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

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

(a) HSBC Amanah is a licensed Islamic bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger, the Joint Lead Manager and the Joint Shariah Adviser in relation to the IMTN Programme is in the ordinary course of its business;

(b) the roles of HSBC Amanah will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Amanah in its capacities as the Joint Principal Adviser/Joint Lead Arranger, the Joint Lead Manager and the Joint Shariah Adviser in relation to the IMTN Programme and shall be carried out on an arms-length basis; and

(c) the conduct of HSBC Amanah is regulated strictly by the IFSA and the CMSA and by its own internal controls and checks.

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

(c) <u>HSBC Bank</u>

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

Notwithstanding the abovementioned relationship between the Issuer and HSBC Bank and after making enquiries as were reasonable in the circumstances, HSBC

Bank is not aware of any circumstances that would give rise to a conflict-of-interest in its various roles in relation to the CMTN Programme.

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

(a) HSBC Bank is a licensed bank and its appointment as a Joint Principal Adviser/Joint Lead Arranger and a Joint Lead Manager in relation to the CMTN Programme is in the ordinary course of its business;

(b) the roles of HSBC Bank will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Bank in its capacities as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the CMTN Programme and shall be carried out on an arms-length basis; and

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

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

(d) MIBB

Cagamas is wholly owned by Cagamas Holdings. Malayan Banking Berhad holds 14.2% of the shareholding in Cagamas Holdings as at the LPD. MIBB is wholly owned by Malayan Banking Berhad. In addition, Dato' Muzaffar bin Hisham is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the Group Chief Executive Officer, Islamic Banking of Malayan Banking Berhad.

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

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

(a) MIBB is a licensed investment bank and its appointment as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes is in the ordinary course of its business;

(b) the roles of MIBB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of MIBB in its roles as the Joint Principal Adviser/Joint Lead Arranger and the Joint Lead Manager in relation to the Programmes and shall be carried out on an arms-length basis; and

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

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

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

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

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

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

(a) CIMB Islamic is a licensed Islamic bank and its appointment as the Joint Shariah Adviser in relation to the IMTN Programme is in the ordinary course of its business;

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

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

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

(f) Maybank Islamic

Cagamas is wholly-owned by Cagamas Holdings. Malayan Banking Berhad holds 14.2% of the shareholding in Cagamas Holdings as at the LPD. Maybank Islamic is wholly-owned by Malayan Banking Berhad. In addition, Dato' Muzaffar bin Hisham is a non-independent non-executive director on the Board of Directors of Cagamas Holdings. He is also the Group Chief Executive Officer, Islamic Banking of Malayan Banking Berhad.

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

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

(a) Maybank Islamic is a licensed Islamic bank and its appointment as the Joint Shariah Adviser in relation to the IMTN Programme is in the ordinary course of its business;

(b) the role of Maybank Islamic will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of Maybank Islamic in its role as the Joint Shariah Adviser in relation to the IMTN Programme and shall be carried out on an arms-length basis; and

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

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

(g) Messrs Adnan Sundra & Low

As at the LPD and after making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the solicitors for the Joint Principal Advisers/Joint Lead Arrangers in relation to the Programmes.

(h) Messrs Zaid Ibrahim & Co

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

(i) Malaysian Trustees Berhad

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

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

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

(a) Malaysian Trustees Berhad will disclose to the potential investor(s) the roles undertaken by them and their conflict-of-interest and/or potential conflict-of-interest;

(b) Malaysian Trustees Berhad is a trustee company and registered bond trustee with the SC and its appointment as the Sukuk Trustee in relation to the IMTN Programme and the Trustee in relation to the CMTN Programme is in the ordinary course of its business;

(c) Malaysian Trustees Berhad will be governed by the relevant agreements and documentation, which shall clearly set out its rights, duties and responsibilities in its capacity as the Sukuk Trustee in relation to the IMTN Programme and the Trustee in relation to the CMTN Programme, and shall be carried out on an arm's-length basis and independently by it;

(d) Malaysian Trustees Berhad's conduct is subject to its own internal controls and checks; and

(e) Malaysian Trustees Berhad has acted as trustee in transactions in the Malaysian corporate bonds and Sukuk market and is committed to upholding its professional integrity and responsibilities in relation to the Programmes.

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

(j) MARC

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

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

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

(a) MARC is a registered credit rating agency with the SC and an external credit accreditation institution recognised by BNM, and its appointment as a Credit Rating Agency is in the ordinary course of its business;

(b) the conduct of MARC is regulated by the SC's Guidelines on Registration of Credit Rating Agencies ("**CRA Guidelines**") and by its own internal controls and checks (including its own policies and regulation); and

(c) Tan Sri Dr. Nik Norzrul Thani N. Hassan Thani does not sit on the board of MARC and is neither a member of the rating committee of MARC that performs the credit rating analysis on Cagamas nor involved in the day-to-day operation of MARC.

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

(k) <u>RAM</u>

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

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

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

(a) RAM is a registered credit rating agency with the SC and its appointment as a Credit Rating Agency is in the ordinary course of its business;

(b) the conduct of RAM is regulated by the CRA Guidelines and by its own internal controls and checks;

(c) The CRA Guidelines expressly provide that the rating teams are to perform its duties free of undue intervention of influence from its shareholders and Board of Directors; and

(d) Dato' Lee Kok Kwan is neither a member of the internal or external rating committee of RAM nor involved in any way in the rating committee.

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

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APPENDIX I

Audited financial statements of Cagamas for the Financial Year Ended 31 December 2023 and condensed interim financial statements of Cagamas for the Financial Period Ended 30 June 2024

Registration No.
198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023

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Registration No.
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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 2023.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM’000	Company RM’000
Profit for the financial year	226,348	229,297

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 2022,	
- A final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 9 May 2023	22,500
In respect of the financial year ended 31 December 2023,	
- An interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 18 September 2023	7,500
	30,000

The Directors 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 2023 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

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

DIRECTORS' REPORT (CONTINUED)

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") has assigned corporate credit ratings of of AAA/Stable/P1.

Meanwhile, Malaysian Rating Corporation Berhad ("MARC") has also assigned Cagamas' bonds and Sukuk issues ratings at AAA/AAAIS and MARC-1/MARC-1IS, respectively.

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

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

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' Wee Yiaw Hin	
Ho Chai Huey	
Tan Sri Tajuddin Atan	
Abdul Rahman Hussein	
Sophia Ch'ng Sok Heang	
Datuk Chung Chee Leong	(Resigned w.e.f. 31.08.2023)
Kameel Abdul Halim	(Appointed w.e.f. 11.09.2023)

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Dato' Bakarudin Ishak retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS (CONTINUED)

In accordance with Article 23.2 of the Company's Constitution, Encik Abdul Rahman Hussein and Puan Sophia Ch'ng Sok Heang retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

Abdul Hakim Amir Zainol	
Tan Yong Nien	(Appointed w.e.f. 30.08.2022)
Datuk Chung Chee Leong	(Resigned w.e.f. 31.08.2022)
Kameel Abdul Halim	(Appointed w.e.f. 11.09.2023)

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 36 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Directors' fees	450	444
Directors' other emoluments	2,208	2,073
	2,658	2,517

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

DIRECTORS' INDEMNITY

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

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

SUBSIDIARIES

Details of subsidiaries are set out 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 2023

Cagamas recorded RM20.5 billion of purchases of loans and financing under Purchase with recourse (“PWR”) scheme (2022: RM19.3 billion). Cagamas’ net outstanding loans and financing increased by 19.9% to RM48.3 billion (2022: RM40.3 billion). As at the end of 2023, residential mortgage dominated Cagamas’ portfolio at 93.6% (2022: 93.0%), personal loans at 4.6% (2022: 5.9%) and hire purchase loans and financing at 1.8% (2022: 1.1%). Cagamas’ Islamic asset portfolio and conventional assets ratio stood at 52:48 (2022: 49:51), while PWR and Purchase without recourse (“PWOR”) loans and financing portfolios were at 84.7% and 15.3% respectively (2022: 79.5% and 20.5% respectively). The gross impaired loans and financing* under the PWOR scheme stood at 0.33% (2022: 0.45%), while net impaired loans and financing is at 0.02% (2022: 0.06%).

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

AUDITORS’ REMUNERATION

Auditors’ remuneration of the Group and Company are RM385,000 and RM365,000 respectively. Details of the auditors’ remuneration are set out in Note 35 to the financial statements.

	Group	Company
	RM’000	RM’000
Audit fee	370	350
Non-audit fee	15	15

Registration No.
198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

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

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN ISHAK
CHAIRMAN

KAMEEL ABDUL HALIM
DIRECTOR

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 Kameel Abdul Halim, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 13 to 144 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 2023 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	KAMEEL ABDUL HALIM 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 13 to 144 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 20 MAR 2024

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

Before me,
COMMISSIONER FOR OATHS

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

Building a better
working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
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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

Opinion

We have audited the financial statements of Cagamas Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages 13 to 144.

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

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

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 financial statements of the Group and 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 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

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

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

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

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

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

Other matters

This report is made solely to the 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.

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

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

Kuala Lumpur, Malaysia
20 March 2024

A member firm of Ernst & Young Global Limited

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
ASSETS					
Cash and cash equivalents	5	180,359	159,765	180,332	159,722
Deposits and placements with financial institutions	6	86,947	132,570	86,947	132,570
Financial assets at fair value through other comprehensive income ("FVOCI")	7	2,690,061	3,493,471	2,690,061	3,493,471
Financial assets at amortised cost	8	2,286,680	1,817,754	2,286,680	1,817,754
Derivative financial instruments	9	207,659	102,583	207,659	102,583
Amount due from counterparties	10	19,987,790	17,097,746	19,987,790	17,097,746
Islamic financing assets	11	21,426,861	15,482,284	21,426,861	15,482,284
Mortgage assets					
- Conventional	12	3,021,850	3,426,761	3,021,850	3,426,761
- Islamic	13	3,881,528	4,275,424	3,881,528	4,275,424
Hire purchase assets					
- Islamic	14	55	50	55	50
Reverse mortgage assets		2,147	552	2,147	552
Amount due from					
- Related company		586	378	586	378
- Subsidiaries	15	-	-	4,127	3,963
Other assets	16	20,476	33,261	20,463	33,241
Tax recoverable		-	51,501	-	51,501
Investment in subsidiaries	17	-	-	-*	-*
Property and equipment	18	1,947	1,459	1,947	1,459
Intangible assets	19	16,804	18,586	16,804	18,586
Right-of-use asset	20	7,176	9,384	7,176	9,384
TOTAL ASSETS		53,818,926	46,103,529	53,823,013	46,107,429
LIABILITIES					
Short-term borrowings		648,790	812,339	648,790	812,339
Derivative financial instruments	9	15,161	6,619	15,161	6,619
Other liabilities	21	150,411	201,371	150,341	201,199
Lease liability	22	9,308	11,384	9,308	11,384
Provision for taxation		10,205	-	10,205	-
Deferred taxation	23	198,371	213,063	198,371	213,063
Loans/financing from subsidiaries	24	-	-	5,473,654	3,138,031
Unsecured bearer bonds and notes	25	24,954,908	20,414,672	19,481,343	17,279,594
Sukuk	26	23,278,139	20,135,060	23,278,139	20,135,060
TOTAL LIABILITIES		49,265,293	41,794,508	49,265,312	41,797,289
Share capital	27	150,000	150,000	150,000	150,000
Reserves	28	4,403,633	4,159,021	4,407,701	4,160,140
SHAREHOLDER'S FUNDS		4,553,633	4,309,021	4,557,701	4,310,140
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		53,818,926	46,103,529	53,823,013	46,107,429
NET TANGIBLE ASSETS PER SHARE (RM)	29	30.25	28.60	30.27	28.61

* denotes USD1 in CGP and RM2 in CGS.

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

Registration No.
198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Interest income	30	1,071,757	881,187	1,071,757	881,187
Interest expense	31	(945,854)	(646,485)	(943,023)	(646,323)
Income from Islamic operations	50	186,292	128,238	186,292	128,238
Non-interest income/(expense)	32	38,940	(11,955)	38,940	3,946
		351,135	350,985	353,966	367,048
Personnel costs	33	(30,760)	(28,248)	(30,760)	(28,248)
Administration and general expenses		(27,700)	(29,823)	(27,582)	(29,392)
OPERATING PROFIT		292,675	292,914	295,624	309,408
Reversal of impairment losses, net	34	10,920	7,401	10,920	7,401
PROFIT BEFORE TAXATION AND ZAKAT	35	303,595	300,315	306,544	316,809
Zakat		(2,534)	(2,828)	(2,534)	(2,828)
Taxation	37	(74,713)	(73,092)	(74,713)	(73,092)
PROFIT FOR THE FINANCIAL YEAR		226,348	224,395	229,297	240,889
EARNINGS PER SHARE (SEN)	29	150.90	149.60	152.86	160.59

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 2023

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the financial year	226,348	224,395	229,297	240,889
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
- Net loss on fair value changes before taxation	46,094	(49,085)	46,094	(49,085)
- FVOCI ECL	5	61	5	61
- Deferred taxation	(11,063)	11,780	(11,063)	11,780
Cash flow hedge				
- Net gain/(loss) on cash flow hedge	17,405	(8,939)	17,405	(8,939)
- Deferred taxation	(4,177)	2,145	(4,177)	2,145
Other comprehensive income/(loss) for the financial year, net of taxation	48,264	(44,038)	48,264	(44,038)
Total comprehensive income for the financial year	274,612	180,357	277,561	196,851

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 2023

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Group	Note	Share capital RM'000	Financial assets at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2023		150,000	(37,188)	(2,381)	79,440	4,119,150	4,309,021
Profit for the financial year		-	-	-	-	226,348	226,348
Other comprehensive income	28	-	35,036	13,228	-	-	48,264
Total comprehensive income for the financial year		-	35,036	13,228	-	226,348	274,612
Transfer to retained profits		-	-	-	(31,521)	31,521	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2023		150,000	(2,152)	10,847	47,919	4,347,019	4,553,633
Balance as at 1 January 2022		150,000	56	4,413	89,723	3,914,472	4,158,664
Profit for the financial year		-	-	-	-	224,395	224,395
Other comprehensive loss	28	-	(37,244)	(6,794)	-	-	(44,038)
Total comprehensive income for the financial year		-	(37,244)	(6,794)	-	224,395	180,357
Transfer to retained profits		-	-	-	(10,283)	10,283	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2022		150,000	(37,188)	(2,381)	79,440	4,119,150	4,309,021

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 2023 (CONTINUED)

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Company	Note	Share capital RM'000	Financial assets at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2023		150,000	(37,188)	(2,381)	79,440	4,120,269	4,310,140
Profit for the financial year		-	-	-	-	229,297	229,297
Other comprehensive income	28	-	35,036	13,228	-	-	48,264
Total comprehensive income for the financial year		-	35,036	13,228	-	229,297	277,561
Transfer to retained profits		-	-	-	(31,521)	31,521	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2023		150,000	(2,152)	10,847	47,919	4,351,087	4,557,701
Balance as at 1 January 2022		150,000	56	4,413	89,723	3,899,097	4,143,289
Profit for the financial year		-	-	-	-	240,889	240,889
Other comprehensive loss	28	-	(37,244)	(6,794)	-	-	(44,038)
Total comprehensive income for the financial year		-	(37,244)	(6,794)	-	240,889	196,851
Transfer to retained profits		-	-	-	(10,283)	10,283	-
Dividends paid	38	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2022		150,000	(37,188)	(2,381)	79,440	4,120,269	4,310,140

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

Registration No.
198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
OPERATING ACTIVITIES					
Profit before taxation and zakat		303,595	300,315	306,544	316,809
Adjustments for non-cash items	39(a)	(338,717)	(340,109)	(341,548)	(340,109)
Operating loss before working capital changes		(35,122)	(39,794)	(35,004)	(23,300)
Net changes in operating assets and liabilities	39(b)	(6,026,529)	(2,163,274)	(6,026,631)	(2,161,589)
Zakat paid		(5,362)	(5,094)	(5,362)	(5,094)
Tax paid		(42,939)	(29,271)	(42,939)	(29,271)
Net cash from operating activities		(6,109,952)	(2,237,433)	(6,109,936)	(2,219,254)
INVESTING ACTIVITIES					
Purchase of:					
- Financial assets at FVOCI		(2,322,353)	(3,328,243)	(2,322,353)	(3,328,243)
- Financial assets at amortised cost		(464,959)	(1,450,611)	(464,959)	(1,450,611)
Net proceeds from sale/redemption of:					
- Financial assets at FVTPL		-	123,450	-	123,450
- Financial assets at FVOCI		3,181,480	2,579,353	3,181,480	2,579,353
Purchase of:					
- Property and equipment		(1,215)	(628)	(1,215)	(628)
- Intangible assets		(2,371)	(4,196)	(2,371)	(4,196)
Income received from:					
- Financial assets at FVTPL		-	221	-	221
- Financial assets at FVOCI		117,726	110,863	117,726	110,863
Proceeds from disposal of PPE		151	-	151	-
Net cash from investing activities		508,459	(1,969,791)	508,459	(1,969,791)

Registration No.
198601008739 (157931-A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
FINANCING ACTIVITIES					
Dividends paid to shareholders		(30,000)	(30,000)	(30,000)	(30,000)
Proceeds from issuance of:					
- Unsecured bearer bonds and notes		15,223,801	12,269,498	10,255,000	10,295,000
- Sukuk		12,505,000	10,090,000	12,505,000	10,090,000
Proceeds from loans/financing from subsidiaries		-	-	4,968,801	1,974,498
Redemption of:					
- Unsecured bearer bonds and notes		(11,013,121)	(12,010,150)	(8,080,000)	(10,415,000)
- Sukuk		(9,395,000)	(5,075,000)	(9,395,000)	(5,075,000)
Repayment of loans/financing from subsidiaries		-	-	(2,933,121)	(1,595,150)
Interest paid		(865,711)	(603,234)	(865,711)	(602,946)
Profit paid to Sukuk holders		(800,490)	(590,335)	(800,490)	(590,335)
Lease rental paid		(2,392)	(2,733)	(2,392)	(2,733)
Net cash from financing activity		5,622,087	4,048,046	5,622,087	4,048,334
Net change in cash and cash equivalents		20,594	(159,178)	20,610	(140,711)
Cash and cash equivalents as at 1 January		159,765	318,943	159,722	300,433
Cash and cash equivalents as at 31 December	5	180,359	159,765	180,332	159,722

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 MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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;
(c) acquisition, investment in and trading of Islamic financial instruments; and
(d) origination of reverse mortgage financing.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2023:

- Amendment to MFRS 101 ‘Presentation of Financial Statements - Disclosure of Accounting Policies’
- Amendments to MFRS108 ‘Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates’
- Amendments to MFRS 112 ‘Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 January 2022. None of these is expected to have a significant effect on the consolidated financial statements of the Group and the Company, except the following set out below:

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 SUMMARY OF MATERIAL 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 Reverse mortgage assets

Reverse mortgage assets introduced by the Group and the Company is a type of loan and financing which is targeted for the elderly people or retirees that own a home and allows them to convert their residential property into a fixed monthly income stream throughout their lifetime. The Group and the Company classify and measure the reverse mortgage assets as financial assets at its fair value through profit or loss ("FVTPL") as the reverse mortgage assets did not meet the criteria for amortised cost or FVOCI. The details of the measurement for financial assets at FVTPL are stated in Note 2.8 (c) (iii).

2.6 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment and depreciation

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

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

Office equipment – 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 2.9.2 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 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 financial assets at its fair value plus transaction costs, unless it is carried at fair value through profit or loss ("FVTPL"). Transaction costs of financial assets carried at FVTPL are expensed in income statements.

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

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 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 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.

(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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

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

2.9 Impairment of assets

2.9.1 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 five 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

General approach

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

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

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

- Stage 2: Lifetime ECL – not credit impaired

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

- Stage 3: Lifetime ECL – credit impaired

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

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. The Group and the Company considers available reasonable and supportable forward-looking information.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 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'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.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

2.9.1 Financial assets (continued)

Definition of default and credit impaired financial assets (continued)

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

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

2.9.2 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.

2.10 Write-off

The Group and the Company write-off financial assets, in whole or in part, when they have 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities

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

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

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.18 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.

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

(c) Other financial liabilities measured at amortised cost

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

2.12 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 Cash and cash equivalents

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

2.16 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swaps (“CCS”) and Islamic cross currency swaps (“ICCS”). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 9 to the financial statements.

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

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

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

The Group and Company document 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 also document their risk management objective and strategy for its hedge transactions and its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

2.19 Provisions

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

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

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

2.20 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% (2022: 2.5%) of the zakat base.

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Intangible assets

(a) Computer software

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

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

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

(b) Service rights to transaction administrator and administrator fees

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Currency translations

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.25 Contingent liabilities and contingent assets

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

2.26 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 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.27 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.

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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.27 Leases (continued)

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.

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 basis as an expense in income statements.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and exercise of judgements by management in the process of applying the Group's 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 significant risk of causing a material adjustment to the carrying amounts of the asset and liability within the next financial year are outlined below.

(a) Impairment of mortgage assets and hire purchase assets (Note 12, 13, 14 and 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 make judgement on the future and other key factors in respect of the recovery of the assets. Among factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

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

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

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

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

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 have 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.

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 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational risk management (continued)

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 have 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.

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institution	559	1,412	532	1,369
Money at call and deposits and placements maturing with original maturity less than 3 months	115,110	78,448	115,110	78,448
Mudharabah money at call and deposits and placements maturing with original maturity less than 3 months	64,690	79,906	64,690	79,906
	180,359	159,766	180,332	159,723
Less: Allowance for impairment losses	-	(1)	-	(1)
	180,359	159,765	180,332	159,722

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 reflect the ECL model on impairment are as follows:

	Group and Company	
	2023	2022
	RM'000	RM'000
Stage 1		
As at 1 January	1	11
Allowance during the year	-	1
Financial assets derecognised during the period due to maturity of assets	(1)	(11)
As at 31 December	-	1

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Company	
	2023	2022
	RM'000	RM'000
Licensed banks	86,947	132,570

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 2023 (2022: Nil).

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Debt instruments:		
Malaysian Government securities	497,806	576,407
Corporate bonds	318,729	282,622
Government investment issues	847,398	775,418
Corporate Sukuk	856,244	1,235,504
Quasi Government Sukuk	169,884	523,656
Negotiable instruments of deposit	-	50,018
Islamic treasury bills	-	49,846
	2,690,061	3,493,471

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

	2023 RM'000	2022 RM'000
Maturing within one year	148,606	1,172,957
One to three years	498,549	493,730
Three to five years	611,018	475,704
More than five years	1,431,888	1,351,080
	2,690,061	3,493,471

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

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	2,690,061	370
2022		
Stage 1 (12-month ECL; non-credit impaired)	3,493,471	365

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

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Stage 1		
As at 1 January	365	304
Allowance during the year on new assets purchased	255	106
Financial assets derecognised during the year due to maturity of assets	(152)	(21)
Reversal during the year due to changes in credit risk	(98)	(24)
As at 31 December	370	365

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

8 FINANCIAL ASSETS AT AMORTISED COST

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

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

	2023	2022
More than five years	2,290,448	1,820,889
Less: Allowance for impairment losses	(3,768)	(3,135)
	2,286,680	1,817,754

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

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

9 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 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 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 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.

The Group and the Company have 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.

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 cash flow hedges

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

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Designated as cash flow hedges (continued)

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

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* Assets	Fair value* Liabilities	Changes in fair value used for calculating hedging effectiveness	Changes in fair value recognised in other comprehensive income	Hedge ineffectiveness recognised in income statement**	Amount reclassified from hedge reserve to income statement**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023							
Interest rate risk:							
IRS	1,645,000	13,368	(6,474)	12,391	12,391	-	-
IPRS	940,000	720	(2,529)	(1,935)	(1,935)	-	-
Foreign exchange risk:							
CCS/ICCS	5,252,266	193,571	(6,158)	3,816	277,268	-	(270,319)
2022							
Interest rate risk:							
IRS	1,250,000	15,246	(3,248)	18,690	18,690	-	-
IPRS	400,000	6,527	-	5,706	5,706	-	-
Foreign exchange risk:							
CCS/ICCS	3,013,125	80,811	(3,372)	(27,528)	108,716	-	(142,051)

* *All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.*
** *All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Non-interest income/(expense)' in the income statement.*

9 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	Cash flow hedge reserve	Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied
				Group and Company
		RM'000	RM'000	RM'000
2023				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	12,775	9,709	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	(384)	(292)	-
Floating rate financial liabilities	Sukuk	(1,935)	(1,470)	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	3,816	2,900	-
2022				
Interest/profit rate/foreign exchange risk				
Floating rate financial assets	Amount due from counterparties	9,240	7,022	-
Floating rate financial liabilities	Unsecured bearer bonds and notes	9,450	7,182	-
Floating rate financial liabilities	Sukuk	5,706	4,337	-
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(27,528)	(20,922)	-

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Cash flow hedge		
As at 1 January	(2,381)	4,413
Effective portion of changes in fair value, net of amount reclassified to profit or loss on:		
- Interest rate risk	287,724	133,112
- Foreign exchange fluctuations (Note 32)	(270,319)	(142,051)
Income tax effects	(4,177)	2,145
As at 31 December	10,847	(2,381)

10 AMOUNT DUE FROM COUNTERPARTIES

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

10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

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

11 ISLAMIC FINANCING ASSETS

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

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

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

12 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	2023	2022
	RM'000	RM'000
PWOR	3,021,850	3,426,761
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	642,965	570,966
One to three years	741,844	710,627
Three to five years	634,252	654,002
More than five years	1,014,207	1,506,063
	3,033,268	3,441,658
Less:		
Allowance for impairment losses	(11,418)	(14,897)
	3,021,850	3,426,761

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	3,021,332	8,496
Stage 2 (Lifetime ECL; non-credit impaired)	1,447	195
Stage 3 (Lifetime ECL; credit impaired)	10,489	2,727
As at 31 December	3,033,268	11,418
Impairment allowance over gross carrying value (%)		0.38
2022		
Stage 1 (12-month ECL; non-credit impaired)	3,421,242	8,677
Stage 2 (Lifetime ECL; non-credit impaired)	2,102	345
Stage 3 (Lifetime ECL; credit impaired)	18,314	5,875
As at 31 December	3,441,658	14,897
Impairment allowance over gross carrying value (%)		0.43

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
As at 1 January	8,677	345	5,875	14,897
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	28	(191)	(1,928)	(2,091)
- Transfer to ECL not credit impaired (Stage 2)	(5)	195	(31)	159
- Transfer to ECL credit impaired (Stage 3)	(20)	(46)	1,414	1,348
Total transfer between stages	3	(42)	(545)	(584)
New loans added during the period	2,500	-	-	2,500
Financial assets derecognized during the year (other than write-offs)	(290)	(108)	(3,683)	(4,081)
Reversal during the year due to changes in credit risk	(2,394)	-	(333)	(2,727)
Amount written-back	-	-	1,413	1,413
As at 31 December	8,496	195	2,727	11,418
2022				
As at 1 January	12,086	465	8,788	21,339
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	35	(247)	(2,179)	(2,391)
- Transfer to ECL not credit impaired (Stage 2)	(6)	336	(89)	241
- Transfer to ECL credit impaired (Stage 3)	(37)	(7)	2,654	2,610
Total transfer between stages	(8)	82	386	460
Financial assets derecognized during the year (other than write-offs)	(440)	(202)	(2,750)	(3,392)
Reversal during the year due to changes in credit risk	(2,961)	-	(89)	(3,050)
Amount written-off	-	-	(460)	(460)
As at 31 December	8,677	345	5,875	14,897

13 MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	2023	2022
	RM'000	RM'000
PWOR	3,881,528	4,275,424

The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	601,511	617,661
One to three years	782,955	791,051
Three to five years	689,809	721,141
More than five years	1,818,964	2,162,762
	3,893,239	4,292,615
Less:		
Allowance for impairment losses	(11,711)	(17,191)
	3,881,528	4,275,424

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	3,876,935	7,846
Stage 2 (Lifetime ECL; non-credit impaired)	2,401	250
Stage 3 (Lifetime ECL; credit impaired)	13,903	3,615
As at 31 December	3,893,239	11,711
Impairment allowance over gross carrying value (%)		0.30
2022		
Stage 1 (12-month ECL; non-credit impaired)	4,272,454	10,923
Stage 2 (Lifetime ECL; non-credit impaired)	1,053	138
Stage 3 (Lifetime ECL; credit impaired)	19,108	6,130
As at 31 December	4,292,615	17,191
Impairment allowance over gross carrying value (%)		0.40

13 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	Group and Company			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2023				
As at 1 January	10,923	138	6,130	17,191
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	19	(49)	(1,471)	(1,501)
- Transfer to ECL not credit impaired (Stage 2)	(6)	239	(109)	124
- Transfer to ECL credit impaired (Stage 3)	(21)	(54)	1,685	1,610
Total transfer between stages	(8)	136	105	233
Financial assets derecognized during the year (other than write-offs)	(327)	(20)	(3,321)	(3,668)
Reversal during the year due to changes in credit risk	(2,742)	(4)	(493)	(3,239)
Amount written-back	-	-	1,194	1,194
As at 31 December	7,846	250	3,615	11,711
2022				
As at 1 January	14,809	298	7,525	22,632
Transfer between stages:				
- Transfer to 12-month ECL (Stage 1)	36	(235)	(2,079)	(2,278)
- Transfer to ECL not credit impaired (Stage 2)	(3)	117	(91)	23
- Transfer to ECL credit impaired (Stage 3)	(37)	(8)	2,341	2,296
Total transfer between stages	(4)	(126)	171	41
Financial assets derecognized during the year (other than write-offs)	(533)	(29)	426	(136)
Reversal during the year due to changes in credit risk	(3,349)	(5)	(43)	(3,397)
Amount written-off	-	-	(1,949)	(1,949)
As at 31 December	10,923	138	6,130	17,191

14 HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	2023	2022
	RM'000	RM'000
PWOR	55	50
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	61	62
Less: Allowance for impairment losses	(6)	(12)
	55	50

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

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

	Group and Company		
	Stage 1	Stage 3	Total
	RM'000	RM'000	RM'000
2023			
As at 31 December	-	6	6
2022			
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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Compensation receivable from originator on mortgage assets	33	353	33	353
Deposits	923	923	922	922
Collateral receivable	13,716	25,495	13,716	25,495
Staff loans and financing	2,311	2,546	2,311	2,546
Management fee receivable	610	619	610	619
Prepayments	2,849	2,339	2,837	2,320
Other receivables	34	986	34	986
	20,476	33,261	20,463	33,241

17 INVESTMENT IN SUBSIDIARIES

	Group and Company	
	2023	2022
	RM'000	RM'000
Unquoted shares at cost	-*	-*

* denotes USD1 in CGP and RM2 in CGS.

All subsidiaries are audited by Ernst & Young PLT. The subsidiaries of the Company are as follows:

Name	Principal activities	Place of Incorporation	Interest in equity held by the Company	
			2023	2022
			%	%
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

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

19 INTANGIBLE ASSETS

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

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Cost		
As at 1 January/ 31 December	15,461	15,461
Accumulated amortisation		
As at 1 January	(6,077)	(3,869)
Charge for the year (Note 35)	(2,208)	(2,208)
As at 31 December	(8,285)	(6,077)
Net book value		
As at 31 December	7,176	9,384

21 OTHER LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Amount due to GOM*	127,023	172,694	127,023	172,694
Provision for zakat	2,534	2,828	2,534	2,828
Accruals	19,370	24,329	19,307	24,162
Other payables	1,484	1,520	1,477	1,515
	150,411	201,371	150,341	201,199

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

22 LEASE LIABILITY

	Group and Company	
	2023	2022
	RM'000	RM'000
As at 1 January	11,384	13,738
Lease obligation interest expense (Note 35)	316	379
Lease obligation repayment	(2,392)	(2,733)
As at 31 December	9,308	11,384

The maturity structure of lease liability are as follows:

	Group and Company	
	2023	2022
	RM'000	RM'000
Due within 1 year	2,436	2,076
Due in 2 to 5 years	6,872	9,308
Total present value of minimum lease payments	9,308	11,384

23 DEFERRED TAXATION

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Deferred tax assets (before offsetting)	(13,501)	(33,567)
Deferred tax liabilities (before offsetting)	211,872	246,630
Deferred tax liabilities	198,371	213,063

The movements of deferred tax are as follows:

	Group and Company	
	2023	2022
	RM'000	RM'000
As at 1 January	213,063	181,935
Recognised to income statements (Note 37)	(29,932)	45,053
Recognised to OCI	15,240	(13,925)
As at 31 December	198,371	213,063

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			
2023	As at 1 January	Recognised to income statement	Recognised to OCI	As at 31 December
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	(6,783)	-	6,181	(602)
Provisions	(1,538)	333	-	(1,205)
Temporary difference relating to lease liability	(2,732)	498	-	(2,234)
Temporary difference relating to ECL	(10,661)	1,995	-	(8,666)
Revaluation reserves of financial assets at FVOCI	(11,853)	(4)	11,063	(794)
	(33,567)	2,822	17,244	(13,501)
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	6,032	4	(2,004)	4,032
Temporary difference relating to plant and equipment	3,030	138	-	3,168
Temporary difference relating to interest/profit receivables on deposit and placements	90	(39)	-	51
Temporary difference relating to right-of-use asset	2,252	(530)	-	1,722
Temporary difference relating to accretion of discount	235,226	(32,327)	-	202,899
	246,630	(32,754)	(2,004)	211,872
	213,063	(29,932)	15,240	198,371

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 (continued):

	Group and Company			
2022	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to OCI RM'000	As at 31 December RM'000
Deferred tax assets				
Revaluation of derivative financial instruments under cash flow hedge accounting	(2,610)	-	(4,173)	(6,783)
Provisions	(1,715)	177	-	(1,538)
Temporary difference relating to lease liability	(3,297)	565	-	(2,732)
Temporary difference relating to ECL	(13,019)	2,358	-	(10,661)
Revaluation reserves of financial assets at FVOCI	-	-	(11,853)	(11,853)
	(20,641)	3,100	(16,026)	(33,567)
Deferred tax liabilities				
Revaluation of derivative financial instruments under cash flow hedge accounting	4,004	-	2,028	6,032
Temporary difference relating to plant and equipment	3,321	(291)	-	3,030
Temporary difference relating to interest/profit receivables on deposit and placements	236	(146)	-	90
Temporary difference relating to right-of-use asset	2,782	(530)	-	2,252
Revaluation reserves of financial assets at FVOCI	(73)	-	73	-
Temporary difference relating to accretion of discount	192,306	42,920	-	235,226
	202,576	41,953	2,101	246,630
	181,935	45,053	(13,925)	213,063

24 LOANS/FINANCING FROM SUBSIDIARY

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

	Company	
	2023	2022
	RM'000	RM'000
HKD	489,906	-
USD	-	441,007
SGD	4,983,748	2,697,024
	5,473,654	3,138,031

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.99% to 5.00% per annum (2022: 1.31% to 4.83% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	2023	2022
	RM'000	RM'000
Maturing within one year	4,326,371	2,809,772
One to three years	1,147,283	328,259
	5,473,654	3,138,031

25 UNSECURED BEARER BONDS AND NOTES

						Group
				2023		2022
		Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a)	Floating rate notes	2023	-	-	880,000	2.830
	Add: Interest payable		-		5,985	
			-		885,985	
(b)	Commercial paper	2024	1,005,000	3.660-3.830	-	-
	Add: Interest payable		2,783		-	
			1,007,783		-	
(c)	Conventional medium-term notes	2023	-	-	6,617,476	1.250-6.050
		2024	9,005,013	1.990-5.520	3,878,259	1.990-5.520
		2025	4,374,387	3.620-4.850	1,860,000	3.850-4.850
		2026	3,137,895	3.570-3.940	10,000	4.410
		2027	5,725,000	3.780-4.900	5,725,000	3.780-4.900
		2028	890,000	3.970-4.280	890,000	4.750-6.500
		2029	245,000	5.500-5.750	245,000	5.500-5.750
		2033	200,000	4.200	-	-
		2035	160,000	5.070	160,000	5.070
			23,737,295		19,385,735	
	Add: Interest payable		211,286		145,088	
	Less: Deferred financing fees		(1,456)		(2,136)	
			23,947,125		19,528,687	
	Total		24,954,908		20,414,672	

25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

						Company
				2023		2022
		Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
			RM'000	%	RM'000	%
(a)	Floating rate notes	2023	-	-	880,000	2.830
	Add: Interest payable				5,985	
			-		885,985	
(b)	Commercial paper	2024	1,005,000	3.660-3.830	-	-
	Add: Interest payable		2,783		-	
			1,007,783		-	
(c)	Conventional medium- term notes	2023	-	-	3,830,000	2.180-6.050
		2024	4,735,000	2.380-5.520	3,550,000	2.380-5.520
		2025	3,540,000	3.720-4.850	1,860,000	3.850-4.850
		2026	2,825,000	3.820-3.940	10,000	4.410
		2027	5,725,000	3.780-4.900	5,725,000	3.780-4.900
		2028	890,000	3.970-4.280	890,000	4.750-6.500
		2029	245,000	5.500-5.750	245,000	5.500-5.750
		2033	200,000	4.200	-	-
		2035	160,000	5.070	160,000	5.070
			18,320,000		16,270,000	
	Add: Interest payable		154,965		123,609	
	Less: Deferred financing fees		(1,405)		-	
			18,473,560		16,393,609	
	Total		19,481,343		17,279,594	

25 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	10,223,248	7,646,413	5,896,966	4,839,594
One to three years	7,512,067	5,738,259	6,364,784	5,410,000
Three to five years	6,614,593	5,735,000	6,614,593	5,735,000
More than five years	605,000	1,295,000	605,000	1,295,000
	24,954,908	20,414,672	19,481,343	17,279,594

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

(a) Floating Rate Notes ("FRNs")

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

(b) Commercial Papers ("CPs")

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

(c) Fixed Rate Conventional Medium-term Notes

CMTNs 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.

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

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

26 SUKUK

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

26 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

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

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

(a) Islamic Commercial Papers ("ICPs")

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

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

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

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

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

(d) Multicurrency Sukuk

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

27 SHARE CAPITAL

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

28 RESERVES

(a) Financial assets at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial assets at FVOCI, net of taxation.

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group 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.

29 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM4,536,829,000 of the Group and RM4,540,897,000 of the Company respectively (2022: RM4,290,435,000 of the Group and RM4,291,554,000 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 RM226,348,000 of the Group and RM229,297,000 of the Company respectively (2022: RM224,395,000 of the Group and RM240,889,000 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

	Group and Company	
	2023	2022
	RM'000	RM'000
Amount due from counterparties	716,851	520,750
Mortgage assets	133,510	154,409
Compensation from mortgage assets	(296)	5
Financial assets at amortised cost	66,095	35,084
Reverse mortgage assets	76	4
Financial assets at FVOCI	84,766	83,424
Deposits and placements with financial institutions	9,372	5,352
	1,010,374	799,029
Accretion of discount less amortisation of premium (net)	61,383	82,158
	1,071,757	881,187

31 INTEREST EXPENSE

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Floating rate notes	14,342	18,716	14,342	18,716
Medium-term notes	888,466	603,111	707,401	555,530
Commercial paper	24,458	10,312	24,458	10,312
Loans/financing from subsidiaries	-	-	178,234	47,419
Short-term borrowings	16,818	13,967	16,818	13,967
Lease liability	316	379	316	379
Deferred financing and guarantee fees	1,454	-	1,454	-
	945,854	646,485	943,023	646,323

32 NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net gain/(loss) arising from derivatives	28,133	(26,455)	28,133	(26,455)
Gain on disposal of:				
- Financial assets at FVOCI	8,393	2,180	8,393	2,180
- Property and equipment	136	-	136	-
Net amount reclassified into profit or loss – cash flow hedge (Note 9)	(270,319)	(142,051)	(270,319)	(142,051)
Net gain on foreign exchange	268,428	141,518	268,428	141,518
Dividend income	-	-	-	15,901
Income from repo collateral	165	8,707	165	8,707
Other non-interest income	4,004	4,146	4,004	4,146
	38,940	(11,955)	38,940	3,946

33 PERSONNEL COSTS

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

34 REVERSAL OF IMPAIRMENT LOSSES, NET

	Group and Company	
	2023	2022
	RM'000	RM'000
Reversal/(allowance) for impairment losses:		
Cash and cash equivalents	1	10
Financial assets at FVOCI	(5)	(61)
Financial assets at amortised cost	(633)	(1,980)
Amount due from counterparties	(9)	3
Islamic financing assets	(3)	(32)
Mortgage assets – Conventional	3,479	6,442
Mortgage assets – Islamic	5,480	5,441
Hire purchase assets – Islamic	6	-
Credit impaired:		
Mortgage assets – Conventional written-back/(written-off)	1,413	(460)
Mortgage assets – Islamic written-back/(written-off)	1,194	(1,949)
Hire purchase assets – Conventional written-off	(3)	(1)
Hire purchase assets – Islamic written-off	-	(12)
	10,920	7,401

35 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 36)	2,658	2,517	2,658	2,517
Amortisation of right-of-use asset (Note 20)	2,208	2,208	2,208	2,208
Interest on lease liability (Note 22)	316	379	316	279
Short-term and low value assets expensed off	923	656	923	656
Auditors' remuneration				
- Audit fees	370	316	350	296
- Non-audit fees	15	12	15	12
Depreciation of property and equipment	712	1,507	712	1,507
Amortisation of intangible assets	4,153	3,897	4,153	3,897
Servicers fees	1,810	1,930	1,810	1,930
Repairs and maintenance	5,626	5,332	5,626	5,332
Donations and sponsorship	144	696	144	696
Corporate expenses	904	557	904	557
Travelling expenses	430	236	430	236
Gain on disposal of property and equipment	(136)	-	(136)	-
Write-back of impairment losses	(10,918)	(7,401)	(10,918)	(7,401)

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' Wee Yiaw Hin
Ho Chai Huey
Tan Sri Tajuddin Atan
Abdul Rahman Hussein
Sophia Ch'ng Sok Heang

Executive Director
Kameel Abdul Halim

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Directors' fees	450	444
Directors' other emoluments	2,208	2,073
	2,658	2,517

For the financial year ended 31 December 2023, a total of RM185,510 (2022: RM185,510) has been paid by the Group in relation to insurance premium paid for Directors and Officers of the Group and Company.

37 TAXATION

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	104,645	28,039	104,645	28,039
- Deferred taxation (Note 23)	(29,932)	45,053	(29,932)	45,053
	74,713	73,092	74,713	73,092
Current tax:				
- Current year	42,013	29,028	42,013	29,028
- Under/(over) provision in prior year	62,632	(989)	62,632	(989)
	104,645	28,039	104,645	28,039

37 TAXATION (CONTINUED)

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
(a) Tax charge for the financial year (continued):				
Deferred taxation (Note 23)	(29,932)	45,053	(29,932)	45,053
	74,713	73,092	74,713	73,092

(b) Reconciliation of income tax expense

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

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Profit before taxation and zakat	303,595	300,315	306,544	316,809
Tax calculated at Malaysian tax rate of 24% (2022: 24%)	72,863	72,075	73,571	76,034
Tax impact on Cukai Makmur (Note 37 (c))	-	1,372	-	1,372
Tax exempt income	-	-	-	(3,816)
Subsidiary's current year tax losses utilised	-	-	(36)	(39)
Loss not subject to tax	672	104	-	-
Expenses not deductible for tax purposes	250	324	250	324
Deduction arising from zakat contribution	(1,079)	(711)	(1,079)	(711)
(Reversal)/recognition of temporary differences recognized in prior year	(60,625)	917	(60,625)	917
Under/(over) provision in prior year	62,632	(989)	62,632	(989)
	74,713	73,092	74,713	73,092

37 TAXATION (CONTINUED)

(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 was charged an income tax rate of 33% for YA 2022. The Company has assessed that it is not significantly impacted by the Cukai Makmur.

38 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
		2023		2022
	Per shares	Total amount	Per shares	Total amount
	Sen	RM'000	Sen	RM'000
Final dividend	15.00	22,500	15.00	22,500
Interim dividend	5.00	7,500	5.00	7,500
	20.00	30,000	20.00	30,000

The Directors 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 2023 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

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

39 STATEMENT OF CASH FLOWS

(a) Adjustments for non-cash items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of premium less accretion of discount on:				
- Financial assets at FVOCI	(2,775)	4,681	(2,775)	4,681
Accretion of discount on:				
Mortgage assets				
- Conventional	(59,150)	(87,917)	(59,150)	(87,917)
- Islamic	(57,956)	(86,413)	(57,956)	(86,413)
Allowance/(reversal) for impairment losses on:				
- Cash and cash equivalents	(1)	(10)	(1)	(10)
- Financial assets at FVOCI	5	61	5	61
- Financial assets at amortised cost	633	1,980	633	1,980
- Amount due from counterparties/ Islamic financing assets	12	29	12	29
- Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	(8,965)	(11,883)	(8,965)	(11,883)
Interest income	(1,010,374)	(798,413)	(1,010,374)	(798,413)
Income from derivatives	(233,669)	(88,909)	(233,669)	(88,909)
Income from Islamic operations	(948,504)	(687,840)	(948,504)	(687,840)
Interest expense	945,854	646,323	943,023	646,323
Interest expense on derivatives	208,405	118,014	208,405	118,014
Profit attributable to Sukuk holders	833,569	628,367	833,569	628,367
Profit attributable to derivatives	(4,345)	2,394	(4,345)	2,394
Unrealised gain from fair value of investments at FVOCI	-	11,780	-	11,780
Unrealised gain from fair value of derivatives	-	2,145	-	2,145
Depreciation of property and equipment	712	1,507	712	1,507
Amortisation of intangible assets	4,153	3,897	4,153	3,897
Amortisation of right-of-use asset	2,208	2,208	2,208	2,208
Property, plant and equipment written off	-	70	-	70
Gain on disposal of:				
- Financial assets at FVOCI	(8,393)	(2,180)	(8,393)	(2,180)
- Property, plant and equipment	(136)	-	(136)	-
	(338,717)	(340,109)	(341,548)	(340,109)

39 STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in operating assets and liabilities:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Change in deposits and placements with financial institutions	45,461	38,853	45,461	38,853
Change in short term borrowings	(162,334)	508,638	(162,334)	508,638
Change in amount due from counterparties	(2,850,236)	61,190	(2,850,236)	61,190
Change in Islamic financing assets	(5,878,421)	(5,179,067)	(5,878,421)	(5,179,067)
Change in mortgage assets:				
- Conventional	459,281	547,503	459,281	547,503
- Islamic	439,533	501,233	450,533	501,233
Change in Islamic hire purchase assets	1	12	1	12
Change in other assets	12,785	(25,693)	12,778	(25,680)
Change in reverse mortgage assets	(1,519)	(552)	(1,519)	(552)
Change in deferred financing fees	(1,422)	(652)	-	-
Change in derivatives	205,552	85,445	205,552	85,674
Change in other liabilities	(48,341)	39,439	(49,858)	40,230
Interest received	922,179	711,659	922,179	711,659
Profit received from Islamic assets	825,088	597,436	825,088	597,436
Interest received on derivatives	195,179	71,519	195,179	71,519
Profit received on derivatives	25,199	14,076	25,199	14,076
Interest paid	(18,033)	(12,633)	(18,033)	(12,633)
Interest paid on derivatives	(187,321)	(103,780)	(187,321)	(103,780)
Profit paid on derivatives	(20,160)	(17,900)	(20,160)	(17,900)
	(6,026,529)	(2,163,274)	(6,026,631)	(2,161,589)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 STATEMENT OF CASH FLOWS (CONTINUED)

(c) Analysis of changes in liabilities arising from financing activities:

Group	Lease liability RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'000	Total RM'000
2023				
As at 1 January	11,384	20,414,672	20,135,060	40,561,116
Proceeds from issuance	-	15,223,801	12,505,000	27,728,801
Repayment and redemption	(2,392)	(11,013,121)	(9,395,000)	(20,410,513)
Interest/profit paid	-	(865,711)	(800,490)	(1,666,201)
Exchange fluctuation	-	267,771	-	267,771
Other non-cash movement	316	927,496	833,569	1,761,381
As at 31 December	9,308	24,954,908	23,278,139	48,242,355
2022				
As at 1 January	13,738	19,956,954	15,082,028	35,052,720
Proceeds from issuance	-	12,269,498	10,090,000	22,359,498
Repayment and redemption	(2,733)	(12,010,150)	(5,075,000)	(17,087,883)
Interest/profit paid	-	(603,234)	(590,335)	(1,193,569)
Exchange fluctuation	-	170,279	-	170,279
Other non-cash movement	379	631,325	628,367	1,260,071
As at 31 December	11,384	20,414,672	20,135,060	40,561,116

Company	Lease liability RM'000	Loans/ financing from subsidiaries RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'000	Total RM'000
2023					
As at 1 January	11,384	3,138,031	17,279,594	20,135,060	40,564,069
Proceeds from issuance	-	4,968,801	10,255,000	12,505,000	27,728,801
Repayment and redemption	(2,391)	(2,933,121)	(8,080,000)	(9,395,000)	(20,410,512)
Interest/profit paid	-	(146,259)	(719,452)	(800,490)	(1,666,201)
Exchange fluctuation	-	267,969	-	-	267,969
Other non-cash movement	316	178,233	746,201	833,569	1,758,319
As at 31 December	9,308	5,473,654	19,481,343	23,278,139	48,242,444
2022					
As at 1 January	13,738	2,572,657	17,386,080	15,082,028	35,054,503
Proceeds from issuance	-	1,974,498	10,295,000	10,090,000	22,359,498
Repayment and redemption	(2,733)	(1,595,150)	(10,415,000)	(5,075,000)	(17,087,883)
Interest/profit paid	-	(31,902)	(571,044)	(590,335)	(1,193,281)
Exchange fluctuation	-	170,509	-	-	170,509
Other non-cash movement	379	47,419	584,558	628,367	1,260,723
As at 31 December	11,384	3,138,031	17,279,594	20,135,060	40,564,069

40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

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

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.

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

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured 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.

Group	Ultimate holding company RM'000	Related company RM'000	Other related party RM'000
2023			
Income			
Transaction administrator and administrator fees	-	1,625	-
Management fee	41	2,265	-
Expenses			
FAST* and RENTAS** charges	-	-	138
Servicers fees	-	1,810	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	586	-
BNM current accounts	-	-	23
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(363)	-
Management fee receivable	10	600	-
2022			
Income			
Transaction administrator and administrator fees	-	1,404	-
Management fee	46	2,544	-
Expenses			
FAST* and RENTAS** charges	-	-	149
Servicers fees	-	1,930	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	377	-
BNM current accounts	-	-	35
Reimbursement of operating expenses	-	-	5
Servicers fees	-	(410)	-
Payment on behalf			
- Working capital and other expenses	-	1	-
Management fee receivable	13	606	-

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

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

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

Company	Ultimate holding company RM'000	Subsidiaries RM'000	Related company RM'000	Other related party RM'000
2023				
Income				
Transaction administrator and administrator fees	-	-	1,625	-
Management fee	41	-	2,265	-
Expenses				
FAST* and RENTAS** charges	-	-	-	138
Servicers fees	-	-	1,810	-
Interest expense	-	178,234	-	-
Amount due from/(to)				
Transaction administrator and administrator fees	-	-	586	-
BNM current accounts	-	-	-	23
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(363)	-
Loans/financing	-	(5,473,654)	-	-
Payment of expenses on behalf				
- Working capital and other expenses	-	4,127	-	-
Management fee receivable	10	-	600	-
2022				
Income				
Transaction administrator and administrator fees	-	-	1,404	-
Management fee	46	-	2,544	-
Expenses				
FAST* and RENTAS** charges	-	-	-	149
Servicers fees	-	-	1,930	-
Interest expense	-	47,419	-	-
Amount due from/(to)				
Transaction administrator and administrator fees	-	-	377	-
BNM current accounts	-	-	-	35
Reimbursement of operating expenses	-	-	-	5
Servicers fees	-	-	(410)	-
Loans/financing	-	(3,138,031)	-	-
Payment of expenses on behalf				
- Working capital and other expenses	-	3,963	1	-
Management fee receivable	13	-	606	-

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

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

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

The Group and the Company key management personnel received remuneration for services rendered during the financial year. The total salaries and other employees' benefits paid to the Group's key management personnel was RM8,503,799 (2022: RM7,563,862).

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

41 CAPITAL COMMITMENTS

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

42 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at amortised cost:				
Cash and cash equivalents	180,359	159,765	180,332	159,722
Deposits and placements with financial institutions	86,947	132,570	86,947	132,570
Corporate bonds and Sukuk	2,286,680	1,817,754	2,286,680	1,817,754
Amount due from counterparties	19,987,790	17,097,746	19,987,790	17,097,746
Islamic financing assets	21,426,861	15,482,284	21,426,861	15,482,284
Mortgage assets				
- Conventional	3,021,850	3,426,761	3,021,850	3,426,761
- Islamic	3,881,528	4,275,424	3,881,528	4,275,424
Hire purchase assets				
- Islamic	55	50	55	50
Amount due from				
- Related company	586	378	586	378
- Subsidiaries	-	-	4,127	3,963
Other financial assets	17,627	30,922	17,626	30,921
	50,890,283	42,423,654	50,894,382	42,427,573
Financial assets at FVOCI:				
Debt instruments	2,690,061	3,493,471	2,690,061	3,493,471
Financial assets at FVTPL:				
Derivative financial instruments	207,659	102,583	207,659	102,583
Reverse mortgage assets	2,147	552	2,147	552
	209,806	103,135	209,806	103,135
Financial liabilities				
Financial liabilities at amortised cost:				
Short-term borrowings	648,790	812,339	648,790	812,339
Loans/financing from subsidiaries	-	-	5,473,654	3,138,031
Unsecured bearer bonds and notes	24,954,908	20,414,672	19,481,343	17,279,594
Sukuk	23,278,139	20,135,060	23,278,139	20,135,060
Other financial liabilities	150,398	201,294	150,335	201,126
	49,032,235	41,563,365	49,032,261	41,566,150
Financial liabilities at FVTPL:				
Derivative financial instruments	15,161	6,619	15,161	6,619

43 INTEREST/PROFIT RATE RISK

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

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

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

Group and Company	+100 basis		-100 basis	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Impact to equity:				
Financial assets at FVOCI	(133,547)	(117,112)	146,032	126,545
Taxation effects on the above at tax rate of 24%	32,051	28,107	(35,048)	(30,371)
Effect on shareholder's funds	(101,496)	(89,005)	110,984	96,174
As percentage of shareholder's funds	(2.2%)	(2.1%)	2.4%	2.2%
Impact to income statements:				
Net interest income	9,590	2,284	(9,590)	(2,281)
Taxation effects at the rate of 24%	(2,302)	(548)	2,302	547
Effect on net interest income	7,288	1,736	(7,288)	(1,734)
As percentage of profit after tax	3.2%	0.8%	(3.2%)	(0.8%)

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

Group	Cash and cash equivalent	Deposits and placements with financial institutions	Financial assets at FVOCI	Financial assets at amortised cost	Derivative financial instruments	Amount Amount due from counterparties	Islamic financing assets	Mortgage assets-Conventional	Mortgage assets-Islamic	Hire purchase assets-Islamic	Reverse mortgage	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
2023													
Government	-	-	1,420,577	-	-	-	-	-	-	-	-	33	1,420,610
Financial institutions:													
- Commercial banks	180,359	86,947	345,859	2,286,680	207,659	19,641,205	19,395,481	-	-	-	-	-	42,144,190
- Development	-	-	288,971	-	-	-	2,011,411	-	-	-	-	-	2,300,382
Communication, electricity, gas and water	-	-	213,271	-	-	-	-	-	-	-	-	-	213,271
Transportation	-	-	160,538	-	-	-	-	-	-	-	-	-	160,538
Leasing	-	-	60,941	-	-	346,585	19,969	-	-	-	-	-	427,495
Consumers	-	-	-	-	-	-	-	3,021,850	3,881,528	55	2,147	-	6,905,580
Corporate	-	-	128,513	-	-	-	-	-	-	-	-	-	128,513
Construction	-	-	20,420	-	-	-	-	-	-	-	-	-	20,420
Others	-	-	50,971	-	-	-	-	-	-	-	-	18,180	69,151
Total	180,359	86,947	2,690,061	2,286,680	207,659	19,987,790	21,426,861	3,021,850	3,881,528	55	2,147	18,213	53,790,150

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Group	Cash and cash equivalent RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount Amount due from counterparties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Reverse mortgage RM'000	Other assets RM'000	Total RM'000
2022													
Government	-	-	1,524,101	-	-	-	-	-	-	-	-	353	1,524,454
Financial institutions:													
- Commercial banks	159,765	132,570	618,961	1,817,754	102,583	16,641,501	14,981,115	-	-	-	-	-	34,454,249
- Development	-	-	202,129	-	-	-	501,169	-	-	-	-	-	703,298
Communication, electricity, gas and water	-	-	300,140	-	-	-	-	-	-	-	-	-	300,140
Transportation	-	-	381,397	-	-	-	-	-	-	-	-	-	381,397
Leasing	-	-	-	-	-	456,245	-	-	-	-	-	-	456,245
Consumers	-	-	-	-	-	-	-	3,426,761	4,275,424	50	552	-	7,702,787
Corporate	-	-	375,365	-	-	-	-	-	-	-	-	-	375,365
Construction	-	-	56,201	-	-	-	-	-	-	-	-	-	56,201
Others	-	-	35,177	-	-	-	-	-	-	-	-	30,947	66,124
Total	159,756	132,570	3,493,471	1,817,754	102,583	17,097,746	15,482,284	3,426,761	4,275,424	50	552	31,300	46,020,260

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44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and cash equivalent RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount due from counterparties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Reverse mortgage RM'000	Other assets RM'000	Total RM'000
2023													
Government bodies	-	-	1,420,577	-	-	-	-	-	-	-	-	33	1,420,610
Financial institutions:													
- Commercial banks	180,332	86,947	345,859	2,286,680	207,659	19,641,205	19,395,481	-	-	-	-	-	42,144,163
- Development	-	-	288,971	-	-	-	2,011,411	-	-	-	-	-	2,300,382
Communication, electricity, gas and water	-	-	213,271	-	-	-	-	-	-	-	-	-	213,271
Transportation	-	-	160,538	-	-	-	-	-	-	-	-	-	160,538
Leasing	-	-	60,941	-	-	346,585	19,969	-	-	-	-	-	427,495
Consumers	-	-	-	-	-	-	-	3,021,850	3,881,528	55	2,147	-	6,905,580
Corporate	-	-	128,513	-	-	-	-	-	-	-	-	-	128,513
Construction	-	-	20,420	-	-	-	-	-	-	-	-	-	20,420
Others	-	-	50,971	-	-	-	-	-	-	-	-	22,306	73,277
Total	180,332	86,947	2,690,061	2,286,680	207,659	19,987,790	21,426,861	3,021,850	3,881,528	55	2,147	22,339	53,794,249

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

Company	Cash and cash equivalent RM'000	Deposits and placements with financial institutions RM'000	Financial assets at FVOCI RM'000	Financial assets at amortised cost RM'000	Derivative financial instruments RM'000	Amount due from counterparties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Islamic RM'000	Reverse mortgage RM'000	Other assets RM'000	Total RM'000
2022													
Government bodies	-	-	1,524,101	-	-	-	-	-	-	-	-	353	1,524,454
Financial institutions:													
- Commercial banks	159,722	132,570	618,961	1,817,754	102,583	16,641,501	14,981,115	-	-	-	-	-	34,454,206
- Development	-	-	202,129	-	-	-	501,169	-	-	-	-	-	703,298
Communication, electricity, gas and water	-	-	300,140	-	-	-	-	-	-	-	-	-	300,140
Transportation	-	-	381,397	-	-	-	-	-	-	-	-	-	381,397
Leasing	-	-	-	-	-	456,245	-	-	-	-	-	-	456,245
Consumers	-	-	-	-	-	-	-	3,426,761	4,275,424	50	552	-	7,702,787
Corporate	-	-	375,365	-	-	-	-	-	-	-	-	-	375,365
Construction	-	-	56,201	-	-	-	-	-	-	-	-	-	56,201
Others	-	-	35,177	-	-	-	-	-	-	-	-	34,909	70,086
Total	159,722	132,570	3,493,471	1,817,754	102,583	17,097,746	15,482,284	3,426,761	4,275,424	50	552	35,262	46,024,179

44 CREDIT RISK (CONTINUED)

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

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets are categorised as either:

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

Neither more than 90 days past due nor individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets are classified under Stage 1 and Stage 2 financial assets.

More than 90 days past due but not individually impaired comprise of amount due from counterparties, Islamic financing asset, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets categorised under Stage 3 financial assets.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

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

44 CREDIT RISK (CONTINUED)

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

Group and Company	Neither more than 90 days past due nor individually impaired	More than 90 days past due but not individually impaired*	Total	Impairment allowance	Total carrying value	Credit risk loans	Coverage ratio
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2023							
Amount due from counterparties	19,987,815	-	19,987,815	25	19,987,790	-	-
Islamic financing assets	21,426,957	-	21,426,957	96	21,426,861	-	-
Mortgage assets:							
- Conventional	3,022,779	10,489	3,033,268	11,418	3,021,850	10,489	109
- Islamic	3,879,336	13,903	3,893,239	11,711	3,881,528	13,903	84
Hire purchase assets:							
- Islamic	36	25	61	6	55	25	24
	48,316,923	24,417	48,341,340	23,256	48,318,084	24,417	
2022							
Amount due from counterparties	17,097,762	-	17,097,762	16	17,097,746	-	-
Islamic financing assets	15,482,377	-	15,482,377	93	15,482,284	-	-
Mortgage assets:							
- Conventional	3,423,344	18,314	3,441,658	14,897	3,426,761	18,314	81
- Islamic	4,273,507	19,108	4,292,615	17,191	4,275,424	19,108	90
Hire purchase assets:							
- Islamic	26	36	62	12	50	36	33
	40,277,016	37,458	40,314,474	32,209	40,282,265	37,458	

* These assets have been provided for under collective assessment.

44 CREDIT RISK (CONTINUED)

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

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

	Group and Company	
	2023	2022
	Strong/ Total	Strong/ Total
	RM'000	RM'000
Amount due from counterparties	19,987,815	17,097,762
Islamic financing assets	21,426,957	15,482,377
Mortgage assets:		
- Conventional	3,022,779	3,423,344
- Islamic	3,879,336	4,273,507
Hire purchase assets:		
- Islamic	36	26
	48,316,923	40,277,016

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

44 CREDIT RISK (CONTINUED)

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

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

	Group and Company				
	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
2023					
Mortgage assets:					
- Conventional	1,152	520	655	8,162	10,489
- Islamic	1,769	1,191	569	10,374	13,903
Hire purchase assets:					
- Islamic	-	-	-	25	25
	2,921	1,711	1,224	18,561	24,417
2022					
Mortgage assets:					
- Conventional	789	1,167	1,441	14,917	18,314
- Islamic	1,150	938	774	16,246	19,108
Hire purchase assets:					
- Islamic	-	-	-	36	36
	1,939	2,105	2,215	31,199	37,458

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

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

44 CREDIT RISK (CONTINUED)

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

	Group and Company			
	As at 1 January RM'000	Reversal made RM'000	Written-off to principal balance outstanding RM'000	As at 31 December RM'000
2023				
Amount due from counterparties	16	9	-	25
Islamic financing assets	93	3	-	96
Mortgage assets:				
- Conventional	14,897	(4,892)	1,413	11,418
- Islamic	17,191	(6,674)	1,194	11,711
Hire purchase assets:				
- Islamic	12	(3)	(3)	6
	32,209	(11,557)	2,604	23,256
2022				
Amount due from counterparties	19	(3)	-	16
Islamic financing assets	61	32	-	93
Mortgage assets:				
- Conventional	21,339	(5,982)	(460)	14,897
- Islamic	22,632	(3,492)	(1,949)	17,191
Hire purchase assets:				
- Islamic	12	-	-	12
	44,063	(9,445)	(2,409)	32,209

44.3 Amount due from related company

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

44 CREDIT RISK (CONTINUED)

44.4 Credit quality

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

	Group and Company					
2023	GOM RM'000	AAA RM'000	AA1 to AA3/A+ to AA- RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
Financial assets at FVOCI						
- Stage 1	1,511,948	514,929	663,184	-	2,690,061	370
Financial assets at amortised cost						
- Stage 1	-	-	2,286,680	-	2,286,680	3,768
Amount due from counterparties						
- Stage 1	-	6,914,909	13,072,881	-	19,987,790	25
Islamic financing assets						
- Stage 1	-	6,463,673	14,943,219	19,969	21,426,861	96
Mortgage assets:						
- Stage 1	-	-	-	3,021,332	3,021,332	8,496
- Stage 2	-	-	-	1,447	1,447	195
- Stage 3	-	-	-	10,489	10,489	2,727
	-	-	-	3,033,268	3,033,268	11,418
Islamic mortgage assets:						
- Stage 1	-	-	-	3,876,935	3,876,935	7,846
- Stage 2	-	-	-	2,401	2,401	250
- Stage 3	-	-	-	13,903	13,903	3,615
	-	-	-	3,893,239	3,893,239	11,711
Islamic hire purchase asset						
- Stage 1	-	-	-	36	36	-
- Stage 3	-	-	-	25	25	6
	-	-	-	61	61	6

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					
2022	GOM RM'000	AAA RM'000	AA1 to AA2/AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
Financial assets at FVOCI						
- Stage 1	1,900,710	879,434	713,327	-	3,493,471	365
Financial assets at amortised cost						
- Stage 1	-	-	1,817,754	-	1,817,754	3,135
Amount due from counterparties						
- Stage 1	-	5,179,833	11,917,913	-	17,097,746	16
Islamic financing assets						
- Stage 1	-	2,561,055	12,921,229	-	15,482,284	93
Mortgage assets:						
- Stage 1	-	-	-	3,421,242	3,421,242	8,677
- Stage 2	-	-	-	2,102	2,102	345
- Stage 3	-	-	-	18,314	18,314	5,875
	-	-	-	3,441,658	3,441,658	14,897
Islamic mortgage assets:						
- Stage 1	-	-	-	4,272,454	4,272,454	10,923
- Stage 2	-	-	-	1,053	1,053	138
- Stage 3	-	-	-	19,108	19,108	6,130
	-	-	-	4,292,615	4,292,615	17,191
Islamic hire purchase asset						
- Stage 1	-	-	-	26	26	-
- Stage 3	-	-	-	36	36	12
	-	-	-	62	62	12

44 CREDIT RISK (CONTINUED)

44.5 Credit risk mitigation

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

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

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2023				
Mortgage assets				
- Conventional	3,033,268	(11,418)	3,021,850	16,756,093
- Islamic	3,893,239	(11,711)	3,881,528	14,784,025
	6,926,507	(23,129)	6,903,378	31,540,118
2022				
Mortgage assets				
- Conventional	3,441,658	(14,897)	3,426,761	16,820,699
- Islamic	4,292,615	(17,191)	4,275,424	14,265,652
	7,734,273	(32,088)	7,702,185	31,086,351

44 CREDIT RISK (CONTINUED)

44.6 Offsetting financial instruments

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

	Group and Company		
	Gross amount	Related amounts not set-off	Net amount
	RM'000	RM'000	RM'000
2023			
Derivative financial assets	207,659	(4,807)	202,851
Derivative financial liabilities	15,161	(4,807)	10,353
2022			
Derivative financial assets	102,583	-	102,583
Derivative financial liabilities	6,619	-	6,619

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.

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	Reverse mortgage RM'000	Other available liquidity RM'000	Total RM'000
Group													
2023	180,359	86,947	-	2,690,061	2,286,680	207,659	19,987,790	21,426,861	3,021,850	3,881,528	2,147	18,268	53,790,150
2022	159,765	132,570	-	3,493,471	1,817,754	102,583	17,097,746	15,482,284	3,426,761	4,275,424	552	31,350	46,020,260
Company													
2023	180,332	86,947	-	2,690,061	2,286,680	207,659	19,987,790	21,426,861	3,021,850	3,881,528	2,147	22,394	53,794,249
2022	159,722	132,570	-	3,493,471	1,817,754	102,583	17,097,746	15,482,284	3,426,761	4,275,424	552	35,312	46,024,179

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

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

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2023						
Financial liabilities						
Short-term borrowings	-	194,236	-	433,618	-	627,854
Unsecured bearer bonds and notes	100,605	3,600,221	6,878,311	15,504,741	1,027,660	27,111,538
Sukuk	49,261	432,377	6,940,787	16,909,352	1,299,941	25,631,718
Other liabilities	147,844	2,534	-	-	-	150,378
	297,710	4,229,368	13,819,098	32,847,711	2,327,601	53,521,488
Assets held for managing liquidity risk	509,564	5,832,627	15,402,686	37,800,450	5,904,098	65,449,425
2022						
Financial liabilities						
Short-term borrowings	-	817,730	-	-	-	817,730
Unsecured bearer bonds and notes	33,979	91,755	8,078,904	13,003,328	1,432,402	22,640,368
Sukuk	20,461	172,916	6,893,835	12,957,341	2,214,080	22,258,633
Other liabilities	164,274	2,828	-	-	-	167,102
	218,714	1,085,229	14,972,739	25,960,669	3,646,482	45,883,833
Assets held for managing liquidity risk	437,952	1,427,814	13,885,863	29,961,062	5,928,426	51,641,117

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities

Company	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2023						
Financial liabilities						
Short-term borrowings	-	194,236	-	433,618	-	627,854
Unsecured bearer bonds and notes	100,605	1,926,817	4,104,934	14,631,398	709,195	21,472,949
Sukuk	49,261	432,377	6,940,787	16,909,352	1,299,941	25,631,718
Loans/financing from subsidiaries	-	1,673,366	2,773,406	1,191,717	-	5,638,489
Other liabilities	147,798	2,534	-	-	-	150,332
	297,664	4,229,330	13,819,127	33,166,085	2,009,136	53,521,342
Assets held for managing liquidity risk	509,564	4,159,223	12,629,309	36,927,107	5,585,633	59,810,836
2022						
Financial liabilities						
Short-term borrowings	-	817,730	-	-	-	817,730
Unsecured bearer bonds and notes	33,979	58,361	5,233,224	12,671,776	1,432,402	19,429,742
Sukuk	20,461	172,916	6,893,835	12,957,341	2,214,080	22,258,633
Loans/financing from subsidiaries	-	33,394	2,845,701	331,516	-	3,210,611
Other liabilities	164,228	2,828	-	-	-	167,056
	218,668	1,085,229	14,972,760	25,960,633	3,646,482	45,883,772
Assets held for managing liquidity risk	437,952	1,427,780	13,883,016	29,960,731	5,928,426	51,637,905

45 LIQUIDITY RISK (CONTINUED)

45.4 Derivative liabilities

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

The following table analyses the Group and the Company's derivatives financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

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

46 FOREIGN EXCHANGE RISK

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

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

46.1 Exposure to foreign currency risk

GROUP	HKD RM'000	USD RM'000	SGD RM'000
2023			
Derivatives financial instruments	489,854	-	4,987,578
Unsecured bearer bonds and notes	489,906-	-	4,983,658
2022			
Derivatives financial instruments	-	429,517	2,680,156
Unsecured bearer bonds and notes	-	440,873	2,694,205
COMPANY			
2023			
Derivatives financial instruments	489,854	-	4,987,578
Loans/financing from subsidiary	489,906	-	4,983,748
2022			
Derivatives financial instruments	-	429,517	2,680,156
Loans/financing from subsidiary	-	441,007	2,697,024

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:

	Group		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2023				
USD	-	-	-	-
HKD	-	-	-	-
SGD	29	1	29	1
	29	1	29	1
2022				
USD	(87)	-	(87)	-
SGD	(122)	-	(122)	-
	(209)	-	(209)	-

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.

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

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

47.1 Fair value of financial instruments carried at fair value

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

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

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

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

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

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

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

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

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2023				
Assets				
Financial assets at FVOCI	-	2,690,061	-	2,690,061
Derivative financial instruments	-	207,659	-	207,659
Liabilities				
Derivative financial instruments	-	15,161	-	15,161
2022				
Assets				
Financial assets at FVOCI	-	3,493,471	-	3,493,471
Derivative financial instruments	-	102,583	-	102,583
Liabilities				
Derivative financial instruments	-	6,619	-	6,619

47.2 Fair value of financial instruments carried other than fair value

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

(a) Cash and cash equivalents and deposits and placements with financial institutions

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

(b) Other financial assets

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

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(c) Amount due from related company and subsidiaries

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

(d) Other financial liabilities

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

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

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Group				
Financial assets				
Financial assets at amortised cost	2,286,680	2,312,107	1,817,754	1,767,949
Amount due from counterparties	19,987,790	20,210,096	17,097,746	17,150,880
Islamic financing assets	21,426,861	21,635,189	15,482,284	15,450,301
Mortgage assets:				
- Conventional	3,021,850	3,232,627	3,426,761	3,654,532
- Islamic	3,881,528	4,189,621	4,275,424	4,599,997
Islamic hire purchase assets	55	62	50	62
	50,604,764	51,579,702	42,100,019	42,623,721
Financial liabilities				
Short-term borrowings	648,790	648,790	812,339	812,339
Unsecured bearer bonds and notes	24,954,908	25,134,180	20,414,672	19,033,752
Sukuk	23,278,139	23,431,049	20,135,060	18,841,467
	48,881,837	49,214,020	41,362,071	38,687,558

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):

	2023 Carrying value RM'000	2023 Fair value RM'000	2022 Carrying value RM'000	2022 Fair value RM'000
Company				
Financial assets				
Financial assets at amortised cost	2,286,680	2,312,107	1,817,754	1,767,949
Amount due from counterparties	19,987,790	20,210,096	17,097,746	17,150,880
Islamic financing assets	21,426,861	21,635,189	15,482,284	15,450,301
Mortgage assets:				
- Conventional	3,021,850	3,232,627	3,426,761	3,654,532
- Islamic	3,881,528	4,189,621	4,275,424	4,599,997
Islamic hire purchase assets	55	62	50	62
	50,604,764	51,579,702	42,100,019	42,623,721
Financial liabilities				
Short-term borrowings	648,790	648,790	812,339	812,339
Loans/financing from subsidiaries	5,473,654	5,530,677	3,138,031	3,101,776
Unsecured bearer bonds and notes	19,481,343	19,680,398	17,279,594	15,916,969
Sukuk	23,278,139	23,431,049	20,135,060	18,841,467
	48,881,926	49,290,914	41,365,024	38,672,551

The fair value of financial assets at amortised cost is based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets yield to maturity at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the short-term borrowing is estimated at their carrying amount due to short tenure of less than one year.

The fair value of the unsecured bearer bonds and notes and Sukuk are derived based on observable market prices and is therefore within Level 2 of the fair value hierarchy.

48 SEGMENT REPORTING

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

(a) PWR

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

(b) PWOR

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

(a) Treasury

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

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

2023	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	1,461,903	428,895	150,641	91,032	2,132,471
External interest/profit expense	(1,402,319)	(301,632)	(255)	(77,130)	(1,781,336)
Segment result (Net Operating Income)	59,584	127,263	150,386	13,902	351,135
Profit before taxation and zakat					303,595
Taxation					(74,713)
Zakat					(2,534)
Profit after taxation and zakat					226,348
Segment assets	41,414,651	6,903,432	2,957,366	2,543,477	53,818,926
Segment liabilities	41,416,106	4,745,000	648,790	2,455,397	49,265,293
Other information					
Capital expenditure	2,764	461	197	170	3,592
Depreciation and, amortization	5,443	907	389	334	7,073

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

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

2022	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	1,052,149	542,380	-	49,983	1,644,512
External interest/profit expense	(908,260)	(344,921)	-	(40,346)	(1,293,527)
Segment result (Net Operating Income)	143,889	197,459	-	9,637	350,985
Profit before taxation and zakat					300,315
Taxation					(73,092)
Zakat					(2,828)
Profit after taxation and zakat					224,395
Segment assets	35,666,155	8,618,331	-	1,819,043	46,103,529
Segment liabilities	30,279,224	9,682,251	-	1,833,033	41,794,508
<u>Other information</u>					
Capital expenditure	3,732	902	-	190	4,824
Depreciation and, amortization	5,889	1,423	-	300	7,612

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

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

					Company
2023	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	1,461,903	428,895	150,641	91,032	2,132,471
Internal interest/profit expense	(178,235)	-	-	-	(178,235)
External interest/profit expense	(1,221,253)	(301,632)	(255)	(77,130)	(1,600,270)
Total interest/profit expense	(1,399,488)	(301,632)	(255)	(77,130)	(1,778,505)
Segment result (Net Operating Income)	62,415	127,263	150,386	13,902	353,966
Profit before taxation and zakat					306,544
Taxation					(74,713)
Zakat					(2,534)
Profit after taxation and zakat					229,297
Segment assets	41,414,651	6,903,432	2,957,339	2,547,591	53,823,013
Segment liabilities	37,957,542	4,745,000	648,790	5,913,980	49,265,312
Other information					
Capital expenditure	2,764	461	197	170	3,592
Depreciation and, amortization	5,442	907	389	335	7,073

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

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

					Company
2022	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	1,052,149	542,380	-	65,883	1,660,412
Internal interest/profit expense	(47,419)	-	-	-	(47,419)
External interest/profit expense	(860,678)	(344,921)	-	(40,346)	(1,245,945)
Total interest/profit expense	(908,097)	(344,921)	-	(40,346)	(1,293,364)
Segment result (Net Operating Income)	144,052	197,459	-	25,537	367,048
Profit before taxation and zakat					316,809
Taxation					(73,092)
Zakat					(2,828)
Profit after taxation and zakat					240,889
Segment assets	35,670,055	8,618,331	-	1,819,043	46,107,429
Segment liabilities	30,282,005	9,682,251	-	1,833,033	41,797,289
Other information					
Capital expenditure	3,732	902	-	190	4,824
Depreciation and, amortization	5,889	1,423	-	300	7,612

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	
	2023	2022	2023	2022
	%	%	%	%
Before deducting proposed final dividend*				
CET1 capital ratio	34.8	37.0	34.9	37.0
Tier 1 capital ratio	34.8	37.0	34.9	37.0
Total capital ratio	35.3	38.0	35.3	38.0
After deducting proposed final dividend*				
CET1 capital ratio	34.7	36.8	34.7	36.8
Tier 1 capital ratio	34.7	36.8	34.7	36.8
Total capital ratio	35.1	37.8	35.1	37.8

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

49 CAPITAL ADEQUACY

Components of CET1, Tier 1 and Tier 2 capital:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
CET1/Tier 1 capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	4,394,938	4,198,590	4,399,006	4,199,709
	4,544,938	4,348,590	4,549,006	4,349,709
Financial assets at FVOCI reserves	(2,152)	(37,188)	(2,152)	(37,188)
Deferred tax assets	(13,501)	(33,580)	(13,501)	(33,580)
Less: Regulatory reserves	(47,919)	(79,440)	(47,918)	(79,440)
	4,481,366	4,198,382	4,485,435	4,199,501
Tier 2 capital				
Allowance for impairment losses	9,332	35,709	9,332	35,709
Add: Regulatory reserves	47,919	79,440	47,918	79,440
Total Tier 2 capital	57,251	115,149	57,250	115,149
Total capital	4,538,617	4,313,531	4,542,685	4,314,650

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Credit risk	12,217,264	10,703,611	12,221,374	10,707,546
Operational risk	645,292	639,049	645,292	639,049
Total risk-weighted assets	12,862,556	11,342,660	12,866,666	11,346,595

50 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
ASSETS					
Cash and cash equivalents	(a)	64,849	79,951	64,837	79,939
Financial assets at fair value through other comprehensive income (FVOCI)	(b)	623,072	1,368,939	623,072	1,368,939
Financial assets at amortised cost	(c)	681,993	354,395	681,993	354,395
Derivative financial Instruments		720	6,527	720	6,527
Financing assets	(d)	21,426,861	15,482,284	21,426,861	15,482,284
Mortgage assets	(e)	3,880,225	4,273,893	3,880,225	4,273,893
Hire purchase assets	(f)	49	45	49	45
Reverse mortgage assets		225	-	225	-
Other assets and prepayments		289,126	289,123	291,813	291,799
Tax recoverable		-	12,132	-	12,132
TOTAL ASSETS		26,967,120	21,867,289	26,969,795	21,869,953
LIABILITIES					
Short-term borrowings*		1,823,287	-	1,823,287	-
Derivative financial instruments		2,529	-	2,529	-
Other liabilities	(g)	5,394	6,640	4,022	5,406
Provision for taxation		36,407	-	36,407	-
Deferred taxation		106,429	119,395	106,429	119,395
Sukuk	(h)	23,278,139	20,135,060	23,278,139	20,135,060
TOTAL LIABILITIES		25,252,185	20,261,095	25,250,813	20,259,861
ISLAMIC OPERATIONS' FUNDS		1,714,935	1,606,194	1,718,982	1,610,092
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		26,967,120	21,867,289	26,969,795	21,869,953

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

50 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Total income		1,016,879	760,864	1,016,879	760,864
Profit expense attributable to the Sukuk holders	(i)	(833,163)	(628,367)	(833,163)	(628,367)
Non-profit expense*		(45,103)	(4,259)	(45,103)	(4,259)
Total net income attributable	(j)	138,613	128,238	138,613	128,238
Administration and general expenses		(2,190)	(673)	(2,041)	(511)
Reversal of impairment losses		5,537	3,440	5,537	3,440
PROFIT BEFORE TAXATION AND ZAKAT		141,960	131,005	142,109	131,167
Zakat		(2,534)	(2,828)	(2,534)	(2,828)
Taxation		(34,478)	(32,739)	(34,478)	(32,739)
PROFIT FOR THE FINANCIAL YEAR		104,948	95,438	105,097	95,600

* Included in non-profit expense during the year is Wakalah placement profit expenses paid to the conventional operations amounting to RM47,679 million (2022: Nil). This inter-operations charge is eliminated at the Company level.

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	104,948	95,438	105,097	95,600
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial assets at FVOCI				
- Net loss on fair value changes before taxation	12,206	(7,851)	12,206	(7,851)
- FVOCI ECL	73	57	73	57
- Deferred taxation	(2,929)	1,884	(2,929)	1,884
Cash flow hedge				
- Net (loss)/gain on cash flow hedge before taxation	(7,641)	6,618	(7,641)	6,618
- Deferred taxation	1,834	(1,588)	1,834	(1,588)
Other comprehensive income/ (loss) for the financial year net of taxation	3,543	(880)	3,543	(880)
Total comprehensive income for the financial year	108,491	94,558	108,640	94,720

50 ISLAMIC OPERATIONS (CONTINUED)

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

		Non-distributable			Distributable	
Group	Allocated capital funds	Financial assets at FVOCI reserves	Cashflow hedge reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,250	1,269,979	1,606,194
Profit for the financial year	-	-	-	-	104,948	104,948
Other comprehensive income/(loss)	-	9,350	(5,807)	-	-	3,543
Total comprehensive income for the financial year	-	9,350	(5,807)	-	104,948	108,491
Transfer to retained profits	-	-	-	(15,919)	15,919	-
Transfer to Islamic operations	250	-	-	-	-	250
Balance as at 31 December 2023	294,409	2,818	(1,469)	28,331	1,390,846	1,714,935
Balance as at 1 January 2022	294,159	(622)	(692)	49,203	1,169,588	1,511,636
Profit for the financial year	-	-	-	-	95,438	95,438
Other comprehensive (loss)/income	-	(5,910)	5,030	-	-	(880)
Total comprehensive income for the financial year	-	(5,910)	5,030	-	95,438	94,558
Transfer to retained profits	-	-	-	(4,953)	4,953	-
Balance as at 31 December 2022	294,159	(6,532)	4,338	44,250	1,269,979	1,606,194

50 ISLAMIC OPERATIONS (CONTINUED)

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

Company	Allocated capital funds	Financial assets at FVOCI reserves	Cashflow hedge reserves	Regulatory reserves	Retained profits	Total
		Non-distributable			Distributable	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,471	1,273,656	1,610,092
Profit for the financial year	-	-	-	-	105,097	105,097
Other comprehensive income/(loss)	-	9,350	(5,807)	-	-	3,543
Total comprehensive income for the financial year	-	9,350	(5,807)	-	105,097	108,640
Transfer to retained profits	-	-	-	(15,919)	15,919	-
Transfer to Islamic operations	250	-	-	-	-	250
Balance as at 31 December 2023	294,409	2,818	(1,469)	28,552	1,394,672	1,718,982
Balance as at 1 January 2022	294,159	(622)	(692)	49,203	1,173,324	1,515,372
Profit for the financial year	-	-	-	-	95,600	95,600
Other comprehensive (loss)/income	-	(5,910)	5,030	-	-	(880)
Total comprehensive income for the financial year	-	(5,910)	5,030	-	95,600	94,720
Transfer to retained profits	-	-	-	(4,732)	4,732	-
Balance as at 31 December 2022	294,159	(6,532)	4,338	44,471	1,273,656	1,610,092

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
OPERATING ACTIVITIES					
Profit before taxation		141,960	131,005	142,110	131,166
Adjustment for non-cash items	(k)(i)	(170,719)	(136,131)	(170,719)	(136,131)
Operating loss before working capital changes		(28,759)	(5,126)	(28,609)	(4,965)
Net changes in operating assets and liabilities	(k)(ii)	(2,760,014)	(4,012,982)	(2,760,164)	(4,013,143)
Zakat		(5,362)	(5,094)	(5,362)	(5,094)
Net cash from operating activities		(2,794,135)	(4,023,202)	(2,794,135)	(4,023,202)
INVESTING ACTIVITIES					
Purchase of financial assets at FVOCI		(1,404,567)	(2,090,605)	(1,404,567)	(2,090,605)
Purchase of financial assets at amortised cost		(325,000)	-	(325,000)	-
Net proceeds from redemption of financial assets at FVTPL		-	123,450	-	123,450
Net proceeds from sale/ redemption of financial assets at FVOCI		2,165,938	1,508,493	2,165,938	1,508,493
Income received from financial assets at FVTPL		-	221	-	221
Income received from financial assets at FVOCI		33,152	30,642	33,152	30,642
Net cash from investing activities		469,523	(427,799)	469,523	(427,799)

50 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
FINANCING ACTIVITY					
Proceed from issuance of Sukuk		12,505,000	10,090,000	12,505,000	10,090,000
Redemption of Sukuk		(9,395,000)	(5,075,000)	(9,395,000)	(5,075,000)
Profit paid to Sukuk holders		(800,490)	(590,335)	(800,490)	(590,335)
Net cash from financing activity		2,309,510	4,424,665	2,309,510	4,424,665
Net change in cash and cash equivalents		(15,102)	(26,337)	(15,102)	(26,336)
Cash and cash equivalents as at 1 January		79,951	106,288	79,939	106,275
Cash and cash equivalents as at 31 December	50(a)	64,849	79,951	64,837	79,939

50 ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and cash equivalents*

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and bank balances with bank and other financial institutions	159	46	147	34
Mudharabah money at call and deposit placements maturing with original maturity less than 3 months	64,690	79,906	64,690	79,906
	64,849	79,952	64,837	79,940
Less: Allowance for impairment losses	-	(1)	-	(1)
	64,849	79,951	64,837	79,939

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

	Group and Company	
	2023 RM'000	2022 RM'000
Stage 1		
As at 1 January	1	11
Allowance during the year on new investments	-	1
Financial assets derecognised during the period due to maturity of assets	(1)	(11)
As at 31 December	-	1

50 ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial assets at FVOCI*

	Group and Company	
	2023	2022
	RM'000	RM'000
At fair value:		
Corporate Sukuk	369,060	820,020
Government investment issues	232,758	142,944
Quasi Government Sukuk	21,254	356,129
Islamic treasury bills	-	49,846
	623,072	1,368,939

The maturity structure of financial assets at FVOCI as follows:

	2023 RM'000	2022 RM'000
Maturing within one year	35,919	997,809
One to three years	130,690	59,895
Three to five years	82,045	89,680
More than five years	374,418	221,555
	623,072	1,368,939

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

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2023		
Stage 1 (12-month ECL; non-credit impaired)	623,072	188
2022		
Stage 1 (12-month ECL; non-credit impaired)	1,368,939	115

50 ISLAMIC OPERATIONS (CONTINUED)

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

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Stage 1		
As at 1 January	115	58
Allowance during the year on new assets purchased	174	74
Financial assets derecognised during the year due to maturity of assets	(98)	(15)
Reversal during the year due to changes in credit risk	(3)	(2)
As at 31 December	188	115

(c) *Financial assets at amortised cost*

Corporate Sukuk	681,993	354,395

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

	Group and Company	
	2023	2022
	RM'000	RM'000
More than five years	684,173	355,508
Less: Allowance for impairment losses	(2,180)	(1,113)
	681,993	354,395

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage of allocation:		
2023		
Stage 1 (12-month ECL; non-credit impaired)	684,173	2,180
2022		
Stage 1 (12-month ECL; non-credit impaired)	355,508	1,113

50 ISLAMIC OPERATIONS (CONTINUED)

(c) *Financial assets at amortised cost (continued)*

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

	Group and Company	
	2023	2022
	RM'000	RM'000
Stage 1		
As at 1 January	1,113	1,155
Allowance during the year on new investments	1,095	-
Reversal during the year due to changes in credit risk	(28)	(42)
As at 31 December	2,180	1,113

(d) *Financing assets*

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

50 ISLAMIC OPERATIONS (CONTINUED)

(d) *Financing assets (continued)*

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

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

(e) *Mortgage assets*

	Group and Company	
	2023	2022
	RM'000	RM'000
PWOR	3,880,225	4,273,893

The maturity structure of mortgage assets are as follows:

Maturing within one year	600,996	617,200
One to three years	782,496	790,370
Three to five years	689,649	721,723
More than five years	1,818,792	2,161,787
	3,891,933	4,291,080
Less:		
Allowance for impairment losses	(11,708)	(17,187)
	3,880,225	4,273,893

50 ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

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

	Gross carrying value RM'000	Impairment allowance RM'000
2023		
Stage 1 (12-month ECL; non-credit impaired)	3,875,629	7,843
Stage 2 (Lifetime ECL; non-credit impaired)	2,401	250
Stage 3 (Lifetime ECL; credit impaired)	13,903	3,615
As at 31 December	3,891,933	11,708
Impairment allowance over gross carrying value (%)		0.30
2022		
Stage 1 (12-month ECL; non-credit impaired)	4,270,919	10,919
Stage 2 (Lifetime ECL; non-credit impaired)	1,053	138
Stage 3 (Lifetime ECL; credit impaired)	19,108	6,130
As at 31 December	4,291,080	17,187
Impairment allowance over gross carrying value (%)		0.40

50 ISLAMIC OPERATIONS (CONTINUED)

(e) *Mortgage assets (continued)*

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

	Group and Company			
2023	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January	10,919	138	6,130	17,187
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	19	(49)	(1,471)	(1,501)
Transfer to ECL not credit impaired (Stage 2)	(6)	239	(109)	124
Transfer to ECL credit impaired (Stage 3)	(21)	(54)	1,685	1,610
Total transfer between stages	(8)	136	105	233
Financing derecognised during the year (other than write-offs)	(327)	(20)	(3,321)	(3,668)
Reversal during the year due to changes in credit risk	(2,741)	(4)	(493)	(3,238)
Amount written-off	-	-	1,194	1,194
As at 31 December	7,843	250	3,615	11,708

50 ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

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

	Group and Company			
2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
As at 1 January	14,804	298	7,525	22,627
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	36	(235)	(2,079)	(2,278)
Transfer to ECL not credit impaired (Stage 2)	(3)	117	(91)	23
Transfer to ECL credit impaired (Stage 3)	(37)	(8)	2,341	2,296
Total transfer between stages	(4)	(126)	171	41
Financing derecognised during the year (other than write-offs)	(533)	(29)	426	(136)
Reversal during the year due to changes in credit risk	(3,348)	(5)	(43)	(3,396)
Amount written-off	-	-	(1,949)	(1,949)
As at 31 December	10,919	138	6,130	17,187

50 ISLAMIC OPERATIONS (CONTINUED)

(f) Hire purchase assets

	Group and Company	
	2023	2022
	RM'000	RM'000
PWOR	49	45

The maturity structure of hire purchase assets are as follows:		
Maturing within one year	55	56
Less: Allowance for impairment losses	(6)	(11)
	49	45

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

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

50 ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase assets (continued)*

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

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

(g) *Other liabilities*

		Group		Company
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Zakat	2,534	2,828	2,534	2,828
Other payables	2,860	3,812	1,488	2,578
	5,394	6,640	4,022	5,406

(h) *Sukuk*

	Group and Company	
	2023	2022
	RM'000	RM'000
Commercial papers	641,797	-
Medium-term notes	22,636,342	20,135,060
	23,278,139	20,135,060
The maturity structure of Sukuk are as follows:		
Maturing within one year	7,553,139	6,505,060
One to three years	8,960,000	9,370,000
Three to five years	5,620,000	2,325,000
More than five years	1,145,000	1,935,000
	23,278,139	20,135,060

50 ISLAMIC OPERATIONS (CONTINUED)

(i) Profit expense attributable to the Sukuk holders

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Mortgage assets	173,101	192,464	173,101	192,464
Hire purchase assets	72	103	72	103
Financing assets	659,990	435,800	659,990	435,800
	833,163	628,367	833,163	628,367
Income attributable to Sukuk holders analysed by concept:				
Bai Al-Dayn	833,163	628,367	833,163	628,367

(j) Total net income attributable

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	57,795	83,734	57,795	83,734
Hire purchase assets	(72)	(100)	(72)	(100)
Financing assets	74,480	9,628	74,480	9,628
Financial assets at FVOCI	39,909	33,443	39,909	33,443
Deposit and placements with financial institutions	11,604	5,792	11,604	5,792
Non-profit expense	(45,103)	(4,259)	(45,103)	(4,259)
	138,613	128,238	138,613	128,238

Total net income attributable analysed by concept are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Bai Al-Dayn	87,100	89,003	87,100	89,003
Murabahah	17,380	13,088	17,380	13,088
Ijarah	1,696	2,100	1,696	2,100
Mudharabah	9,684	8,577	9,684	8,577
Musyarakah	4,564	5,111	4,564	5,111
Wakalah	6,585	4,607	6,585	4,607
Tawarruq	10,505	5,096	10,505	5,096
Qard Al-Hasan	1,099	656	1,099	656
	138,613	128,238	138,613	128,238

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CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50 ISLAMIC OPERATIONS (CONTINUED)

(k) Statement of Cash Flows

(i) Adjustment for non- cash items:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Amortisation of premium less accretion of discount on:				
Financial assets at FVOCI	(6,764)	1,079	(6,764)	1,079
Accretion of discount on:				
Mortgage assets	(57,956)	(86,413)	(57,956)	(86,413)
Allowance/(reversal) of impairment losses on:				
Cash and cash equivalents	-	(10)	-	(10)
Financial assets at FVOCI	73	61	73	61
Financial assets at amortised cost	1,066	(42)	1,066	(42)
Financing assets	3	32	3	32
Mortgage assets and hire purchase assets	(5,486)	(5,441)	(5,486)	(5,441)
Income from:				
Financial assets at FVOCI	(31,415)	(32,365)	(31,415)	(32,365)
Islamic operations	(905,485)	(641,005)	(905,485)	(641,005)
Income from derivatives	(25,252)	(14,470)	(25,252)	(14,470)
Profit attributable to Sukuk holders	833,569	628,367	833,569	628,367
Profit attributable to derivatives	25,199	14,076	25,199	14,076
Gain on disposal of financial assets at FVOCI	1,729	-	1,729	-
	(170,719)	(136,131)	(170,719)	(136,131)

50 ISLAMIC OPERATIONS (CONTINUED)

(k) Statement of Cash Flows (continued)

(ii) Changes in operating assets and liabilities:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Change in deposits and placements with financial institutions	-	50,020	-	50,020
Change in short term borrowings	1,823,287	-	1,823,287	-
Change in financing assets	(5,878,421)	(5,179,067)	(5,878,421)	(5,179,067)
Change in mortgage assets	450,305	501,014	450,305	501,014
Change in hire purchase assets	2	10	2	10
Change in other assets and Prepayments	247	(10)	236	(160)
Change in reverse mortgage	(225)	-	(225)	-
Change in derivatives	802	(641)	802	(641)
Change in other liabilities	1,582	(2,167)	1,443	(2,177)
Profit received from assets	842,460	618,252	842,460	618,252
Profit received from derivatives	25,199	14,076	25,199	14,076
Profit paid on derivatives	(25,252)	(14,470)	(25,252)	(14,470)
	(2,760,014)	(4,012,982)	(2,760,164)	(4,013,143)

(iii) Analysis of changes in liabilities arising from financing activities:

Group and Company	Sukuk RM'000	Total RM'000
2023		
As at 1 January	20,135,060	20,135,060
Proceeds from issuance	12,505,000	12,505,000
Repayment and redemption	(9,395,000)	(9,395,000)
Profit paid	(800,490)	(800,490)
Other non-cash movement	833,569	833,569
As at 31 December	23,278,139	23,278,139
2022		
As at 1 January	15,082,028	15,082,028
Proceeds from issuance	10,090,000	10,090,000
Repayment and redemption	(5,075,000)	(5,075,000)
Profit paid	(590,335)	(590,335)
Other non-cash movement	628,367	628,367
As at 31 December	20,135,060	20,135,060

50 ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy*

	Group		Company	
	2023	2022	2023	2022
	%	%	%	%
Before deducting proposed final dividend*				
CET1	22.7	24.4	22.7	24.5
Tier 1 capital ratio	22.7	24.4	22.7	24.5
Total capital ratio	23.1	25.4	23.2	25.4
After deducting proposed* final dividend				
CET1 capital ratio	22.7	24.4	22.7	24.5
Tier 1 capital ratio	22.7	24.4	22.7	24.5
Total capital ratio	23.1	25.4	23.2	25.4

Components of CET1, Tier 1 and Tier 2 capital:

	Group		Company	
	2023	2022	2023	2022
	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*	1,419,177	1,314,229	1,423,224	1,318,127
	1,713,336	1,608,388	1,717,383	1,612,286
Financial assets at FVOCI reserves	1,268	(6,531)	1,268	(6,531)
Deferred tax assets	(3,822)	(6,706)	(3,822)	(6,706)
Less: Regulatory reserves	(28,329)	(44,249)	(28,329)	(44,249)
Total CET1/Tier 1 capital	1,682,453	1,550,902	1,686,501	1,554,800
Tier 2 capital:				
Add: Regulatory reserves	28,329	44,249	28,329	44,249
Allowance for impairment losses	5,315	18,526	5,315	18,526
Total Tier 2 capital	33,644	62,775	33,644	62,775
Total capital	1,716,097	1,613,677	1,720,145	1,617,575

50 ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Credit risk	7,150,632	6,133,688	7,153,316	6,136,361
Operational risk	267,106	221,853	267,106	221,853
Total risk-weighted assets	7,417,738	6,355,541	7,420,422	6,358,214

* *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.

(m) 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 20 March 2024.

CAGAMAS BERHAD
Company No. 198601008739 (157931-A)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2024

Domiciled in Malaysia.
Registered Office:
Level 32, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
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CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	Group		Company	
		30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
ASSETS					
Cash and cash equivalents	1	390,758	180,359	390,725	180,332
Deposits and placements with financial institutions	2	298,906	86,947	298,906	86,947
Financial assets at fair value through other comprehensive income ("FVOCI")	3	3,222,285	2,690,061	3,222,285	2,690,061
Financial assets at amortised cost	4	2,286,429	2,286,680	2,286,429	2,286,680
Derivative financial assets	5	49,103	207,659	49,103	207,659
Amount due from counterparties	6	17,874,468	19,987,790	17,874,468	19,987,790
Islamic financing assets	7	21,747,672	21,426,861	21,747,672	21,426,861
Mortgage assets					
- Conventional	8	2,804,806	3,021,850	2,804,806	3,021,850
- Islamic	9	3,686,960	3,881,528	3,686,960	3,881,528
Islamic hire purchase assets	10	58	55	58	55
Reverse mortgage		3,306	2,147	3,306	2,147
Amount due from					
- Related company		531	586	531	586
- Subsidiaries		-	-	4,142	4,127
Other assets	11	15,331	20,476	15,319	20,463
Investment in subsidiaries		-*	-*	-*	-*
Property and equipment		2,827	1,947	2,827	1,947
Intangible assets		15,069	16,804	15,069	16,804
Right-of-use asset	12	6,072	7,176	6,072	7,176
TOTAL ASSETS		52,404,581	53,818,926	52,408,678	53,823,013
LIABILITIES					
Short-term borrowings		868,309	648,790	868,309	648,790
Derivative financial liabilities	5	12,937	15,161	12,937	15,161
Other liabilities	13	117,008	150,411	116,880	150,341
Lease liability	14	8,533	9,308	8,533	9,308
Provision for taxation		28,192	10,205	28,192	10,205
Deferred taxation		196,883	198,371	196,883	198,371
Loans from subsidiary	15	-	-	2,974,000	5,473,654
Unsecured bearer bonds and notes	16	22,004,393	24,954,908	19,030,367	19,481,343
Sukuk	17	24,532,915	23,278,139	24,532,915	23,278,139
TOTAL LIABILITIES		47,769,170	49,265,293	47,769,016	49,265,312
Share capital		150,000	150,000	150,000	150,000
Reserves		4,485,411	4,403,633	4,489,662	4,407,701
SHAREHOLDER'S FUNDS		4,635,411	4,553,633	4,639,662	4,557,701
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		52,404,581	53,818,926	52,408,678	53,823,013
NET TANGIBLE ASSETS PER SHARE (RM)		30.80	30.25	30.83	30.27

* 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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

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CAGAMAS BERHAD
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CONDENSED INCOME STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Note	Group		Company	
		6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000
Interest income	18	549,463	503,999	549,463	503,999
Interest expense	19	(474,846)	(434,056)	(474,730)	(432,748)
Income from Islamic operations		99,836	88,275	99,836	88,275
Non-interest income	20	5,744	17,040	5,744	17,040
NET OPERATING INCOME		180,197	175,258	180,313	176,566
Personnel costs		(15,878)	(16,227)	(15,878)	(16,227)
Administration and general expenses		(15,845)	(12,832)	(15,778)	(12,741)
OPERATING PROFIT		148,474	146,199	148,657	147,598
Reversal of impairment losses, net		3,169	4,872	3,169	4,872
PROFIT BEFORE TAXATION		151,643	151,071	151,826	152,470
Taxation		(42,622)	(36,593)	(42,622)	(36,593)
PROFIT FOR THE FINANCIAL PERIOD		109,021	114,478	109,204	115,877
EARNINGS PER SHARE (SEN)		72.68	76.32	72.80	77.25
DIVIDEND PER SHARE (SEN)		15.00	15.00	15.00	15.00

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Group		Company	
	6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000
Profit for the financial period	109,021	114,478	109,204	115,877
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Financial assets at FVOCI				
- Net gain on fair value changes before taxation	3,833	34,950	3,833	34,950
- FVOCI ECL	(32)	148	(32)	148
- Deferred taxation	(920)	(8,388)	(920)	(8,388)
Cash flow hedge				
- Net loss on cash flow hedge	(10,031)	(6,158)	(10,031)	(6,158)
- Deferred taxation	2,407	1,478	2,407	1,478
Other comprehensive (loss)/income for the financial period, net of taxation	(4,743)	22,030	(4,743)	22,030
Total comprehensive income for the financial period	104,278	136,508	104,461	137,907

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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Group	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2024	150,000	(2,152)	10,847	47,919	4,347,019	4,553,633
Profit for the financial period	-	-	-	-	109,021	109,021
Other comprehensive income/(loss)	-	2,881	(7,624)	-	-	(4,743)
Total comprehensive income for the financial period	-	2,881	(7,624)	-	109,021	104,278
Transfer from retained profits	-	-	-	204	(204)	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2024	150,000	729	3,223	48,123	4,433,336	4,635,411
Balance as at 1 January 2023	150,000	(37,188)	(2,381)	79,440	4,119,150	4,309,021
Profit for the financial period	-	-	-	-	114,478	114,478
Other comprehensive income/(loss)	-	26,710	(4,680)	-	-	22,030
Total comprehensive income for the financial period	-	26,710	(4,680)	-	114,478	136,508
Transfer to retained profits	-	-	-	(4,633)	4,633	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2023	150,000	(10,478)	(7,061)	74,807	4,215,761	4,423,029

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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

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198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONTINUED)

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
	Share capital	Financial asset at FVOCI reserves	Cash flow hedge reserves	Regulatory reserves	Retained profits	Total equity
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2024	150,000	(2,152)	10,847	47,919	4,351,087	4,557,701
Profit for the financial period	-	-	-	-	109,204	109,204
Other comprehensive income/(loss)	-	2,881	(7,624)	-	-	(4,743)
Total comprehensive income for the financial period	-	2,881	(7,624)	-	109,204	104,461
Transfer from retained profits	-	-	-	204	(204)	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2024	150,000	729	3,223	48,123	4,437,587	4,639,662
Balance as at 1 January 2023	150,000	(37,188)	(2,381)	79,440	4,120,269	4,310,140
Profit for the financial period	-	-	-	-	115,877	115,877
Other comprehensive income/(loss)	-	26,710	(4,680)	-	-	22,030
Total comprehensive income for the financial period	-	26,710	(4,680)	-	115,877	137,907
Transfer to retained profits	-	-	-	(4,633)	4,633	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2023	150,000	(10,478)	(7,061)	74,807	4,218,279	4,425,547

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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Group		Company	
	6 Months to 30 Jun 2024 RM'000	**6 Months to 30 Jun 2023 RM'000**	**6 Months to 30 Jun 2024 RM'000**	**6 Months to 30 Jun 2023 RM'000**
OPERATING ACTIVITIES				
Profit before taxation	151,643	151,071	151,826	152,470
Adjustments for non-cash items	(184,350)	(165,819)	(184,466)	(165,818)
Operating loss before working capital changes	(32,707)	(14,748)	(32,640)	(13,348)
Net changes in operating assets and liabilities	3,422,835	(4,402,124)	3,422,762	(4,403,519)
Zakat paid	(2,534)	(2,828)	(2,534)	(2,828)
Tax paid	(24,635)	(14,652)	(24,635)	(14,652)
Net cash flows from/(used in) operating activities	3,362,959	(4,434,352)	3,362,953	(4,434,347)
INVESTING ACTIVITIES				
Net (purchase)/redemption of financial assets at FVOCI	(526,033)	69,074	(526,033)	69,074
Purchase of:				
- Property and equipment	(1,393)	(383)	(1,393)	(383)
- Intangible assets	(1,153)	(1,884)	(1,153)	(1,884)
Income received from:				
- Financial assets at FVOCI	53,671	61,036	53,671	61,036
Net cash flows (used in)/from investing activities	(474,908)	127,843	(474,908)	127,843
FINANCING ACTIVITIES				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Proceeds from issuance:				
- Unsecured bearer bonds and notes	2,833,798	8,007,049	2,590,000	5,125,000
- Sukuk	4,020,000	3,690,000	4,020,000	3,690,000
Proceeds from loans from subsidiary	-	-	243,798	2,882,049
Redemption of:				
- Unsecured bearer bonds and notes	(5,790,225)	(3,225,000)	(3,040,000)	(3,225,000)
- Sukuk	(2,765,000)	(3,195,000)	(2,765,000)	(3,195,000)
Repayment of loans from subsidiary	-	-	(2,750,225)	-
Interest paid	(502,360)	(281,462)	(502,360)	(281,462)
Profit paid to Sukuk holders	(450,454)	(392,611)	(450,454)	(392,611)
Lease rental paid	(911)	(1,025)	(911)	(1,025)
Net cash flows (used in)/from financing activities	(2,677,652)	4,579,451	(2,677,652)	4,579,451

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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2024 RM'000	6 Months to 30 Jun 2023 RM'000
Net change in cash and cash equivalents	210,399	272,942	210,393	272,947
Cash and cash equivalents as at 1 January	180,359	159,765	180,332	159,722
Cash and cash equivalents as at 30 June	390,758	432,707	390,725	432,669

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 2023 and the accompanying explanatory notes on pages 8 to 67 attached to the condensed interim financial statements.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024

A1 General information

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

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activity is to undertake the issuance of bonds and notes in foreign currency; and
- 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 of the Company and its subsidiaries (“the Group”) during the financial period.

The condensed interim financial statements of the Group and the Company were approved for issue by the Board of Directors on 28 August 2024.

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2024 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 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 2024 have been prepared in accordance with the Malaysian Financial Reporting Standard 134: Interim Financial Reporting (“MFRS 134”) issued by the Malaysian Accounting Standards Board (“MASB”) and International Financial Reporting Standard 34: Interim Financial Reporting (“IAS 34”) issued by International Accounting Standards Board (“IASB”). 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 Group and the Company for the financial year ended 31 December 2023. 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 Group and the Company since financial year ended 31 December 2023. The Group’s and the Company’s unaudited condensed interim financial statements include the financial statements of the Company and its subsidiaries.

All material accounting policy information 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 2023.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

A3 Economic entities in the Group

Subsidiaries

The Group's financial statements consolidate the financial statements of the Company and 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.

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 assets transferred. Accounting policies of subsidiaries are 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, and is recognised in the consolidated income statements.

A4 Amount due from counterparties and Islamic financing assets

Note A1 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 statements 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 income from these financial assets is included in the income statements using the effective interest rate ("EIR") method.

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 statements 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 income from these financial assets is included in the income statements using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

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 describes the Group's and the Company's accounting policy on impairment of assets.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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.

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 period/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.

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 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

A8 Financial assets (continued)

(c) Measurement

At initial recognition, the Group and the Company measure financial assets at its fair value plus, in the case of 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/profit income from these financial assets is included in the income statements using the EIR method. Any gain or loss arising from 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 EIR method. Foreign exchange gains and losses are presented within the non-interest expense in Note 20 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 are recognised in income statements and presented net within non-interest expense in Note 20 in the period which it arises.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

A8 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statements following the derecognition of the investment. Dividends from such investments continue to be recognised in income statements as other income when the Group's 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 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 Note A18 for accounting policy 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 EIR 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 EIR. Other financial liabilities measured at amortised cost are deferred guarantee fee income, deferred Wakalah fee income and other liabilities.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 losses ("ECL") model:

- Amount due from counterparties and Islamic financing assets;
- Mortgage assets and hire purchase 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 changes 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 ("SICR") 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 SICR since initial recognition but 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 SICR when 30 days past due.

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

Simplified approach

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

Significant increase in credit risk ("SICR")

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a SICR on an ongoing basis throughout each reporting period. To assess whether there is a SICR, 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. They consider available, reasonable and supportable forward-looking information.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

A10 Impairment of assets (continued)

A10.1 Financial assets (continued)

Significant increase in credit risk (“SICR”) (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; and
- 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 SICR is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit impaired financial assets

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 they have exhausted all practicable recovery efforts and have 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 EIR/effective profit rate (“EPR”) 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 period.

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 statements of financial position date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

A15 Cash and cash equivalents

For the purpose of statements 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 statements 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

Derivative financial instruments consist of interest rate swaps ("IRSs"), Islamic profit rate swaps ("IPRSs"), cross currency swaps (“CCSs”) and Islamic cross currency swaps (“ICCSs”). Derivative financial instruments are used by the Group and the Company to hedge the issuance of their bond/Sukuk from potential movements in interest rates, profit rates or foreign currency exchange rates.

Fair value of derivative financial instruments is recognised at inception on the statements of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exchange rates 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 its hedge transactions. The Group and the Company also document their 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.

<u>Cash flow hedge</u>

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".

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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" 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".

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 period 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 period 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 statements of financial position date. A dividend proposed or declared after the statements of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statements of financial position date. Upon the dividend becoming payable, it will be accounted for as a liability.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 (“RM”), 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 disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group 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 disclose its existence where inflows of economic benefits are probable, but not virtually certain. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company.

A25 Deferred financing fees

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

A26 Leases

Leases are recognised as right-of-use (“ROU”) asset and a corresponding lease 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: Leases 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 asset

ROU asset is initially measured at cost comprising the followings:
- 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 asset that is not investment properties is subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU asset is 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 asset is adjusted for certain remeasurement of the lease liability. ROU asset is presented as a separate line item in the statements of financial position.

Lease liability

Lease liability is 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 statements of financial position. Interest expense on the lease liability is presented within the non-interest expense in Note 20 to 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 Auditors' report on preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2023 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 2024.

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 Group and the Company for the financial period 30 June 2024.

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 2023 was paid on 8 May 2024.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (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 ended 30 June 2024.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

1. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Cash and balances with banks and other financial institutions	837	559	804	532
Money at call and deposits and placements maturing with original maturity less than three months	233,561	115,110	233,561	115,110
Mudharabah money at call and deposits and placements maturing with original maturity less than three months	156,363	64,690	156,363	64,690
	390,761	180,359	390,728	180,332
Less:				
Allowance for impairment losses	(3)	-	(3)	-
	390,758	180,359	390,725	180,332

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
At 1 January	-	1
Allowance during the period/year on new assets purchased	3	-
Financial assets derecognised during the period/year due to maturity of assets	-	(1)
At 30 June/ 31 December	3	-

2. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Licensed Banks	298,906	86,947

The gross carrying value of deposits and placements with financial institutions are within Stage 1. There is no ECL made for this category as at 30 June 2024 (31 December 2023: Nil).

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Debt instruments:		
Malaysian Government securities	750,221	497,806
Corporate bonds	315,814	318,729
Government investment issues	993,332	847,398
Corporate Sukuk	993,201	856,244
Quasi Government Sukuk	169,717	169,884
	3,222,285	2,690,061

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

Maturing within one year	356,789	148,606
One to three years	559,627	498,549
Three to five years	500,074	611,018
More than five years	1,805,795	1,431,888
	3,222,285	2,690,061

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 statements of financial position.

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

	Gross carrying value RM'000	Impairment allowance RM'000
30 June 2024		
Stage 1 (12-month ECL; non-credit impaired)	3,222,285	338
31 December 2023		
Stage 1 (12-month ECL; non-credit impaired)	2,690,061	370

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
At 1 January	370	365
Allowance during the period/year on new assets purchased	10	255
Financial assets derecognised during the period/year due to maturity of assets	(3)	(152)
Reversal during the period/year due to changes in credit risk	(39)	(98)
At 30 June/ 31 December	338	370

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

4. FINANCIAL ASSETS AT AMORTISED COST

	Group and Company	
	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
Corporate bonds	1,604,581	1,604,687
Corporate Sukuk	681,848	681,993
	2,286,429	2,286,680

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

More than five years	2,290,197	2,290,448
Less: Allowance for impairment losses	(3,768)	(3,768)
	2,286,429	2,286,680

The gross carrying value of financial assets at amortised cost by stage are as follows:

	Gross carrying value	Impairment allowance
	RM'000	RM'000
30 June 2024		
Stage 1 (12-month ECL; non-credit impaired)	2,290,197	3,768
31 December 2023		
Stage 1 (12-month ECL; non-credit impaired)	2,290,448	3,768

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

	Group and Company	
	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
Stage 1		
At 1 January	3,768	3,135
Allowance during the period/year on new assets purchased	-	1,154
Reversal during the period/year due to changes in credit risk	-	(521)
At 30 June/ 31 December	3,768	3,768

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

5. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial assets/liabilities measured at their fair values together with their corresponding contract/notional amounts are as follows:

	Group and Company					
	30 Jun 2024			31 Dec 2023		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cash flow hedges						
IRS/IPRS						
Maturing within one year	445,000	240	(187)	1,000,000	720	(3,924)
One to three years	890,000	-	(2,752)	1,335,000	446	(4,937)
Three to five years	90,000	-	(52)	90,000	-	(142)
More than five years	260,000	13,919	-	160,000	12,922	-
	1,685,000	14,159	(2,991)	2,585,000	14,088	(9,003)
CCS/ICCS						
Maturing within one year	2,112,812	13,790	(9,946)	4,139,796	151,553	(6,158)
One to three years	813,220	21,154	-	1,112,470	42,018	-
	2,926,032	34,944	(9,946)	5,252,266	193,571	(6,158)
	4,611,032	49,103	(12,937)	7,837,266	207,659	(15,161)

6. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Relating to:		
Mortgage loans	17,534,985	19,641,205
Hire purchase and leasing debts	339,483	346,585
	17,874,468	19,987,790

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

Maturing within one year	5,023,077	6,475,796
One to three years	7,427,041	8,861,989
Three to five years	4,287,787	4,288,658
More than five years	1,136,585	361,372
	17,874,490	19,987,815
Less: Allowance for impairment losses	(22)	(25)
	17,874,468	19,987,790

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

6. AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
At 1 January	25	16
Allowance during the period/year on new assets purchased	2	21
Financial assets derecognised during the period/year due to maturity of assets	(1)	(9)
Reversal during the period/year due to changes in credit risk	(4)	(3)
At 30 June/ 31 December	22	25

7. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Relating to:		
Islamic house financing	19,113,495	18,696,839
Islamic personal financing	2,129,566	2,225,410
Islamic hire purchase	504,611	504,612
	21,747,672	21,426,861

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	9,472,521	7,301,922
One to three years	6,736,257	9,385,918
Three to five years	4,738,688	4,739,117
More than five years	800,275	-
	21,747,741	21,426,957
Less: Allowance for impairment losses	(69)	(96)
	21,747,672	21,426,861

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

7. ISLAMIC FINANCING ASSETS (CONTINUED)

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
At 1 January	96	93
Allowance during the period/year on new assets purchased	3	24
Loans derecognised during the period/year due to maturity of assets	(1)	(11)
Reversal during the period/year due to changes in credit risk	(29)	(10)
At 30 June/ 31 Dec	69	96

8. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Purchase without Recourse ("PWOR")	2,804,806	3,021,850

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

Maturing within one year	456,271	642,965
One to three years	724,080	741,844
Three to five years	601,517	634,252
More than five years	1,033,267	1,014,207
	2,815,135	3,033,268
Less: Allowance for impairment losses	(10,329)	(11,418)
	2,804,806	3,021,850

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

8. MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
June 2024		
Stage 1 (12-month ECL; non credit impaired)	2,805,835	8,008
Stage 2 (Lifetime ECL; non credit impaired)	793	109
Stage 3 (Lifetime ECL; credit impaired)	8,507	2,212
At 30 June	2,815,135	10,329
Impairment allowance over gross carrying value (%)		0.37
December 2023		
Stage 1 (12-month ECL; non credit impaired)	3,021,332	8,496
Stage 2 (Lifetime ECL; non credit impaired)	1,447	195
Stage 3 (Lifetime ECL; credit impaired)	10,489	2,727
At 31 December	3,033,268	11,418
Impairment allowance over gross carrying value (%)		0.38

9. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
PWOR	3,686,960	3,881,528

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

	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Maturing within one year	444,917	601,511
One to three years	762,024	782,955
Three to five years	660,416	689,809
More than five years	1,830,628	1,818,964
	3,697,985	3,893,239
Less: Allowance for impairment losses	(11,025)	(11,711)
	3,686,960	3,881,528

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

9. MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
June 2024		
Stage 1 (12-month ECL; non credit impaired)	3,683,390	7,413
Stage 2 (Lifetime ECL; non credit impaired)	1,327	162
Stage 3 (Lifetime ECL; credit impaired)	13,268	3,450
At 30 June	3,697,985	11,025
Impairment allowance over gross carrying value (%)		0.30
December 2023		
Stage 1 (12-month ECL; non credit impaired)	3,876,935	7,846
Stage 2 (Lifetime ECL; non credit impaired)	2,401	250
Stage 3 (Lifetime ECL; credit impaired)	13,903	3,615
At 31 December	3,893,239	11,711
Impairment allowance over gross carrying value (%)		0.30

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

10. ISLAMIC HIRE PURCHASE ASSETS

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
PWOR	58	55

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

Maturing within one year	64	61
Less: Allowance for impairment losses	(6)	(6)
	58	55

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
June 2024		
Stage 1 (12-month ECL; non-credit impaired)	39	-
Stage 3 (Lifetime ECL; credit impaired)	25	6
At 30 June	64	6
Impairment allowance over gross carrying value (%)		9.38
December 2023		
Stage 1 (12-month ECL; non-credit impaired)	36	-
Stage 3 (Lifetime ECL; credit impaired)	25	6
At 31 December	61	6
Impairment allowance over gross carrying value (%)		9.84

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

11. OTHER ASSETS

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Compensation receivable from originator on mortgage assets	28	33	28	33
Deposits	937	923	936	922
Collateral receivable	7,994	13,716	7,994	13,716
Staff loans and financing	2,264	2,311	2,264	2,311
Management fee receivable	719	610	719	610
Prepayments	3,347	2,849	3,336	2,837
Other receivables	42	34	42	34
	15,331	20,476	15,319	20,463

12. RIGHT-OF-USE ASSET

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Cost		
At 1 January	15,461	15,461
At 30 June/ 31 December	15,461	15,461
Accumulated amortisation		
At 1 January	(8,285)	(6,077)
Charge for the period/year	(1,104)	(2,208)
At 30 June/ 31 December	(9,389)	(8,285)
Net book value		
At 30 June/ 31 December	6,072	7,176

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

13. OTHER LIABILITIES

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Amount due to GOM*	98,655	127,023	98,655	127,023
Provision for zakat	-	2,534	-	2,534
Accruals	17,666	19,370	17,538	19,307
Other payables	687	1,484	687	1,477
	117,008	150,411	116,880	150,341

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

14. LEASE LIABILITY

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
At 1 January	9,308	11,384
Lease obligation interest expense	136	316
Lease obligation repayment	(911)	(2,392)
At 30 June/ 31 December	8,533	9,308

The maturity structure of lease liability are as follows:

Due in one year or less	3,467	2,436
Due in two to five years	5,066	6,872
Total present value of minimum lease payments	8,533	9,308

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

15. LOANS FROM SUBSIDIARY

Loans from subsidiary outstanding at financial period that are not in the functional currency of the Group are as follows:

	Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
HKD	-	489,906
SGD	2,974,000	4,983,748
	2,974,000	5,473,654

Loans from subsidiary are unsecured and subject to interest rates ranging from 3.57% to 4.25% per annum (2023: 1.99% to 5.00% per annum). The maturity structure of loans from subsidiary are as follows:

	Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Maturing within one year	2,139,133	4,326,371
One to three years	834,867	1,147,283
	2,974,000	5,473,654

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

16. UNSECURED BEARER BONDS AND NOTES

			Group			
			30 Jun 2024		31 Dec 2023	
		Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
			RM'000	%	RM'000	%
(a)	Commercial papers	2024	275,000	3.540-3.550	1,005,000	3.660-3.830
	Add: Interest payable		842		2,783	
			275,842		1,007,783	
(b)	Conventional medium-term notes	2024	4,650,376	2.670-5.520	9,005,013	1.990-5.520
		2025	5,578,370	3.620-4.850	4,374,387	3.620-4.850
		2026	3,338,076	3.570-3.940	3,137,895	3.570-3.940
		2027	5,815,000	3.750-4.900	5,725,000	3.780-4.900
		2028	890,000	3.970-4.280	890,000	3.970-4.280
		2029	155,000	3.860-5.750	245,000	5.500-5.750
		2031	670,000	4.030	-	-
		2033	200,000	4.200	200,000	4.200
		2034	100,000	4.040	-	-
		2035	160,000	5.070	160,000	5.070
			21,556,822		23,737,295	
	Add: Interest payable		172,506		211,286	
	Less: Deferred financing fees		(777)		(1,456)	
			21,728,551		23,947,125	
	Total		22,004,393		24,954,908	

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

					Company
		30 Jun 2024		31 Dec 2023	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Commercial papers	2024	275,000	3.540-3.550	1,005,000	3.660-3.830
Add: Interest payable		842		2,783	
		275,842		1,007,783	
(b) Conventional medium-term notes	2024	3,085,000	2.670-5.520	4,735,000	2.380-5.520
	2025	4,500,000	3.620-4.850	3,540,000	3.720-4.850
	2026	3,025,000	3.700-3.940	2,825,000	3.820-3.940
	2027	5,815,000	3.750-4.900	5,725,000	3.780-4.900
	2028	890,000	3.970-4.280	890,000	3.970-4.280
	2029	155,000	3.860-5.750	245,000	5.500-5.750
	2031	670,000	4.030	-	-
	2033	200,000	4.200	200,000	4.200
	2034	100,000	4.040	-	-
	2035	160,000	5.070	160,000	5.070
		18,600,000		18,320,000	
Add: Interest payable		155,302		154,965	
Less: Deferred financing fees		(777)		(1,405)	
		18,754,525		18,473,560	
Total		19,030,367		19,481,343	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Maturing within one year	7,944,959	10,223,248	5,805,800	5,896,966
One to three years	7,159,434	7,512,067	6,324,567	6,364,784
Three to five years	5,675,000	6,614,593	5,675,000	6,614,593
More than five years	1,225,000	605,000	1,225,000	605,000
	22,004,393	24,954,908	19,030,367	19,481,343

Cagamas issues debt securities, inclusive of sustainability, green and social bonds to finance the purchase of 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 Papers ("CPs")

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 ("CMTNs")

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

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTNs"). 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
HKD	-	489,906
SGD	2,974,026	4,983,658
	2,974,026	5,473,564

17. SUKUK

	Group and Company				
		30 Jun 2024		31 Dec 2023	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2024	1,390,000	3.500-3.560	640,000	3.610-3.750
Add: Profit payable		4,962		1,797	
		1,394,962		641,797	
(b) Islamic medium-term notes	2024	5,690,000	2.670-5.520	6,745,000	2.670-5.520
	2025	6,050,000	3.100-4.650	5,290,000	3.100-4.650
	2026	3,670,000	3.150-4.920	3,670,000	3.150-4.920
	2027	1,955,000	4.140-4.620	1,955,000	4.140-4.620
	2028	3,665,000	3.970-4.260	3,665,000	3.970-4.260
	2029	180,000	3.860-5.750	180,000	5.500-5.750
	2030	465,000	4.230	465,000	4.230
	2033	500,000	4.310	500,000	4.310
	2034	800,000	4.000	-	-
		22,975,000		22,470,000	
Add: Profit payable		162,953		166,342	
		23,137,953		22,636,342	
		24,532,915		23,278,139	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

17. SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	Group and Company	
	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
Maturing within one year	10,262,915	7,553,139
One to three years	6,705,000	8,960,000
Three to five years	5,700,000	5,620,000
More than five years	1,865,000	1,145,000
	24,532,915	23,278,139

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

(a) Islamic Commercial Papers ("ICPs")

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

(b) Fixed Profit Rate Islamic Medium-term Notes ("IMTNs")

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

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

VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. KLIBOR. 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 period which is not in the functional currency of the Group.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

18. INTEREST INCOME

	Group and Company	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Amount due from counterparties	382,251	323,328
Mortgage assets	60,085	69,775
Compensation from mortgage assets	1	2
Financial assets at amortised cost	33,880	31,839
Reverse mortgage	87	29
Financial assets at FVOCI	43,468	42,697
Deposits and placements with financial institutions	2,551	3,644
	522,323	471,314
Accretion of discount less amortisation of premium (net)	27,140	32,685
	549,463	503,999

19. INTEREST EXPENSE

	Group		Company	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Floating rate notes	-	13,891	-	13,891
Medium-term notes	451,843	405,079	368,017	330,381
Commercial papers	9,500	5,641	9,500	5,641
Loans from subsidiary	-	-	83,761	74,711
Deposits and placements of financial institutions	12,629	7,466	12,629	7,466
Lease liability	135	166	135	166
Deferred financing and guarantee fees	739	1,813	688	492
	474,846	434,056	474,730	432,748

20. NON-INTEREST INCOME

	Group and Company	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Net gain arising from derivatives	12,235	12,563
Gain on disposal of:		
- Financial assets at FVOCI	124	4,403
- Property and equipment	1	3
Net amount reclassified into profit or loss – cash flow hedge	(45,994)	(228,176)
Unrealised gain on foreign exchange	45,069	226,362
Income from repo collateral	69	127
Other non-interest (expense)/income	(5,760)	1,758
	5,744	17,040

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

21.1 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).

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2024				
Assets				
Financial assets at FVOCI	-	3,222,285	-	3,222,285
Derivative financial assets	-	49,103	-	49,103
Liabilities				
Derivative financial liabilities	-	12,937	-	12,937
31 December 2023				
Assets				
Financial assets at FVOCI	-	2,690,061	-	2,690,061
Derivative financial assets	-	207,659	-	207,659
Liabilities				
Derivative financial liabilities	-	15,161	-	15,161

21.2 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

21.2 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:

	30 June 2024		31 December 2023	
	Carrying value RM’000	Fair value RM’000	Carrying value RM’000	Fair value RM’000
Group				
Financial assets				
Financial assets at amortised cost	2,286,429	2,328,820	2,286,680	2,312,107
Amount due from counterparties	17,874,468	18,167,022	19,987,790	20,210,096
Islamic financing assets	21,747,672	21,956,366	21,426,861	21,635,189
Mortgage assets:				
- Conventional	2,804,806	3,115,639	3,021,850	3,232,627
- Islamic	3,686,960	4,056,856	3,881,528	4,189,621
Islamic hire purchase assets	58	61	55	62
	48,400,393	49,624,764	50,604,764	51,579,702
Financial liabilities				
Short-term borrowings	868,309	868,309	648,790	648,790
Unsecured bearer bonds and notes	22,004,393	22,185,158	24,954,908	25,154,014
Sukuk	24,532,915	24,684,331	23,278,139	23,431,049
	47,405,617	47,737,798	48,881,837	49,233,853

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

21.2 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):

	30 June 2024		31 December 2023	
	Carrying value RM’000	Fair value RM’000	Carrying value RM’000	Fair value RM’000
Company				
Financial assets				
Financial assets at amortised cost	2,286,429	2,328,820	2,286,680	2,312,107
Amount due from counterparties	17,874,468	18,167,022	19,987,790	20,210,096
Islamic financing assets	21,747,672	21,956,366	21,426,861	21,635,189
Mortgage assets:				
- Conventional	2,804,806	3,115,639	3,021,850	3,232,627
- Islamic	3,686,960	4,056,856	3,881,528	4,189,621
Islamic hire purchase assets	58	61	55	62
	48,400,393	49,624,764	50,604,764	51,579,702
Financial liabilities				
Short-term borrowings	868,309	868,309	648,790	648,790
Loans/financing from subsidiaries	2,974,000	2,994,947	5,473,654	5,530,677
Unsecured bearer bonds and notes	19,030,367	19,211,132	19,481,343	19,680,398
Sukuk	24,532,915	24,684,331	23,278,139	23,431,049
	47,405,591	47,758,719	48,881,926	49,290,914

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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

21.2 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.

22. 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 financings are acquired with recourse to the primary lenders should the loans and financings 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 counterparties on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparties, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

(c) Treasury

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 JUNE 2024	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	808,389	194,926	60,154	50,321	1,113,790
External interest/ profit expense	(778,082)	(102,448)	(745)	(52,318)	(933,593)
Segment result (Net operating income)	30,307	92,478	59,409	(1,997)	180,197
Personnel costs					(15,878)
Administration and general expenses					(15,845)
Operating profit					148,474
Reversal of impairment losses, net					3,169
Profit before taxation					151,643
Taxation					(42,622)
Profit after taxation					109,021
Segment assets	39,622,140	6,491,824	3,911,949	2,378,668	52,404,581
Segment liabilities	39,722,308	4,550,000	868,309	2,628,553	47,769,170
Other information					
Capital expenditure	2,438	400	241	146	3,225
Depreciation and amortisation	3,407	558	336	205	4,506

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 June 2023	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	672,638	224,517	77,989	42,419	1,017,563
External interest/ profit expense	(642,045)	(163,550)	(72)	(36,638)	(842,305)
Segment result (Net operating income)	30,593	60,967	77,917	5,781	175,258
Personnel costs					(16,227)
Administration and general expenses					(12,832)
Operating profit					146,199
Reversal of impairment losses, net					4,872
Profit before taxation					151,071
Taxation					(36,593)
Profit after taxation					114,478
Segment assets	37,199,488	7,280,520	4,230,256	2,508,968	51,219,232
Segment liabilities	37,604,289	6,546,919	188,297	2,456,698	46,796,203
Other information					
Capital expenditure	1,446	283	164	97	1,990
Depreciation and amortisation	2,396	469	272	162	3,299

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 JUNE 2024					Company
	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	808,389	194,926	60,154	50,321	1,113,790
Internal interest/ profit expense	(83,761)	-	-	-	(83,761)
External interest/ profit expense	(694,205)	(102,448)	(745)	(52,318)	(849,716)
Total interest/ profit expense	(777,966)	(102,448)	(745)	(52,318)	(933,477)
Segment result (Net operating income)	30,423	92,478	59,409	(1,997)	180,313
Personnel costs					(15,878)
Administration and general expenses					(15,778)
Operating profit					148,657
Reversal of impairment losses, net					3,169
Profit before taxation					151,826
Taxation					(42,622)
Profit after taxation					109,204
Segment assets	39,622,140	6,491,824	3,911,917	2,382,797	52,408,678
Segment liabilities	39,722,282	4,550,000	868,309	2,628,425	47,769,016
Other information					
Capital expenditure	2,438	399	241	147	3,225
Depreciation and amortisation	3,407	558	336	205	4,506

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 June 2023					Company
	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	672,638	224,517	77,989	42,419	1,017,563
Internal interest/ profit expense	(74,711)	-	-	-	(74,711)
External interest/ profit expense	(566,027)	(163,550)	(72)	(36,637)	(766,286)
Total interest/ profit expense	(640,738)	(163,550)	(72)	(36,637)	(840,997)
Segment result (Net operating income)	31,900	60,967	77,917	5,782	176,566
Personnel costs					(16,227)
Administration and general expenses					(12,741)
Operating profit					147,598
Reversal of impairment losses, net					4,872
Profit before taxation					152,470
Taxation					(36,593)
Profit after taxation					115,877
Segment assets	37,199,488	7,280,520	4,230,218	2,512,955	51,223,181
Segment liabilities	37,605,925	6,546,919	188,297	2,456,493	46,797,634
Other information					
Capital expenditure	1,446	283	164	97	1,990
Depreciation and amortisation	2,396	469	272	162	3,299

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

23. CAPITAL ADEQUACY

Common equity tier 1 (“CET1”) and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio (“RWCR”) is the ratio of total capital to risk-weighted assets.

	Group		Company	
	30 Jun 2024	31 Dec 2023*	30 Jun 2024	31 Dec 2023*
	%	%	%	%
CET 1 capital ratio	33.7	31.6	33.7	31.6
Tier 1 capital ratio	33.7	31.6	33.7	31.6
Total capital ratio	34.1	32.0	34.1	32.1

	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	4,481,459	4,394,938	4,485,712	4,399,006
	4,631,459	4,544,938	4,635,712	4,549,006
Financial assets at FVOCI reserves	325	(2,152)	325	(2,152)
Deferred tax assets	(13,648)	(13,501)	(13,648)	(13,501)
Less: Regulatory reserves	(48,123)	(47,919)	(48,123)	(47,919)
Total Tier 1 capital	4,570,013	4,481,366	4,574,266	4,485,434
Tier 2 capital:				
Allowance for impairment losses	15,790	17,287	15,790	17,287
Add: Regulatory reserves	48,123	47,919	48,123	47,919
Total Tier 2 capital	63,913	65,206	63,913	65,206
Total capital	4,633,926	4,546,572	4,638,179	4,550,640
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	12,918,860	13,543,083	12,922,984	13,547,193
Operational risk	660,465	645,292	660,465	645,292
Total risk-weighted assets	13,579,325	14,188,375	13,583,449	14,192,485

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.

* The 31 December 2023 capital adequacy ratios have been restated to align with current period computation.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS

CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	Group		Company	
		30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
ASSETS					
Cash and cash equivalents	(a)	156,693	64,849	156,682	64,837
Financial assets at fair value through other comprehensive income (FVOCI)	(b)	810,154	623,072	810,154	623,072
Financial assets at amortised cost	(c)	681,848	681,993	681,848	681,993
Derivative financial assets		-	720	-	720
Financing assets	(d)	21,747,672	21,426,861	21,747,672	21,426,861
Mortgage assets	(e)	3,685,770	3,880,225	3,685,770	3,880,225
Hire purchase assets	(f)	53	49	53	49
Reverse mortgage assets		406	225	406	225
Other assets and prepayments		289,148	289,126	291,835	291,813
TOTAL ASSETS		27,371,744	26,967,120	27,374,420	26,969,795
LIABILITIES					
Short-term borrowings*		893,112	1,823,287	893,112	1,823,287
Derivative financial liabilities		1,416	2,529	1,416	2,529
Other liabilities	(g)	1,975	5,394	539	4,022
Provision for taxation		56,276	36,407	56,276	36,407
Deferred taxation		106,790	106,429	106,790	106,429
Sukuk	(h)	24,532,915	23,278,139	24,532,915	23,278,139
TOTAL LIABILITIES		25,592,484	25,252,185	25,591,048	25,250,813
ISLAMIC OPERATIONS' FUNDS		1,779,260	1,714,935	1,783,372	1,718,982
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		27,371,744	26,967,120	27,374,420	26,969,795

* Included in short-term borrowings is Wakalah placement from the conventional operations amounting to RM0.9 billion (2023: RM1.8 billion). This inter-operations charge is eliminated at the Company level.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Note	Group		Company	
		6 months to 30 Jun 2024 RM'000	6 months to 30 Jun 2023 RM'000	6 months to 30 Jun 2024 RM'000	6 months to 30 Jun 2023 RM'000
Total income attributable		551,023	493,109	551,023	493,109
Income attributable to the Sukuk holders	(i)	(450,113)	(406,784)	(450,113)	(406,784)
Non-profit expense*		(18,797)	(16,580)	(18,797)	(16,580)
Total net income attributable	(j)	82,113	69,745	82,113	69,745
Administration and general expenses		(917)	(1,181)	(852)	(1,112)
Reversal of impairment losses, net		1,523	2,284	1,523	2,284
PROFIT BEFORE TAXATION		82,719	70,848	82,784	70,917
Taxation		(19,868)	(21,467)	(19,868)	(21,467)
PROFIT FOR THE FINANCIAL PERIOD		62,851	49,381	62,916	49,450

* Included in non-profit expense during the year is Wakalah placement profit expenses paid to the conventional operations amounting to RM17.7 million (2023: RM18.5 million). This inter-operations charge is eliminated at the Company level.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Group		**Company**	
	6 months to 30 Jun 2024 RM'000	**6 months to 30 Jun 2023 RM'000**	**6 months to 30 Jun 2024 RM'000**	**6 months to 30 Jun 2023 RM'000**
Profit for the financial period	62,851	49,381	62,916	49,450
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	930	8,975	930	8,975
- FVOCI ECL	(9)	108	(9)	108
- Deferred taxation	(223)	(2,154)	(223)	(2,154)
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	575	(3,617)	575	(3,617)
- Deferred taxation	(138)	868	(138)	868
Other comprehensive income for the financial period, net of taxation	1,135	4,180	1,135	4,180
Total comprehensive income for the financial period	63,986	53,561	64,051	53,630

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

		Non-distributable			Distributable	
Group	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2024	294,409	2,818	(1,469)	28,331	1,390,846	1,714,935
Profit for the financial period	-	-	-	-	62,851	62,851
Other comprehensive income	-	698	437	-	-	1,135
Total comprehensive income for the financial period	-	698	437	-	62,851	63,986
Transfer to retained profits	-	-	-	(61)	61	-
Transfer to Islamic operations	339	-	-	-	-	339
Balance as at 30 June 2024	294,748	3,516	(1,032)	28,270	1,453,758	1,779,260
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,250	1,269,979	1,606,194
Profit for the financial period	-	-	-	-	49,381	49,381
Other comprehensive income/(loss)	-	6,929	(2,749)	-	-	4,180
Total comprehensive income for the financial period	-	6,929	(2,749)	-	49,381	53,561
Transfer to retained profits	-	-	-	(2,181)	2,181	-
Balance as at 30 June 2023	294,159	397	1,589	42,069	1,321,541	1,659,755

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

		Non-distributable			Distributable	
Company	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2024	294,409	2,818	(1,469)	28,552	1,394,672	1,718,982
Profit for the financial period	-	-	-	-	62,916	62,916
Other comprehensive income	-	698	437	-	-	1,135
Total comprehensive income for the financial period	-	698	437	-	62,916	64,051
Transfer to retained profits	-	-	-	(61)	61	-
Transfer to Islamic operations	339	-	-	-	-	339
Balance as at 30 June 2024	294,748	3,516	(1,032)	28,491	1,457,649	1,783,372
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,471	1,273,656	1,610,092
Profit for the financial period	-	-	-	-	49,450	49,450
Other comprehensive income/(loss)	-	6,929	(2,749)	-	-	4,180
Total comprehensive income for the financial period	-	6,929	(2,749)	-	49,450	53,630
Transfer to retained profits	-	-	-	(2,181)	2,181	-
Balance as at 30 June 2023	294,159	397	1,589	42,290	1,325,287	1,663,722

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024

	Group		Company	
	6 months to 30 Jun 2024 RM'000	**6 months to 30 Jun 2023 RM'000**	**6 months to 30 Jun 2024 RM'000**	**6 months to 30 Jun 2023 RM'000**
OPERATING ACTIVITIES				
Profit before taxation	82,719	70,848	82,784	70,917
Adjustment for non-cash items	(101,685)	(82,871)	(101,685)	(82,871)
Operating loss before working capital changes	(18,966)	(12,023)	(18,901)	(11,954)
Change in operating assets and liabilities	(519,879)	(198,136)	(519,943)	(198,205)
Zakat paid	(2,534)	(2,828)	(2,534)	(2,828)
Net cash flows used in operating activities	(541,379)	(212,987)	(541,378)	(212,987)
INVESTING ACTIVITIES				
Net (purchase)/redemption of financial assets at FVOCI	(184,399)	78,728	(184,399)	78,728
Income received from				
- Financial assets at FVOCI	13,076	17,785	13,076	17,785
Net cash flows (used in)/from investing activities	(171,323)	96,513	(171,323)	96,513

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2024 (CONTINUED)

	Group		Company	
	6 months to 30 Jun 2024 RM'000	**6 months to 30 Jun 2023 RM'000**	**6 months to 30 Jun 2024 RM'000**	**6 months to 30 Jun 2023 RM'000**
FINANCING ACTIVITIES				
Proceeds from issuance of Sukuk	4,020,000	3,690,000	4,020,000	3,690,000
Redemption of Sukuk	(2,765,000)	(3,195,000)	(2,765,000)	(3,195,000)
Profit paid to Sukuk holders	(450,454)	(392,611)	(450,454)	(392,611)
Net cash flows from financing activities	804,546	102,389	804,546	102,389
Net change in cash and cash equivalents	91,844	(14,085)	91,845	(14,085)
Cash and cash equivalents as at 1 January	64,849	79,951	64,837	79,939
Cash and cash equivalents as at 30 June	156,693	65,866	156,682	65,854

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and cash equivalents*

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Cash and bank balances with banks and other financial institutions	331	159	320	147
Mudharabah money at call and deposits and placements maturing with original maturity less than three months	156,363	64,690	156,363	64,690
	156,694	64,849	156,683	64,837
Less: Allowance for impairment losses	(1)	-	(1)	-
	156,693	64,849	156,682	64,837

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
As at 1 January	-	1
Allowance during the period/year on new investments	1	-
Financial assets derecognised during the period/year due to maturity of assets	-	(1)
As at 31 December	1	-

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(b) Financial assets at FVOCI

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
At fair value:		
Corporate Sukuk	504,687	369,060
Government investment issues	284,172	232,758
Quasi Government Sukuk	21,295	21,254
	810,154	623,072

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

Maturing within one year	141,377	35,919
One to three years	171,993	130,690
Three to five years	81,524	82,045
More than five years	415,260	374,418
	810,154	623,072

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 statements of financial position.

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
30 June 2024		
Stage 1 (12-month ECL; non-credit impaired)	810,154	179
31 December 2023		
Stage 1 (12-month ECL; non-credit impaired)	623,072	188

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(b) Financial assets at FVOCI (continued)

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
As at 1 January	188	115
Allowance during the period/year on new assets purchased	5	174
Financial assets derecognised during the period/year due to maturity of assets	-	(98)
Reversal during the period/year due to changes in credit risk	(14)	(3)
As at 31 December	179	188

(c) Financial assets at amortised cost

Corporate Sukuk	681,848	681,993

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

Maturing more than five years	684,028	684,173
Less: Allowance for impairment losses	(2,180)	(2,180)
	681,848	681,993

The gross carrying value by stage are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
30 June 2024		
Stage 1 (12-month ECL; non-credit impaired)	684,028	2,180
31 December 2023		
Stage 1 (12-month ECL; non-credit impaired)	684,173	2,180

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financial assets at amortised cost (continued)*

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
As at 1 January	2,180	1,113
Allowance during the year on new investments	-	1,095
Reversal during the year due to changes in credit risk	-	(28)
As at 30 June/ 31 December	2,180	2,180

(d) *Financing assets*

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
House financing	19,113,495	18,696,839
Personal financing	2,129,566	2,225,410
Hire purchase	504,611	504,612
	21,747,672	21,426,861

The maturity structure of financing assets are as follows:

Maturing within one year	9,472,521	7,301,922
One to three years	6,736,257	9,385,918
Three to five years	4,738,688	4,739,117
More than five years	800,275	-
	21,747,741	21,426,957
Less:		
Allowance for impairment losses	(69)	(96)
	21,747,672	21,426,861

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(d) Financing assets (continued)

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

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Stage 1		
As at 1 January	96	93
Allowance during the period/year on new assets purchased	3	24
Financial assets derecognised during the period/year due to maturity of assets	(1)	(11)
Reversal during the period/year due to changes in credit risk	(29)	(10)
As at 30 June/ 31 December	69	96

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets

	Group and Company	
	30 Jun 2024	31 Dec 2023
	RM'000	RM'000
PWOR	3,685,770	3,880,225

The maturity structure of mortgage assets are as follows:

Maturing within one year	444,439	600,996
One to three years	761,588	782,496
Three to five years	660,308	689,649
More than five years	1,830,458	1,818,792
	3,696,793	3,891,933
Less: Allowance for impairment losses	(11,023)	(11,708)
	3,685,770	3,880,225

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage:		
June 2024		
Stage 1 (12-month ECL; non credit impaired)	3,682,198	7,411
Stage 2 (Lifetime ECL; non credit impaired)	1,327	162
Stage 3 (Lifetime ECL; credit impaired)	13,268	3,450
As at 30 June	3,696,793	11,023
Impairment allowance over gross carrying value (%)		0.30
December 2023		
Stage 1 (12-month ECL; non credit impaired)	3,875,629	7,843
Stage 2 (Lifetime ECL; non credit impaired)	2,401	250
Stage 3 (Lifetime ECL; credit impaired)	13,903	3,615
As at 31 December	3,891,933	11,708
Impairment allowance over gross carrying value (%)		0.30

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase assets*

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
PWOR	53	49

The maturity structure of hire purchase assets are as follows:

Maturing within one year	59	55
Less: Allowance for impairment losses	(6)	(6)
	53	49

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage:		
June 2024		
Stage 1 (12-month ECL; non credit impaired)	34	-
Stage 3 (Lifetime ECL; credit impaired)	25	6
As at 30 June	59	6
Impairment allowance over gross carrying value (%)		10.17
December 2023		
Stage 1 (12-month ECL; non credit impaired)	30	-
Stage 3 (Lifetime ECL; credit impaired)	25	6
As at 31 December	55	6
Impairment allowance over gross carrying value (%)		10.91

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(g) *Other liabilities*

	Group		Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Zakat	-	2,534	-	2,534
Other payables	1,975	2,860	539	1,488
	1,975	5,394	539	4,022

(h) *Sukuk*

	Group and Company	
	30 Jun 2024 RM'000	31 Dec 2023 RM'000
Commercial papers	1,394,962	641,797
Medium-term notes	23,137,953	22,636,342
	24,532,915	23,278,139

The maturity structure of Sukuk are as follows:

Maturing within one year	10,262,915	7,553,139
One to three years	6,705,000	8,960,000
Three to five years	5,700,000	5,620,000
More than five years	1,865,000	1,145,000
	24,532,915	23,278,139

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(i) Income attributable to the Sukuk holders

	Group and Company	
	30 Jun 2024 RM'000	30 Jun 2023 RM'000
Mortgage assets	57,941	95,081
Hire purchase assets	31	38
Financing assets	392,141	311,593
Short-term borrowings	-	72
	450,113	406,784

Income attributable to the Sukuk holders by concept is as follows:

Bai Al-Dayn	450,113	406,784

(j) Total income attributable

Income from:		
Mortgage assets	47,379	25,040
Hire purchase assets	(31)	(38)
Financing assets	37,160	32,216
Financial assets at FVOCI	14,830	23,846
Deposit and placements with financial institutions	1,572	5,261
Non-profit expense	(18,797)	(16,580)
	82,113	69,745

Total net income analysed by concept are as follows:

Bai Al-Dayn	65,699	40,638
Murabahah	10,403	8,036
Ijarah	-	1,280
Mudharabah	1,739	7,327
Musyarakah	558	3,189
Wakalah	2,141	4,014
Tawarruq	1,056	4,939
Qard Al-Hasan	517	322
	82,113	69,745

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(k) Capital adequacy

	Group		Company	
	30 Jun 2024 RM'000 %	31 Dec 2023* RM'000 %	30 Jun 2024 RM'000 %	31 Dec 2023* RM'000 %
CET 1 capital ratio	21.6	20.7	21.7	20.7
Tier 1 capital ratio	21.6	20.7	21.7	20.7
Total capital ratio	22.1	21.1	22.1	21.2

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	1,482,016	1,419,177	1,486,128	1,423,225
	1,776,175	1,713,336	1,780,287	1,717,384
Financial assets at FVOCI reserve	1,582	1,268	1,582	1,268
Deferred tax assets	(3,578)	(3,822)	(3,578)	(3,822)
Less: Regulatory reserves	(28,268)	(28,329)	(28,268)	(28,329)
Total CET 1/Tier 1 capital	1,745,911	1,682,453	1,750,023	1,686,501
Tier 2 capital:				
Add: Regulatory reserves	28,268	28,329	28,268	28,329
Allowance for impairment losses	9,008	9,676	9,008	9,676
Total Tier 2 capital	37,276	38,005	37,276	38,005
Total capital	1,783,187	1,720,458	1,787,299	1,724,506

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

Credit risk	7,783,620	7,877,209	7,786,305	7,879,893
Operational risk	290,427	267,106	290,427	267,106
Total risk-weighted assets	8,074,047	8,144,315	8,076,732	8,146,999

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.

* The 31 December 2023 capital adequacy ratios have been restated to align with current period computation.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

25. BUSINESS REVIEW

Market Environment

The International Monetary Fund ("IMF") predicts the global economy will grow at 3.2% in 2024, at the same pace as in 2023. Tight monetary conditions, fiscal support withdrawal, low productivity growth and geopolitical developments continue to suppress global growth below historical standards. The Malaysian economy has remained resilient with Gross Domestic Product ("GDP") growing higher than expected at 4.2% in 1Q 2024 (4Q2023: 2.9%). Private consumptions, recovery in exports and return of inbound tourists supported growth during the quarter. The official projection for Malaysian economic growth is retained at 4%- 5% for 2024 (2023: 3.6%).

Heightened volatility was observed across global capital and exchange rate markets. Year-to-date as of June 2024, the Ringgit has depreciated against the US dollar by 2.8% amid extended US dollar strength. However, this was better than other major regional currencies such as the Indonesian rupiah and the Thai baht which depreciated by 6.5% and 6.9% against the dollar respectively. Meanwhile, the FBM KLCI rose by 9.3% year-to-date, due to purchases by local institutional investors. Year-to-date as of June 2024, foreign investors are net sellers of Malaysian equities with MYR 1 billion outflows.

The 10-year Malaysian Government Securities had increased by 12 basis points ("bps") year-to-date due to expectations for later and fewer U.S. policy interest rate reductions. The U.S. Treasury's inverted yield curve has persisted as the U.S. Federal Reserve Board holds back from cutting interest rates until consumer prices move closer to their 2.0% inflation target. However, recent signals from the U.S. Federal Reserve Board suggest that rate cuts could take place as early as September 2024. The market is pricing in 50 bps of Federal Reserve rate cuts by year-end.

Inflation remained moderate in 1Q 2024 at 1.7% (4Q 2023: 1.6%) and is expected to remain modest through 2024, subject to domestic policies and global commodity prices. At its third meeting in May 2024, the Monetary Policy Committee ("MPC") of Bank Negara Malaysia ("BNM") left the overnight policy rate ("OPR") unchanged at 3.00% . BNM is expected to keep the OPR at the current level for 2024 to maintain growth while balancing potential inflationary pressures.

Malaysian banking system continues to maintain sufficient liquidity. This is reflected by the loan-to-deposit and the liquidity coverage ratio which were 86.6% and 149.7% respectively as of May 2024. The funding profile was well-diversified with May 2024's loan-to-fund ratio and loan-to-fund-and-equity ratio at 82.2% and 71.5% respectively. The banking system also remains well-capitalised with the total capital ratio at 18.0% as of May 2024.

Cagamas, driven by its five-year strategic plan called "Cagamas House of the Future", aims to position Cagamas as a centre of excellence in the home financing ecosystem. Cagamas is committed to meeting the liquidity requirements of financial institutions while closely monitoring the risks associated with global and domestic market fluctuations. Additionally, Cagamas is dedicated to supporting the nation's goal of increasing home ownership and fulfilling its developmental role in the housing sector by leveraging its expertise in the housing market. To promote the industry's transition to a low-carbon economy, Cagamas intends to expand green residential mortgages and promote energy-efficient homes by establishing a standardised approach for green housing and green home improvement financing. These efforts highlight Cagamas' role as a national mortgage corporation that promotes home ownership through sustainable housing finance and as a preferred liquidity provider in the market.

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[1] IMF World Economic Outlook, Steady but Slow: Resilience amid Divergence, July 2024
[1] BNM Quarterly Bulletin 1Q 2024
[1] BNM Quarterly Bulletin 1Q 2024
[1] BNM Exchange Rates
[1] CEIC Data, Bursa Malaysia
[1] BNM Quarterly Bulletin 1Q 2024
[1] BNM, Monetary Policy, OPR decisions
[1] BNM Monthly Highlights & Statistics in May 2024
[1] BNM Monthly Highlights & Statistics in May 2024
[1] BNM Monthly Highlights & Statistics in May 2024

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

25. BUSINESS REVIEW (CONTINUED)

Purchase of Loans and Financing

Cagamas recorded RM4.5 billion of purchases of PWR loans and financing in the 1H 2024 (1H 2023: RM9.9 billion). As at 1H 2024, residential mortgage continued to dominate Cagamas' portfolio at 93.6% (1H 2023: 93.3%), personal loans at 4.6% (1H 2023: 5.1%) and hire purchase loans and financing at 1.8% (1H 2023: 1.6%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2024, Cagamas has raised a total of RM8.2 billion of which RM6.9 billion was raised via issuance of bonds and Sukuk through 26 issuance exercises and the remaining RM1.3 billion was from other funding sources. From the total funding, 35% or RM2.9 billion were raised via conventional funding, 49% or RM4.0 billion were raised via Sukuk funding and 16% or RM1.3 billion from other funding sources.

Cagamas also continued to raise funding at a competitive price in foreign currency issuance through private placement exercises. During the 1H 2024, Cagamas printed debt securities in Singapore Dollar ("SGD") with a total value of RM245 million equivalent which were 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. In addition, MARC Ratings Berhad ("MARC Ratings") 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.

Financial Performance

The Group registered a pre-tax profit of RM151.6 million for the period ended 30 June 2024 as compared to RM151.1 million in the previous corresponding period.

The total assets of the Group as at 30 June 2024 stood at RM52.4 billion, a decrease of 2.6% since 31 December 2023.

Capital Management

The Group's core capital ratio as at 30 June 2024 decreased to 33.7% mainly due to purchases of PWR assets as compared to 31.6% as at 31 December 2023. As at the reporting date, TCR remains stable at 34.1%, 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 RM4.6 billion arising from profits generated during the period, while net tangible assets per share increased by 1.8% to RM30.80 per share as at 30 June 2024.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2024 (Continued)

25. BUSINESS REVIEW (CONTINUED)

Information About Company Employees, Social and Community Issues Including the Impact of the Company's Business on the Environment

Cagamas is dedicated to creating a safe and inspiring workplace where every employee feels acknowledged, valued, and treated with utmost respect. In 2024, we are not just continuing high-demand activities like the Staff Festival Luncheon and Divisional Off-Site Meetings, we are taking it up a notch with an exciting workplace renovation. This initiative is designed to transform our environment, boosting employee satisfaction, productivity, and collaboration, while also presenting a vibrant and professional image to our clients and visitors. Aligned with our Core Values of Collaboration, Accountability, Resilience, and Excellence (C.A.R.E.), these efforts underscore our commitment to fostering a dynamic and supportive work culture.

In line with this commitment, Cagamas has always regarded its employees as the key pillar to the overall success of the organisation. As part of our ongoing dedication to excellence, Cagamas has embarked on the 5-Year Strategic Plan, "House of the Future" journey this year. To ensure the successful implementation of this plan, we have executed an extensive talent development programme aimed at elevating employees' competencies and skills. For 2024, three (3) main areas have been identified for training: ESG, Cyber Security, and Market Liquidity Risk, which employees are being trained on these areas. These initiatives further highlight our dedication to enhancing our workforce's capabilities and achieving our strategic goals.

As of 30 June 2024, Cagamas Group has distributed RM580,857 in zakat funds through its Cagamas Zakat Wakalah Programme (CZWP). During Ramadan and Eid this year, 2,051 asnaf have benefited from this programme, including direct financial aid, care packages containing food supplies, and food sponsorships to various programmes organised by local suraus, non-profit organizations, and tahfiz schools. Besides sponsoring activities, CZWP has also assisted four eligible asnaf in sustaining their livelihoods by purchasing boat equipment. In addition, CZWP also provided financial assistance to six refurbishment and renovation projects, which involved mosques, schools, and universities, enabling better public access to these essential facilities.

The Cagamas Scholarship Programme (CSP) continues to support deserving Malaysians who need financial aid to pursue their education. As of July 2024, the programme has sponsored a total of 41 scholars, with 22 of them having successfully graduated.

Our commitment goes beyond financial assistance, we also offer mentorship, internships, and career guidance to ensure the holistic development of our scholars. Additionally, we are leveraging the scholarship pool to build a sustainable talent pipeline, ensuring that we nurture and retain skilled professionals who can contribute to the growth and success of our company and the nation.

Moving forward, we plan to introduce new initiatives to further enhance the support provided to our scholars, ensuring they have the resources and opportunities needed to succeed both academically and professionally.

APPENDIX II

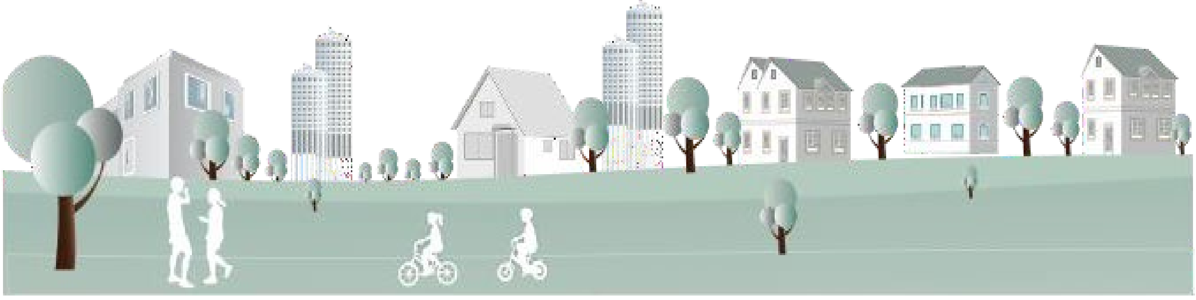
Cagamas' Sustainability Bond/Sukuk Framework as at 28 March 2023

Cagamas

National Mortgage Corporation of Malaysia

Sustainability Bond/Sukuk Framework

28 March 2023



1. Background

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia was established in 1986 by Bank Negara Malaysia to support the national agenda of increasing home ownership and affordability through provision of competitively priced liquidity in the secondary mortgage market in Malaysia.

Cagamas issues highly-rated corporate bonds/sukuk to mainly finance the purchase of eligible housing loans/financing from financial institutions (FIs) and non-FIs. The provision of liquidity at a competitive cost to the primary lenders of mortgages encourage further expansion of financing for houses at an affordable cost and thus increase home ownership by Malaysian.

At present, Cagamas is assigned with the highest domestic rating of AAA by the local rating agencies, namely RAM Rating Services Berhad (“RAM Ratings”) and Malaysian Rating Corporation Berhad (“MARC”), as well as a global rating of A3 by Moody’s Investors Service (“Moody’s”), at par with Malaysia’s sovereign rating. Cagamas is highly committed to maintain its highest rating at all times to uphold its core mission in promoting home ownership in Malaysia. Since its inception in 1986, Cagamas has cumulatively refinanced housing loans and house financing in the secondary market amounting to RM158 billion, equivalent to 2 million houses in aggregate by end 2019.

Cagamas recognises its responsibilities towards the environment and the nation as affordable housing vis-à-vis sustainable development has always been the Company’s core priority. Hence, Cagamas Sustainability Bond/Sukuk Framework (“Cagamas Sustainability Framework”) is a step towards reaffirming and deepening Cagamas’ mission, and raising awareness among the community about the importance of sustainable development i.e. the development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

This Framework is also a step to support and promote the 17 Sustainable Development Goals (**SDGs**) established by the United Nations in September 2015 as well as Government's initiatives under the 11th Malaysia Plan namely the Strategic Thrust 2: "Improving Wellbeing for All" and Strategic Thrust 4: "Pursuing Green Growth for Sustainability and Resilience". In addition, issuance of sustainability bonds/sukuk under the Framework will also provide an alternative investment option to Cagamas' investors to meet their sustainable and responsible investment objective.

The Framework is aligned with the following:

(i) ICMA's 2018 Green Bond Principles, 2018 Social Bond Principles and 2018 Sustainability Bond Guidelines;

(ii) The ASEAN Green Bond Standards updated in October 2018, ASEAN Social Bond Standards dated October 2018 and ASEAN Sustainability Bond Standards dated October 2018 endorsed by the ASEAN Capital Markets Forum (ACMF)[1]; and

(iii) The Sustainable and Responsible Investment Sukuk framework issued by the Securities Commission Malaysia.[2]

2. Framework Overview

Cagamas Sustainability Framework is presented through the following key pillars:

(i) Use of Proceeds;

(ii) Process for Project Evaluation and Selection;

(iii) Management of Proceeds;

(iv) Reporting; and

(v) External Reviews.

[1] *Chapter 8 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia*

[2] *Chapter 7 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia*

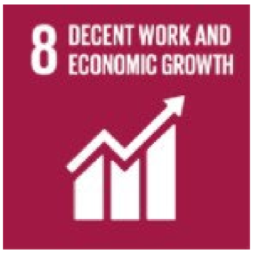
2.1 Use of Proceeds

The cornerstone of a sustainability bond/sukuk is the use of proceeds. The proceeds of any Cagamas' sustainability bonds/sukuk ("Sustainability Bonds/Sukuk") will be used to purchase loans/financing/assets that meet any of the following criteria:

Table 1: Eligible Loans/Financing Categories

Loans/Financing/ Assets related to	Description /Examples	SDGs Mapping
Renewable Energy	Operation and maintenance of renewable energy plant Generation and transmission of energy from renewable energy sources. Renewable energy sources include small scale Hydro (not more than 30 megawatts), Solar, Fuel Cell, Wind, Kinetic, Biomass and combustible waste.	• 7.2, 7a
Energy Efficiency	Development and production of products or technologies that reduce industrial energy consumption, such as improved chillers, improved lighting technology and enhanced battery capacity. Improved efficiency in the delivery of bulk energy services such as district heating/cooling systems, smart grids, energy recovery technology, and the storage, transmission and distribution of energy that results in reduced energy losses.	• 7.3, 7a
Green Buildings	Green buildings mean commercial or residential buildings that meet the widely accepted green building standards locally or internationally with at least any of the following: (i) LEED[1] certification; (ii) BREEAM[2] certification; (iii) Green Building Index (GBI)[3]; (iv) GreenRE[4]; or (v) Any other standards/certificates that are widely accepted and recognised locally or internationally.	• 11c

	[1] Leadership in Energy and Environmental Design (LEED) Certification developed by the United States Green Building Council. [2] Building Research Establishment Environmental Assessment Method (BREEAM) developed by the Building Research Establishment based in England, UK. [3] Green Building Index (GBI) developed by Malaysian Institute of Architects and Association of Consulting Engineers Malaysia. [4] GreenRE was developed by the Real Estate and Housing Development Association of Malaysia (REHDA).	
Low Carbon and Low Emission Transportation	Development, manufacture and/or distribution of technologies and equipment to increase the sustainability (through improved energy/fuel efficiency or switching to electricity) of auto, truck, train, marine and aerospace transportation. Development and operation of sustainable public/mass transportation systems and/or of equipment for such systems (including most rail and Bus Rapid Transit that meets the BRT standard).	 • 11.2
Sustainable Water and Wastewater Management	Water collection, treatment, recycling, reuse, technologies and related infrastructure. Examples include water pipes and collection facilities to collect water/rainwater, dams and treatment plant facilities.	 • 6.1,6.2,6.3,6.4
Affordable Housing	Loans/financing/assets in relation to (i) Any of the following government supported schemes that promote home affordability: (a) Skim Rumah Pertamaku; (b) Skim Perumahan Belia; or (c) Such other government supported schemes as defined by the Federal or any State Government from time to time. (ii) Any of the following affordable housing projects: (a) Skim Perumahan Rakyat 1Malaysia (PR1MA) (b) Skim Perumahan Mampu Milik Swasta (MyHome)	 • 11.1

	(c) Perumahan Penjawat Awam 1Malaysia (PPA1M) (d) Program Perumahan Rakyat (PPR) (e) Rumah Mesra Rakyat 1Malaysia (RMR1M) (f) Rumah Mampu Milik Wilayah Persekutuan (RUMAWIP) (g) Rumah Selangorku (h) Rumah Idaman Rakyat (RIR) or (i) Such other affordable housing projects as defined by the Federal or any State Government from time to time (iii) "Affordable housing" as defined by the Federal or any State Government or other relevant entity from time to time, OR (iv) Any property where the purchase price is not more than the Property Price Matrix for Affordable Housing as tabulated in **Appendix 1**.	
Employment Generation	Loans/financing/assets related to SME* sectors (SMEs) **A business can qualify as an SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower:* • *For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million OR the number of full-time employees not exceeding 200.* • *For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.* *Based on the Definition of Small and Medium Enterprises (SMEs) issued by Bank Negara Malaysia.*	 • 8.3

- All the eligible loans/financing/assets must be supported by supporting documents/confirmations provided by the FI/non-FIs to Business Units as evidence for the loans/financing/assets eligibility.

- Cagamas purchases loans/financing through the Company's Purchase With Recourse ("PWR") and Purchase Without Recourse ("PWOR") schemes. Both the PWR and PWOR schemes can be used to finance housing loans, Islamic house financings, hire purchase and Islamic hire purchase and leasing receivables, while only the PWR scheme can be used to finance industrial property loans and financings, hire purchase/leasing, personal loans and financings, Rahn (collateral) receivables, SME loans and financings and infrastructure development loans and financings.

- For the purchase of other types of loans/financing/assets, the Board's approval is required.

2.1.1 Exclusion Criteria

For the avoidance of doubt, in any case, loans/financing/assets related to fossil fuel, nuclear, weapon, alcohol, tobacco, child labour and gambling/adult entertainment are excluded.

2.2 Process for Project Evaluation and Selection

2.2.1. A set of Eligible Criteria ("EC") including those as set out in **Table 1** will be given to FIs/Non-FIs ("The Approved Seller").

2.2.2. The Approved Seller will evaluate and provide the listing of Eligible Loans/Financing/Assets that complies with the EC. The Approved Seller is obliged to ensure that the loans/financing/assets sold met Cagamas' EC at all times as stipulated under the Warranties and Covenants in the Master Sale & Purchase Agreement.

2.2.3. Recommendation will be made for approval of the ALCO Committee to issue Sustainability Bonds/Sukuk to purchase the identified Eligible Loans/Financing/ Assets. The recommendation will be made after taking into consideration the following:

a) Adherence to the proposed Eligible Loans/Financing/Assets against Cagamas Sustainability Bond/Sukuk Framework and/or other relevant available standards and benchmarks; and

b) Commitment by the Approved Seller in the adoption/promotion of any environmental, social and governance standards or recognised best practices in its business operations and strategy in relation to the management of material environmental or social risk associated with the identified Loans/Financing/Assets.

2.2.4. The ALCO Committee is chaired by the Chief Executive Officer (CEO) of Cagamas and comprises the following:

(i) President/Chief Executive Officer (CEO) – Chairman
(ii) Senior Vice President (SVP), Strategy & Business
(iii) SVP, Technology & Operations
(iv) SVP, Finance
(v) SVP, Treasury & Markets
(vi) SVP, Risk Management & Compliance

2.3 Management of Proceeds

2.3.1. Proceeds of the Sustainability Bonds/Sukuk will be fully utilised to purchase similar amount of Eligible Loans/Financing/Assets immediately at the point of issuance.

2.3.2. The portfolio of Eligible Loans/Financing/Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system by Cagamas' Operation Department.

2.3.3. During the life of the Sustainability Bonds/Sukuk, if the designated loans/financing/assets cease to fulfil the EC, Cagamas will use its best efforts to ensure replacement with loans/financing/assets that comply with the EC as soon as reasonably practicable.

2.4 Reporting

2.4.1. Cagamas will publish an annual sustainability bonds/sukuk progress report ("Annual Sustainability Progress Report"), which will provide information on allocation and impacts throughout the tenure of Sustainability Bonds/Sukuk. The Annual Sustainability Progress Report will be updated on a timely basis in the case of material development.

(i) Allocation Reporting

Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/Sukuk issued including:

(a) Aggregate amount allocated to the various Eligible Loans/Financing/Assets Categories

(b) Remaining balance of funds which have not yet been allocated

(c) Examples of Eligible Loans/Financing/Assets (subject to confidentiality disclosures)

(ii) Impact Reporting

Where possible, Cagamas will report on the environmental and social (where relevant) impacts resulting from the Eligible Loans/Financing/Assets. Cagamas may select alternative quantitative or qualitative indicators to remain relevant to the selected Eligible loans/financing/assets. Subject to the nature of Eligible Loans/Financing/Assets, confidentiality and availability of information, Cagamas endeavours to include, but not limited to, the following Impact Indicators:

Table 2: Indicative Impact Reporting Criteria

Eligible Loans/ Financing/Assets Categories	**Indicative Reporting Criteria**
Renewable Energy	• KWh of power generated from renewable energy • Tonnes of carbon emissions avoided • Installed capacity (MW) • Number and location of renewable energy facilities
Energy Efficiency	• KWh of energy saved per year • Percentage energy efficiency achieved
Green Buildings	• Energy consumption disclosed by absolute consumption and intensity (KWh and KWh/m^2) • Calculated carbon footprint disclosed by absolute emissions and intensity (tonnes and tonnes/m^2) • List of eligible buildings that received third party verified green building certification

Low Carbon and Low Emission Transportation	• Tonnes of CO_2 (or other GHG) avoided • Km of tracks built • No. of passenger • Number of electric/hybrid/low emission vehicles provided
Sustainable Water and Wastewater Management	• Amount of water saved (m^3) • Amount of waste water treated(m^3) • Water withdrawals or treatment capacity (m^3 per day)
Affordable Housing	• Number of houses/household/residents
Employment Generation	• Number of SMEs financed • Type of SME • Number of jobs created

2.5 External Reviews

2.5.1. Cagamas has obtained a second party opinion from an appropriate provider to confirm the validity of Cagamas Sustainability Framework. The second party opinion will also be published on Cagamas website at www.cagamas.com.my.

2.5.2. For any Sustainability Bonds/Sukuk issuance under Cagamas Sustainability Framework, we will engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Cagamas Sustainability Framework.

2.5.3. The Annual Sustainability Progress Report and related assurance report will be made available to the public in Cagamas website at www.cagamas.com.my and the reporting cycle will be in conjunction with the Company's annual report.

3. Financial Consideration

Apart from the elements on the Use of Proceeds described above, sustainability bonds/sukuk issued under this Framework will have the same financial characteristics as any other senior unsecured debt securities issued by Cagamas and rank pari passu amongst itself. To manage liquidity risk, Cagamas issues debt securities that match as closely as possible the corresponding cash flows and maturity profiles of the loans/financing/assets.

4. Potential Evolutions

As the sustainability bonds/sukuk market is still in an early stage and is expected to evolve in the coming years, Cagamas will continuously enhance and improve its Framework and publish any refinements as a supplement to the Framework in Cagamas' website.

Appendix 1: Property Price[1] Matrix for Affordable Housing using Housing Cost Burden

YEAR From	YEAR To	Malaysia	Kuala Lumpur	Putrajaya	Selangor	Labuan	Johor	Melaka	Pulau Pinang	Terengganu	Negeri Sembilan	Perlis	Sarawak	Sabah	Perak	Pahang	Kedah	Kelantan
2020	2020	281,000	490,000	525,000	393,000	330,000	307,000	293,000	295,000	258,000	241,000	218,000	206,000	203,000	203,000	217,000	206,000	162,000
2019	2019	316,000	568,000	538,000	442,000	362,000	346,000	326,000	332,000	299,000	270,000	248,000	245,000	228,000	230,000	239,000	233,000	192,000
2016	2018	282,000	489,000	446,000	389,000	319,000	305,000	301,000	291,000	253,000	247,000	226,000	224,000	221,000	216,000	214,000	205,000	166,000
2014	2015	247,000	411,000	405,000	335,000	306,000	280,000	271,000	253,000	204,000	222,000	189,000	204,000	202,000	186,000	183,000	186,000	146,000
2012	2013	195,000	315,000	349,000	288,000	273,000	197,000	211,000	218,000	163,000	193,000	129,000	164,000	154,000	144,000	165,000	142,000	123,000
2009	2011	153,000	238,000	294,000	232,000	188,000	159,000	162,000	172,000	113,000	146,000	99,000	129,000	111,000	113,000	134,000	106,000	92,000
2007	2008	138,000	199,000	231,000	218,000	150,000	147,000	146,000	156,000	97,000	138,000	94,000	121,000	64,000	103,000	120,000	95,000	81,000
2004	2006	119,000	180,000	na	193,000	na	125,000	124,000	143,000	73,000	123,000	79,000	97,000	87,000	93,000	96,000	87,000	68,000
2002	2003	110,000	181,000	na	169,000	na	119,000	111,000	139,000	72,000	112,000	77,000	92,000	85,000	87,000	77,000	78,000	62,000
1999	2001	92,000	152,000	na	148,000	na	108,000	92,000	125,000	62,000	96,000	59,000	90,000	68,000	73,000	65,000	66,000	51,000
1997	1998	93,000	166,000	na	154,000	na	111,000	97,000	126,000	55,000	93,000	60,000	81,000	75,000	82,000	68,000	63,000	47,000
1995	1996	74,000	125,000	na	122,000	na	87,000	75,000	91,000	41,000	73,000	48,000	70,000	61,000	59,000	61,000	53,000	43,000

Note:

(1) Derive from Median Monthly Household Income and 35-year home financing rate of 4.50%.

(2) Based on the Housing Cost Burden (HCB) approach, in which a house is affordable if housing costs are less than 30% of monthly household income.

Appendix 2: Version History

Version	Date	Summary of Key Changes
1.0	17 January 2019	
2.0	5 December 2019	Inclusion of Property Price Matrix for Affordable Housing
3.0	18 June 2020	• Inclusion of 2.2.3 to align with Securities Commissions' Sustainable and Responsible Investment (SRI) Sukuk framework updated in November 2019. • Inclusion of definition for Small Medium Enterprise (SME)
4.0	28 March 2023	Updated Property Price Matrix for Affordable Housing for Year 2020

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APPENDIX III

Second Opinion

RAM

SUSTAINABILITY

CAGAMAS BERHAD

- **ASEAN SUSTAINABILITY BONDS**
- **ASEAN SUSTAINABILITY SRI SUKUK**

UNDER THE MEDIUM TERM NOTES & ISLAMIC MEDIUM TERM NOTES PROGRAMME OF RM60 BILLION (2007/2067)

SECOND OPINION REPORT
21 September 2020

Analyst
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Disclaimer

In preparing this report, RAM Sustainability Sdn Bhd (RAM Sustainability) relied on information provided by the issuer. Therefore, RAM Sustainability does not represent or warrant that the information contained herein is complete, accurate or up to date. This report explains why the proposed Green, Social or Sustainability Bonds/Sukuk is considered sustainable and responsible. The report is prepared for consumption of the readers of our Second Opinion and RAM Sustainability will not be liable for the substance of the opinion and/or any liability for damage arising from the use of our Second Opinion and/or the information contained in the report.

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RAM Sustainability is not aware of any conflict of interest relating to the opinion it provides in this report. RAM Sustainability will adequately disclose all related information in the report if there are such instances.

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ABOUT RAM SUSTAINABILITY

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and environment, social and governance (ESG) analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines in ASEAN. It is also a member of both ICMA's 2019/2020 New Markets Taskforce and 2019/2020 Advisory Council to the GBP and SBP Executive Committee. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board. For further details, please refer to https://www.ram.com.my/sustainability.

About the RAM Group

The RAM Group is a leading provider of independent credit ratings, research, training, risk analysis and bond pricing. Formerly known as Rating Agency Malaysia Berhad, the RAM Group was established in November 1990 as a catalyst for the domestic debt capital market and as the nation's first credit rating agency. On 1 July 2007, its rating operations were novated to RAM Rating Services Berhad (RAM Ratings). RAM Ratings is a wholly owned subsidiary of the RAM Group.

RAM Ratings is the leading and largest credit rating agency in both Malaysia and ASEAN. Established in 1990 by the central bank of Malaysia as part of the "institutional infrastructure" to support the development of Malaysia's bond market, RAM Ratings has rated over USD400 billion of bonds issued by over 500 entities based in Malaysia and 13 other countries. Its rating portfolio encompasses corporates, sovereign nations, financial institutions, insurance companies, project finance and structured finance obligations.

RAM Ratings is also the world's leading rating agency for securities issued under Islamic principles, or sukuk. RAM Ratings' experience in and contributions to the fast-growing sukuk market has won numerous awards, including *Best Rating Agency* (South-East Asia 2017) from CPI Financial and *Best Islamic Rating Agency* in 2016 from Islamic Finance News. Accredited by the Tokyo Stock Exchange for listings on the Japanese Pro-Bond Market, RAM Ratings also offers ratings on the ASEAN and global rating scales, in addition to the Malaysian national scale. On 26 May 2016, RAM Ratings joined the line-up of pioneer credit rating agency signatories to the United Nations-supported Principles for Responsible Investment's Statement on ESG in Credit Ratings. The Statement on ESG in Credit Ratings is a way for RAM Ratings to communicate its commitment to a more systematic and transparent incorporation of ESG into credit ratings and analysis.

The latest addition to the RAM Group, RAM Solutions Sdn Bhd, was founded in 2016 and provides independent credit opinions on ventures listed on a multi-bank, web-based platform known as the Investment Account Platform (IAP). As an associate of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. The RAM Group also organises capital markets professional training, educational courses and conferences. For further details, please refer to https://www.ram.com.my

The Green Bond Principles

The Social Bond Principles

The Sustainability Bond Guidelines

SUMMARY OF SECOND OPINION ON CAGAMAS' ASEAN SUSTAINABILITY BONDS/SRI SUKUK

Cagamas Berhad's (Cagamas or the Issuer) ASEAN Sustainability Bonds/SRI Sukuk Framework (the Framework) is **aligned with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment (SRI) Sukuk Framework, the ASEAN Green Bond Standards (ASEAN GBS), the ASEAN Social Bond Standards (ASEAN SBS), the ASEAN Sustainability Bond Standards (ASEAN SUS) and the globally recognised Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).** Cagamas' Framework is clearly defined and provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments.

Cagamas, the national mortgage corporation of Malaysia, was established by Bank Negara Malaysia (BNM or the central bank of Malaysia) in 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will be issued to purchase eligible loans/financing/assets. The Framework facilitates financing for projects and solutions that are important for a sustainable future. Issuance proceeds will be used **to purchase loans/financing/assets in green and social project categories: renewable energy, energy efficiency, green buildings, low-carbon transportation, sustainable water and wastewater management, affordable housing and employment generation via SMEs.** RAM Sustainability opines that the bonds/sukuk issued under the Framework will make a positive contribution to Malaysia's commitment to sustainable development while generating a positive impact on climate, the environment and society in general.

RAM Sustainability's Environmental Benefit assessment tiers projects and solutions based on their overall contributions to a 2-Degree Scenario (2DS) and broader environmental benefits. Tier ratings have been assigned to five applicable solutions within the Framework, which are vital for a low-carbon and environmentally friendly future. Top-tiered projects comprise technologies that contribute to substantial decarbonisation of the energy system.

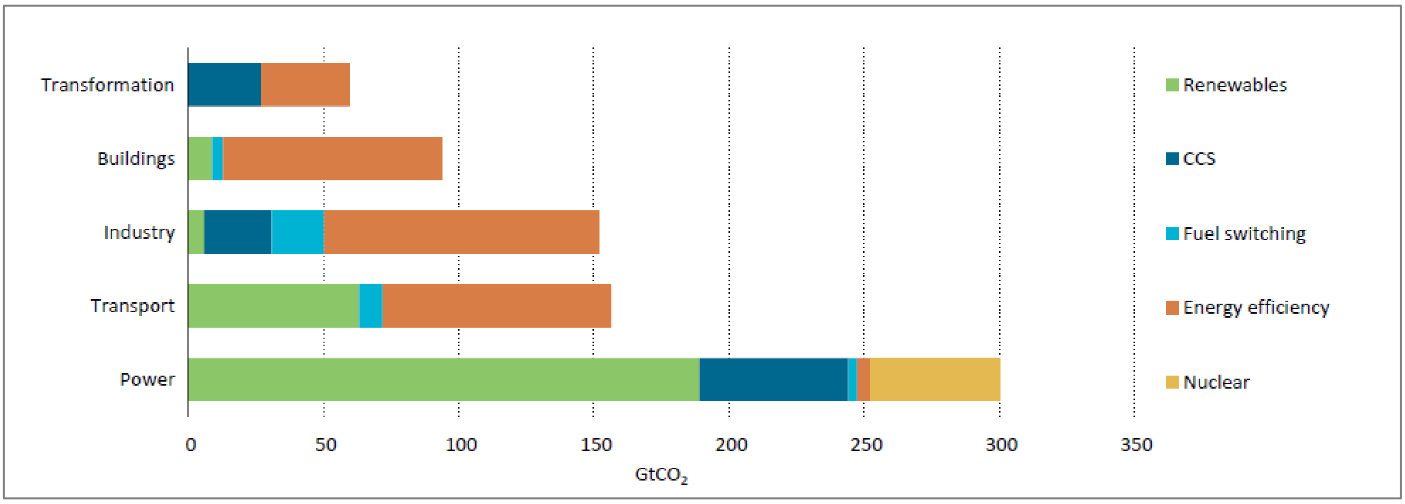
No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Environmental Benefit Rating
1	Renewable Energy	RAM Environmental Benefit Tier-1
2	Energy Efficiency	RAM Environmental Benefit Tier-1
3	Low-Carbon and Low-Emission Transportation	RAM Environmental Benefit Tier-2
4	Sustainable Water and Wastewater Management	RAM Environmental Benefit Tier-2
5	Green Buildings	RAM Environmental Benefit Tier-3

At the same time, RAM Sustainability has also assigned Social Benefit tier ratings to social solutions under the Framework. We have assigned Tier-1 Social Benefit ratings to Cagamas' affordable housing and employment generation for SME solutions, reflecting the importance of these socio-economic agendas in Malaysia. The assigned ratings are also underpinned by the strategic role that Cagamas, as a national institution, can play in supporting social benefits at the national level on a potentially significant scale, depth and duration.

No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Social Benefit Rating
1	Affordable Housing	RAM Social Benefit Tier-1
2	Employment Generation via SMEs	RAM Social Benefit Tier-1

Climate change represents a fundamental threat to the planet and society, and is transforming life on Earth. The effects of climate change are wide-ranging and can be observed everywhere in our biosphere. The COP21 sets a global action plan for the 197 participating governments, including the Government of Malaysia (GoM), to limit global warming to well below 2ºC above pre-industrial levels. In addition, these countries have committed to the United Nations' 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance to the planet and society. The International Energy Agency has identified the industries for which reductions in carbon emissions should be targeted for achievement by 2050. A portfolio of low-carbon technologies is needed to reach 2DS; some solutions will be broadly applicable while others will need to target specific sectors.

Figure 1: Cumulative CO_2 reduction by sector and technology in 2DS, up to 2050



Source: Energy Technology Perspectives 2017, International Energy Agency

The ultimate objective of green bonds/sukuk is to facilitate the financing of environmentally friendly solutions that can help mitigate the effects of climate change and/or create value for the surrounding ecosystem. RAM Sustainability's green bonds/sukuk evaluation is a qualitative and quantitative assessment of the contributions of a project or financing facility to a low-carbon, sustainable future. The transparency and disclosure strength of the green bonds/sukuk is also a key consideration. RAM Sustainability's Environmental Benefit assessment can be categorised as follows:

RAM Environmental Benefit Tier-1

- The project/financing is an important component of a low-carbon future and has clear, demonstrable environmental benefits.
- The project/financing directly contributes towards substantial and sustainable reductions of greenhouse gas emissions.

RAM Environmental Benefit Tier-2

- The project/financing is aligned with the goals of a low-carbon future and has some demonstrable environmental benefits.
- The project/financing directly contributes towards improvement in greenhouse gas emissions.

RAM Environmental Benefit Tier-3

- The project/financing has minimal contribution to a low-carbon future and has minimal demonstrable environmental benefits.
- The project/financing indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

Projects/financing that do not conform with the long-term vision of 2DS reaffirmed under COP21 will not be assigned any Environmental Benefit rating.

Besides seeking solutions to concerns about climate change and the environment, an important facet of sustainability includes addressing social well-being in an increasingly more complex and diverse environment. Social well-being can typically be linked to inclusive economies that reduce poverty levels, coupled with the availability of health, education, clean water, sanitation and energy services, affordable housing, and other social improvements, including equality. A social bond/sukuk is an instrument that can finance such an agenda.

RAM Sustainability's social bonds/sukuk evaluation is a quantitative and qualitative assessment of a project or financing's potential contribution to social solutions. RAM Sustainability considers the strategic importance of the project or financing and its direct and measurable social benefits. The project or financing's scale, depth and duration are also key considerations.

RAM Sustainability's Social Benefit assessment can be categorised as follows:

RAM Social Benefit **Tier-1**

- The project/financing is important, highly strategic and provides significant social benefit(s) at the global, regional or national level.
- The project/financing could directly contribute to measurable solution for society and create net positive contribution on a significant scale, depth and duration.

RAM Social Benefit **Tier-2**

- The project/financing has considerable social benefit(s) at the national level.
- The project/financing could directly contribute to measurable social improvement and create net positive contribution on a sizeable scale, depth and duration.

RAM Social Benefit **Tier-3**

- The project/financing has demonstrable social benefit(s).
- The project/financing could directly contribute to measurable social improvement and create net positive contribution on a relatively minor scale, depth and duration.

Utilisation for purposes that directly cause harm will not be assigned any Social Benefit Rating.

1. SCOPE AND OBJECTIVES

RAM Sustainability assesses the Framework against the sustainability responsibilities and disclosure requirements of the following guidelines and standards:

- The SC's **SRI Sukuk Framework**[1]
- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**[2]
- The ACMF's **ASEAN SBS**[3]
- The ACMF's **ASEAN SUS**[4]
- The International Capital Market Association's (ICMA) **GBP**[5]
- The ICMA's **SBP**[6]
- The ICMA's **SBG**[7]

Our assessment relies on public information and data provided by the Issuer. We have not undertaken any audit or other related activity to ascertain the validity or accuracy of the information provided.

2. CORPORATE PROFILE

Cagamas, the national mortgage corporation of Malaysia, was established by BNM on 2 December 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas issues corporate bonds and sukuk to finance the purchase of eligible housing loans/financing from financial institutions and non-financial institutions.

The Issuer is a 100%-held subsidiary of Cagamas Holdings Berhad (the Group), a public limited company owned by BNM (20%) and 23 financial institutions (80%) in Malaysia. Please refer to **Appendix 1** for a complete list of all the shareholders of Cagamas Holdings. **Diagram 1** highlights the Group's structure:

[1] Chapter 7 of Part 3 of Section B of the *Guidelines on Unlisted Capital Market Product* issued by the SC (SRI Sukuk Framework). The SRI Sukuk Guidelines were launched by the SC in August 2014, to facilitate the financing of assets and projects with sustainable benefits. The SRI Sukuk Framework was updated on 26 November 2019.

[2] The ASEAN GBS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS had been developed based on the ICMA's GBP, and were issued in November 2017. The document was subsequently updated in October 2018. The ASEAN GBS are meant for issuers that intend to issue green bonds within the ASEAN region.

[3] The ASEAN SBS, developed by the ACMF, are aimed at enhancing the transparency, consistency and uniformity of ASEAN Social Bonds. The ASEAN SBS had been developed based on the ICMA's SBP, and were issued in October 2018. The ASEAN SBS are for issuers that intend to issue social bonds within ASEAN.

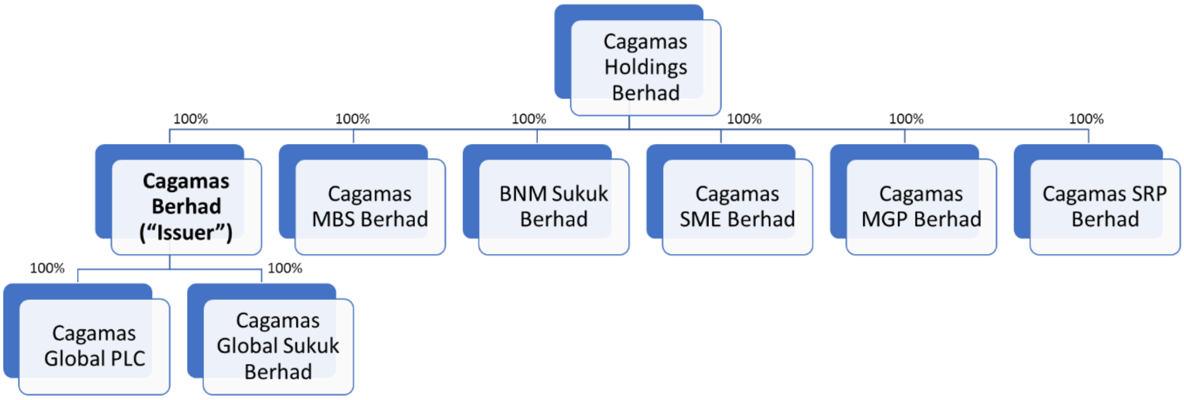
[4] The ASEAN SUS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Sustainability Bonds. The ASEAN SUS had been developed based on the ICMA's SBG, and were issued in October 2018. The core components of the ASEAN GBS and ASEAN SBS also apply to ASEAN Sustainability Bonds.

[5] The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014, before being updated in June 2018. The GBP are meant for broad use by a variety of participants in the green bond market, to facilitate the flow of financing to climate-friendly solutions.

[6] The SBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The SBP are meant for broad use by a variety of participants in the social market, to facilitate funding for projects that address global social challenges.

[7] The SBG, developed by the ICMA, are guidelines for the confirmation of the relevance of the GBP and the SBP, as well as to improve the application of their guidance on transparency and disclosure measures for the Sustainability Bond Market. The core components of the GBP and the SBP also apply to Sustainability Bonds.

Diagram 1: Corporate Structure of Cagamas



3. REVIEW OF ASEAN SUSTAINABILITY BONDS/SRI SUKUK FRAMEWORK

The focus areas reviewed are grouped under the four principles embedded in the following applicable standards and guidelines - **the SRI Sukuk Framework**, **the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP** and the **SBG:**

Table 1: Focus Areas Under the Four Principles

Item	Focus Area
3.1	Utilisation of proceeds
3.2	Project evaluation & selection
3.3	Management of proceeds
3.4	Reporting commitments

For detailed comparisons, please refer to **Appendix 2** for the SRI Sukuk Framework Checklist, **Appendix 3** for the ASEAN SUS Checklist, and **Appendix 4** for the SBG External Review Form.

3.1. Utilisation of Proceeds

Several categories of eligibility for green and social projects are recognised under the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP and the SBG. Broadly defined, green projects refer to innovative, climate-friendly projects that help to deliver clear environmental benefits. On the other hand, social projects refer to solutions that are geared towards positive societal outcomes for a target population group. Table 2 below maps out the alignment of loan/financing/asset categories under the Framework with the applicable green, social and sustainability standards and guidelines.

Table 2: Conformity Assessment of Cagamas' Loan/Financing/Asset Categories

Cagamas' Loan/Financing/Asset Categories	National Guideline	Regional Guideline			International Guidelines		
	SRI Sukuk Framework[8]	**ASEAN GBS**	**ASEAN SBS**	**ASEAN SUS**	**GBP**	**SBP**	**SBG**
Renewable Energy	√	√		√	√		√
Energy Efficiency	√	√		√	√		√
Green Buildings	√	√		√	√		√
Low Carbon and Low Emission Transportation	√	√		√	√		√
Sustainable Water and Wastewater Management	√	√		√	√		√
Affordable Housing	√		√	√		√	√
Employment Generation via SMEs	√		√	√		√	√

[8] As per the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

The utilisation of Cagamas' proceeds is deemed consistent with international best practices on sustainable finance, particularly in the following aspects:

Renewable Energy - Hydropower

Given the sensitivity of hydropower as a renewable energy source, detailed considerations such as the size and type of eligible hydropower financing have been provided by Cagamas. Cagamas classifies hydropower renewable energy as that produced by small hydropower plants under 30 MW.

Green Buildings

Accepted green building standards/certifications are defined in the Framework. Listing out widely accepted green building standards promotes transparency and clarity in the selection process for green buildings. Green buildings such as LEED and BREEAM are widely recognised internationally. In addition, due consideration has been given to national-level green building standards such as the Green Building Index (GBI) and GreenRE.

Exclusionary Criteria

Exclusionary criteria determine specific activities that will not be considered in the portfolio. Consistent with the ASEAN GBS and the ASEAN SBS, Cagamas has excluded loans/financing/assets related to fossil fuel, weapons, alcohol, tobacco and gambling. Other typical exclusions from green and social bond frameworks have also been added, such as nuclear energy, child labour and adult entertainment.

Alignment of Eligible Loan/Financing/Asset Categories with relevant United Nations Sustainable Development Goals (SDGs)

In tandem with the rise of sustainable finance, the SDGs have been widely adopted by many financial market participants since their launch in 2015. For many institutional investors, the SDGs provide a harmonised structure to align investments with key sustainability issues that affect the world today. Cagamas' eligible loan/financing/asset categories are aligned with the relevant SDGs.

3.2. Project Evaluation & Selection

The Eligible Loan/Financing/Asset Categories will be provided to financial institutions and non-financial institutions (the Approved Seller). Using them, the Approved Seller will undertake the necessary evaluation and provide Cagamas a list of Eligible Loans/Financing/Assets that comply with the predetermined categories. The Approved Seller must ensure that the loans/financing/assets sold to Cagamas meet the prescribed Eligible Loan/Financing/Asset Categories. This requirement is stipulated under Warranties and Covenants in the Master Sale & Purchase Agreement. The Approved Seller must also provide the necessary supporting documentation to Cagamas, to ensure the loans/financing/assets are aligned with these categories.

In line with best practices for evaluation and selection, Cagamas will consider ESG standards or other recognised best practices applied by the Approved Seller within its business operations and strategy to manage any material environmental or social risk relating to the Eligible Loans/Financing/Assets.

After conducting the processes above, approval will be obtained from the Asset Liability Committee (ALCO) to issue ASEAN Sustainability Bonds/SRI Sukuk to purchase the identified Eligible Loans/Financing/Assets. The ALCO comprises senior management personnel from the organisation and is chaired by the CEO of Cagamas.

3.3. Management of Proceeds

The proceeds from the ASEAN Sustainability Bonds/SRI Sukuk will be **immediately** used to purchase the eligible loans/financing/assets. Upon the utilisation of such proceeds, the portfolio of purchased loans/financing will be maintained and monitored by Cagamas' internal loan-management system. In the event the designated loans/financing/assets cease to fulfil the criteria of the Eligible Categories, Cagamas will use its best efforts to ensure replacements with applicable loans/financing/assets that match the predefined Eligible Loan/Financing/Asset Categories.

3.4. Reporting Commitments

Transparency in reporting is an important aspect of a Sustainability Bond/Sukuk issuance. Issuers of Green, Social and Sustainability Bonds are required to establish a formal process to communicate the allocation of proceeds and the positive impact created. Cagamas is committed to publishing an Annual Sustainability Progress Report that provides such information, subject to confidentiality and availability of information. This report will be made publicly available via Cagamas' website (www.cagamas.com.my).

Table 3: Cagamas' Reporting Commitments

Allocation Reporting		▪ The aggregate amount allocated to the various Eligible Loans/Financing/Assets Categories ▪ Remaining balance of funds which have not yet been allocated (if any) ▪ Examples of Eligible Loans/Financing/Assets (subject to confidentiality disclosures)
Impact Reporting	**Renewable Energy**	▪ KWh of power generated from renewable energy ▪ Tonnes of carbon emissions avoided ▪ Installed capacity (MW) ▪ Number and location of renewable energy facilities
	Energy Efficiency	▪ KWh of energy saved per year ▪ Percentage of energy savings achieved
	Green Buildings	▪ Energy consumption disclosed by absolute consumption and intensity (KWh and KWh/m^2) ▪ Calculated carbon footprint disclosed by absolute emissions and intensity (tonnes and tonnes/m^2) ▪ List of eligible buildings that received third party verified green building certification
	Low Carbon and Low Emission Transportation	▪ Tonnes of CO_2 (or other GHG) avoided ▪ Km of tracks built ▪ Number of passengers ▪ Number of electric/hybrid/low emission vehicles provided
	Sustainable Water and Wastewater Management	▪ Amount of water saved (m^3) ▪ Amount of wastewater treated (m^3) ▪ Water withdrawals or treatment capacity (m^3 per day)
	Affordable Housing	▪ Number of houses/households/residents
	Employment Generation via SMEs	▪ Number of SMEs financed ▪ Type of SME ▪ Number of jobs created

Impact-Reporting Indicators

Impact reporting serves to illustrate the environmental and social benefits of the various financed projects. The Issuer's reporting commitments are consistent with the observed disclosures in the green, social and sustainability bond market.

Disclosure of Methodology to Calculate GHG Emissions Avoided

For green projects, data on greenhouse gas (GHG) emissions is a commonly used indicator to evaluate their environmental impact. For additional transparency in the impact report, industry practice encourages the disclosure of the methodology and emission conversion factors used to calculate avoided GHG emissions. Various GHG emission calculation methodologies currently exist in the marketplace.

Post-Issuance Verification

Post-issuance verification promotes greater confidence in the integrity of the disclosures, and reassures stakeholders that these disclosures are reliable. Cagamas is committed to obtain external assurance to validate the accuracy of its Annual Sustainability Progress Report, and to confirm the alignment of its practices with the Framework. The related assurance report vis-à-vis the Annual Sustainability Progress Report will be made available on its corporate website (www.cagamas.com.my).

4. SUSTAINABILITY ASSESSMENT

4.1. National-Level Drivers

The ASEAN Sustainability Bonds/SRI Sukuk issued under Cagamas' Framework enable the financing of a wide range of industries and sectors. RAM Sustainability opines that Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will support the following national-level objectives and plans that are related to the areas defined under the Eligible Loan/Financing/Asset Categories:

Table 4: National-Level Objectives and Plans

Loan/Financing/Asset Category	National-Level Objectives and Plans
Renewable Energy	The Government of Malaysia (GoM) aims to increase the proportion of renewable energy (RE) to 20% by 2025. Enacted in 2011, the Renewable Energy Act is aimed at increasing the contribution of clean and renewable energy sources such as solar photovoltaic, biomass, biogas and hydro in Malaysia's electricity generation mix. An important driver of the RE industry is the feed-in tariff mechanism implemented and managed by the Sustainable Energy Development Authority of Malaysia. This mechanism supports the growth of the RE industry by providing guaranteed long-term contracts for power generated by RE sources.
Energy Efficiency	Through the National Energy Efficiency Action Plan 2016-2025, the GoM aims to reduce electricity consumption in Malaysia by 8% by 2025 across the industrial, commercial and residential sectors. Various initiatives have been undertaken by the GoM to support energy-efficiency objectives, including the implementation of Minimum Energy Performance Standards (MEPS) for selected electrical appliances and motors, increasing energy audits and management in commercial, industrial and government facilities, and promoting energy-efficient building designs.
Green Buildings	Malaysia has developed two national-level green rating tools for buildings, i.e. GBI and GreenRE. Both rating tools assess a building's performance with respect to specific environmental considerations (i.e. energy efficiency, carbon emissions, water efficiency).
Low-Carbon and Low-Emission Transportation	To reduce the environmental impact from transportation systems, the Malaysian national transportation and automotive policies have incorporated plans for green and environmentally sustainable transportation solutions. The National Transport Policy 2019-2030 is focused on developing an efficient, integrated and sustainable transport system. Meanwhile, the next update on the National Automotive Policy is expected to further incentivise the production of energy-efficient vehicles in the country. The implementation of mega public rail transportation projects such as the Mass Rapid Transit and Light Rail Transit systems are also anticipated to reduce on-road vehicles and improve connectivity.
Sustainable Water and Wastewater Management	As per the National Green Technology Master Plan, Malaysia aspires to achieve the following water-management targets: (i) Improve the fresh-water abstraction[9] rate to 15% by 2030. (ii) Make available rainwater harvesting systems for 60% of the towns in Malaysia by 2020. (iii) Recycle 100% of sludge and 33% of treated effluents by 2030. (iv) Implement the Water Efficient Product Labelling Scheme to enhance consumer awareness.

[9] Also known as water withdrawals, defined as fresh water drawn from the ground or other surface water bodies.

Loan/Financing/Asset Category	National-Level Objectives and Plans
Affordable Housing	Affordable housing has long been a key agenda for both the federal and state governments in Malaysia. Various affordable housing and financial schemes have been established to assist Malaysians to purchase their first homes. BNM is focused on addressing issues pertaining to home ownership and affordability. The strategies identified by BNM include: (i) the centralisation of affordable housing agencies and the establishment of an integrated housing database; (ii) reduction of cost barriers to affordable housing; (iii) enhancement of financial literacy of households; and (iv) improvement of the legal framework between home owners and renters.
Employment Generation via SMEs	Malaysia's SME Master Plan outlines three key goals for the sector by 2020, i.e. to increase SMEs' contributions to GDP to 41% (from 32% in 2010), to raise employment opportunities among SMEs to 62% (from 59% in 2010)[10] and expand SMEs' share of exports to 25% (from 19% in 2010). The following initiatives outlined in the Eleventh Malaysia Plan are devised to accelerate the growth of SMEs: (i) Strengthening the human capital of SMEs by enhancing the curriculum for vocational education. (ii) Implementing an accreditation system to ensure new workforce entrants meet industry requirements. (iii) Improving the ease of doing business by simplifying the process of establishing and formalising businesses. Given the significance of the SME sector to the country, the GoM has established various financing schemes and facilities under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and the National Economic Recovery Plan (PENJANA) to support the sector following the impact of COVID-19 in the country.

4.2. Group-Level Assessment

Supporting Sustainable Economic Activities and Financing

Since Cagamas' establishment, it has played a national developmental role in providing liquidity in the secondary mortgage market to support home ownership and developing Malaysia's capital market. To promote a wider sustainable development agenda, it aims to diversify its business into green and social impact loans/financing/assets. Through its ASEAN Sustainability Bonds/SRI Sukuk, Cagamas aims to continue its national role by providing liquidity to the green and social financing market to support the domestic transition towards more inclusive and green economic activities.

Review of Policies and Guidelines

The Issuer has established a Code of Conduct and Ethics, which articulates the expected standards of behaviour for all employees. In addition, Cagamas is guided by other board-approved policies such as its Procurement Policy, Gift and Entertainment Policy, Whistleblowing Policy, and Confidentiality Guidelines. Diversity, inclusion, health and safety are important sustainability themes in today's business environment. To manage these aspects, Cagamas has established policies and guidelines such as Workplace Sexual Harassment, Grievance & Complaint, Misconduct & Staff Discipline; and Health & Safety.

Environmental and Social Initiatives

Cagamas has been publishing its Corporate Social Responsibility (CSR) Statement in its annual reports since 2016. The Issuer's CSR initiatives are governed by its Communication Policy and Donation Policy. These include donations to the less fortunate, sponsoring a scholarship programme, educational workshops and other philanthropic efforts. In addition, Cagamas has established various measures to create a more

[10] In 2019, the denominator i.e. total employment figure has been revised to include the government, informal sector including the agriculture sector, unregistered businesses in the agriculture sector and outsourcing activities in computing (Source: *Share of SMEs in the Malaysian Economy Expanded Further in 2019* published by Ministry of Entrepreneur Development and Cooperatives on 3 August 2020)

environmentally friendly workplace, including converting light bulbs to energy-efficient LED lighting. Cagamas also aims to reduce dependency on paper and styrofoam utensils in its pantries, providing dedicated recycling bins in the office space. Furthermore, awareness programmes have been set up to educate employees on the importance of waste reduction and recycling as well as energy conservation.

RAM Sustainability opines that it is important for corporations to develop holistic and integrated sustainability strategies that encompasses long-term sustainability visions, objectives and commitments; regular and systematic consultation with identified stakeholders on important sustainability issues; a robust governance and accountability mechanism to operationalise sustainability; identification of key systems and processes to manage sustainability; and regular reporting of performance indicators relative to established targets.

To date, Cagamas has established a Sustainability Committee to provide strategic guidance on operationalising sustainability. We opine that this is an important step towards developing a more comprehensive sustainability strategy and management programmes for the organisation.

Controversy Scan

RAM Sustainability undertook a scan of Cagamas on 1 July 2020. We did not observe any controversy pertaining to the environmental, social and governance practices of the Issuer.

4.3. Sustainability Management

This section assesses the overall management approach to integrating sustainability considerations within the Issuer's risk-assessment and decision-making processes.

Established Risk Management

Controls have been incorporated to address financial risks, ensure regulatory compliance and screening of clients. The Issuer has stipulated credit limits for all counterparties based on internal credit assessment – a combination of credit ratings, counterparty requirements and overall business strategies. In addition, the Issuer conducts annual reviews on risk appetite and concentration risk, periodic stress testing and capital planning. Cagamas has established an Enterprise Risk Management framework focused on four key objectives: (i) achieving strategic high-level goals; (ii) effective and efficient operations; (iii) financial profitability and sustainability of performance; and (iv) reliability of reporting and compliance processes. Subject to confidentiality and availability of information, Approved Seller must provide supporting documents or confirmations to Cagamas as evidence for the loans/financing/asset's eligibility under the ASEAN Sustainability Bonds/SRI Sukuk Framework.

4.4. Creation of Positive Impact by Bonds/Sukuk

Financial institutions play a key role in mobilising and directing capital in the financial markets. Capital flows towards low-carbon solutions and projects that generate positive social impact can help accelerate the transition towards a green and inclusive economy. The bonds/sukuk under Cagamas' Framework help to support financing to an extensive range of industries and sectors. The following are positive effects that can be expected based on the areas defined under the Eligible Loan/Financing/Asset Categories:

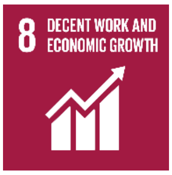
Table 5: Positive Impact Created by Eligible Loan/Financing/Asset Categories and Alignment with SDGs and Targets

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Renewable Energy	Climate change is an urgent planetary threat and may have costly repercussions on communities and global economies. Approximately two-thirds of the world's GHG emissions today can be attributed to energy production and systems. Therefore, the energy sector plays a critical role in global efforts to mitigate the effects of climate change. The transition towards low-carbon energy systems is already happening. RE provides a means to generate electricity from clean and sustainable sources such as sunlight, wind, water, biomass and other renewable resources. The deployment of RE solutions has the potential to significantly reduce the GHG emission intensity of the global energy system. As such, investments in RE ought to be scaled up so the world can achieve the emission reduction goals set out in the Paris Climate Accord. RAM Sustainability opines that innovative RE systems will be a key component in the building of a low-carbon future. According to the International Renewable Energy Agency, renewable sources could constitute 65% of global energy use by 2050.	 7.2 - By 2030, substantially increase the share of RE in the global energy mix. 7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.
Energy Efficiency	To limit the rise in average global temperatures below 2°C, significant investments must be deployed to climate-friendly technologies that meet medium- and long-term goals. In today's carbon-intensive infrastructure, solutions must also aim to improve the energy efficiency of multiple end-use sectors such as industrial, transport and building. As such, innovations to improve energy efficiency can be considered as low-carbon solutions. These technologies help to reduce demand for energy consumption, therefore displacing carbon-emitting fossil fuels in our energy systems. Furthermore, improved energy efficiency can help increase productivity because greater economic gains can be derived from every unit of electricity produced.	 7.3 - By 2030, double the global rate of improvement in energy efficiency. 7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Green Buildings	The built environment consumes a significant amount of energy and produces carbon dioxide (CO_2) emissions during its long life cycle. The Global Alliance for Buildings and Construction estimates that nearly a quarter of global green-house gasses can be attributed to buildings. Many green building certifications/standards have been developed to objectively measure the environmental performance of a building. These standards also provide important prescriptions for sustainable design and construction. Green buildings have a smaller environmental footprint and incorporate design features that address energy efficiency, air pollution, waste management, water consumption, construction materials and other sustainability considerations. Therefore, green buildings can be effective tools in reducing the impact of buildings on climate change and may provide significant opportunities for energy, water and resource savings. According to the US Green Building Council, the average LEED-certified building uses 32% less electricity compared to a conventional building, and saves 350 metric tons of CO_2 each year.	11 SUSTAINABLE CITIES AND COMMUNITIES 11c - Support least developed countries, including through financial and technical assistance in building sustainable and resilient buildings utilising local materials.
Low-Carbon and Low-Emission Transportation	Malaysia's transportation sector accounts for nearly 35% of total energy consumed by the country and emits approximately 50 million metric tonnes of CO_2 per year (as of 2015) - the second largest contributor after electricity production.[11] There is a need to support new, innovative technologies in all transport modes to ensure the decoupling of carbon emissions from the transport sector. In addition, sustainable low-carbon transport strategies provide a multitude of economic, social and environmental benefits to the population. These include fuel cost and travel time savings, improved air quality, better public health, higher productivity levels and other spillover benefits. Cagamas ASEAN Sustainability Bonds/SRI Sukuk also support the development and operation of public transportation systems. Malaysia has a high rate of personal vehicle ownership; cars currently account for approximately 59% of the overall emissions by the transport sector. Therefore, infrastructure improvements in public transport will help reduce long-term dependence on private vehicles, leading to further reductions in carbon emissions and energy consumption by the transport sector.	11 SUSTAINABLE CITIES AND COMMUNITIES 11.2 - By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, thus improve road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, i.e. women, children, persons with disabilities and older persons.

[11] Source: *Malaysia Stocktaking Report on Sustainable Transport and Climate Change – Data, Policy and Monitoring* (November 2016) published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Sustainable Water and Wastewater Management	A circular economy refers to the preservation of resources for the benefit of the environment and the economy. Water is a finite resource that should be managed in a reliable and efficient manner. Cagamas ASEAN Sustainability Bonds/SRI Sukuk facilitate the financing of solutions that increase the efficiency of water utilities and improve the reliability of sewerage systems. This helps to improve the resilience of water infrastructure systems, thereby contributing to enhanced access to safe drinking water, higher sanitation standards, reduction in energy usage, better public health and other benefits.	6 CLEAN WATER AND SANITATION 6.1 - By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.2 - By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations. 6.3 - By 2030, improve water quality by reducing pollution, eliminate dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4 - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of fresh water to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Affordable Housing	Cagamas supports affordable housing schemes that help low- and median-income populations to become successful homeowners. Affordable housing supports sustainable development in a variety of ways. By improving access to home ownership, communities have a higher level of security and residential stability. This potentially translates into a broad spectrum of other socio-economic benefits. Affordable housing promotes wealth creation among communities. This provides the necessary financial resources for communities to invest in education attainment, healthcare, nutritious food and other essential needs. As a result, investments in affordable housing can lead to improvements in social outcomes such as employability, better life satisfaction, general health and wellbeing while promoting stronger national economic growth.	11 SUSTAINABLE CITIES AND COMMUNITIES 11.1 - By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Employment Generation via SMEs	SMEs are often considered the backbone of a nation's economy. In Malaysia, SMEs account for more than 98% of total business establishments[12] and generate 48.4% of jobs.[13] SMEs' contribution to Malaysia's GDP increased to 38.9% in 2019 (2018: 38.3%).[14] As such, supporting SMEs can have a remarkable impact on the growth and development of the country. The benefits may include more employment opportunities, promoting local entrepreneurship, higher output of goods and services, industry expansion, a platform to reduce the income gap between different groups, and other positive socioeconomic outcomes. This is viewed to be even more crucial now given the impact of COVID-19.	 8.3 - Promote development-oriented policies that support productive activities, job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

[12] Source: SME Corporation Malaysia (www.smecorp.gov.my)
[13] Source: SMEs Performance 2019 by Department of Statistics Malaysia (DOSM)
[14] Source: SMEs Performance 2019 by DOSM

APPENDIX 1

APPENDIX 1: SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD

No.	Shareholder	Number of Shares	Percentage of Shareholding (%)
1	Bank Negara Malaysia	30,000,000	20.0
2	CIMB Bank Berhad	24,684,000	16.5
3	Malayan Banking Berhad	21,279,000	14.2
4	RHB Bank Berhad	11,732,400	7.8
5	RHB Investment Bank Berhad	1,200,000	0.8
6	AmBank (M) Berhad	12,066,000	8.0
7	Public Bank Berhad	9,885,600	6.6
8	Public Investment Bank Berhad	600,000	0.4
9	Hong Leong Bank Berhad	8,958,000	6.0
10	HSBC Bank Malaysia Berhad	6,201,000	4.1
11	Alliance Bank Malaysia Berhad	3,183,000	2.1
12	Alliance Investment Bank Berhad	2,400,000	1.6
13	Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
14	Affin Bank Berhad	3,660,000	2.4
15	Affin Hwang Investment Bank Berhad	750,000	0.5
16	United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
17	OCBC Bank (Malaysia) Berhad	2,997,000	2.0
18	MUFG Bank Malaysia Berhad	738,000	0.5
19	SIBB Berhad	450,000	0.3
20	Bangkok Bank Berhad	369,000	0.3
21	The Bank of Nova Scotia Berhad	327,000	0.2
22	Deutsche Bank (Malaysia) Berhad	300,000	0.2
23	Bank of China (Malaysia) Berhad	300,000	0.2
	TOTAL	**150,000,000**	**100.0**

Source: Cagamas Holdings Berhad's Annual Report 2019

APPENDIX 2

APPENDIX 2: SRI SUKUK FRAMEWORK CHECKLIST

Reference:
Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework
Part 3: Corporate Bonds and Sukuk
Chapter 7: Sustainable and Responsible Investment (SRI) Sukuk

No.	Item	Requirement	Alignment	Comment
7.07 & 7.08	Eligible SRI Projects	An Eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives: (a) Preserving and protecting the environment and natural resources; (b) Conserving the use of energy; (c) Promoting the use of renewable energy; (d) Reducing greenhouse gas emissions; (e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes, especially but not exclusively for a target population; or (f) Improving the quality of life for society. Eligible SRI projects may include, but are not limited to, the following: (a) Green projects that relate to: (i) Renewable energy; (ii) Energy efficiency; (iii) Pollution prevention and control; (iv) Environmentally sustainable management of living natural resources and land use; (v) Terrestrial and aquatic biodiversity conservation; (vi) Clean transportation; (vii) Sustainable water and wastewater management; (viii) Climate change adaptation; (ix) Eco-efficient and/or circular economy adapted products, production technologies and processes; or (x) Green buildings which meet regional, national or internationally recognised standards or certifications; (b) Social projects that relate to: (i) Affordable basic infrastructure; (ii) Access to essential services; (iii) Affordable housing; (iv) Employment generation, including the potential effect of SME financing and microfinancing; (v) Food security; or (vi) Socioeconomic advancement and empowerment; (c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and (d) *Waqf* projects that relate to the development of *waqf* properties or assets.	Yes	Cagamas' ASEAN Sustainability Bonds/SRI Sukuk Framework will be used to finance the purchase of eligible loans/financing/assets from Approved Sellers that relate to the following green and social projects: (i) Renewable energy (ii) Energy efficiency (iii) Green buildings (iv) Low-carbon and low-emission transportation (v) Sustainable water and wastewater management (vi) Affordable housing (vii) Employment generation via SMEs The above is aligned with Eligible SRI Project objectives and categories.

No.	Item	Requirement	Alignment	Comment
7.10 & 7.11	Utilisation of Proceeds	An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the Eligible SRI projects as described in paragraph 7.08 above.	Yes	Please refer to above.
		In relation to the activities or transactions that involve acquisition of a company which carries on the Eligible SRI projects, an issuer must ensure that the company that is to be acquired does not carry on any other business or projects except for the Eligible SRI projects.	Not Applicable	The Issuer represented that it will not be utilising the proceeds for acquisition of companies carrying out eligible SRI projects.
7.12	Process for Project Evaluation and Selection	An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.	Yes	The Issuer has outlined the measures established to identify eligible loans/financing/assets for purchase. A dedicated committee comprising senior management personnel will review and approve the loans/financing/assets purchased. Please refer to Section 3.2 Project Evaluation & Selection.
7.13	Management of Proceeds	An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.	Yes	The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories. Please refer to Section 3.3 Management of Proceeds.
7.14	Reporting	An issuer must provide the following information to the sukukholders annually through a designated website: (a) The original amount allocated for the Eligible SRI projects; (b) The amount utilised for the Eligible SRI projects; (c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and (d) The list of Eligible SRI projects in which the SRI sukuk proceeds have been allocated to and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact	Yes	Cagamas has made a commitment to disclose the necessary information annually to the bondholders/sukukholders via its corporate website. For detailed information, please refer to Section 3.4 Reporting Commitments. The Issuer will report to the bondholders/ sukukholders on the impact objective of the project financed by the ASEAN Sustainability Bonds/SRI Sukuk, subject to confidentiality disclosures and availability of information on the loans/financing/assets purchased.
7.05 & 7.16	Disclosure Requirements	The information relating to the issuer and the details of the issuer's SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.		Cagamas has made a commitment to disclose its ASEAN Sustainability Bonds/SRI Sukuk Framework, and the necessary information to the bondholders/ sukukholders every year (via its Annual Sustainability Progress Report) on its corporate website.

No.	Item	Requirement	Alignment	Comment
		For the purpose of disclosure of the details of the issuer and the SRI Sukuk Framework under paragraph 7.05 above, the following information must be included: (a) The overall SRI objectives that the issuer intends to achieve; (b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced; (c) The Eligible SRI projects in which the proceeds will be allocated; (d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects; (e) The processes used by the issuer to evaluate and select the Eligible SRI projects; (f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects; (g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and (h) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.		Cagamas has included (a), (b), (c), (e), (f), (g) and (h) within its ASEAN Sustainability Bonds/SRI Sukuk Framework. Item (d) will be disclosed annually on its website.
7.17	External review	If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.	Yes	RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's alignment with the requirements of the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP, and the SBG as well as the sustainability responsibilities of the Issuer. The second opinion report will be made available on Cagamas' corporate website and RAM's website (www.ram.com.my).

APPENDIX 3

APPENDIX 3: ASEAN SUSTAINABLITY BOND STANDARDS (ASEAN SUS) CHECKLIST

Reference:
ASEAN Capital Markets Forum – ASEAN Green Bond Standards (GBS)
ASEAN Capital Markets Forum – ASEAN Social Bond Standards (SBS)

Item	No.	Requirement	Alignment	Comment
Eligibility of Issuers	GBS 3.1 SBS 3.1	i. Must be an ASEAN Issuer; or ii. In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.	Yes	The Issuer is an entity incorporated in Malaysia, whose primary business operations are in Malaysia.
	GBS 3.2 SBS 3.2	ASEAN Sustainability Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The bonds/sukuk issued under the Framework originate from Malaysia.
Ineligible Projects	GBS 4.1.6	For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to fossil fuels are not eligible for purchase.
	SBS 4.1.7	For clarification, projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to alcohol, gambling, tobacco and weapons are not eligible for purchase. The Issuer also stipulates that loans/financing/assets related to nuclear, child labour and adult entertainment are not eligible for purchase.
Continuous Accessibility to Information	GBS 4.2.1 SBS 4.2.1	The Issuer of ASEAN Sustainability Bonds must clearly communicate to investors – i) The environmental sustainability and social objectives; ii) The process by which the Issuer determines how the projects fit within the eligible Green and Social Project categories identified above; and iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green and Social Projects.	Yes	Home ownership and access to affordable housing had been the primary focus of Cagamas' early sustainability efforts. To promote a broader sustainable development agenda, the Issuer aims to diversify its business into green and social impact loans/financing/assets. This enables Cagamas to create positive impact across the economic, social and environmental spheres. The eligibility criteria for the use of proceeds and the process of evaluation and selection of eligible loans/financing/assets are detailed in the Framework.
	GBS 4.2.5 SBS 4.2.5	The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Sustainability Bonds: i) The process for project evaluation; ii) The use of proceeds; and iii) External review report on the process (if any).	Yes	The Issuer is committed to publishing the Framework on its corporate website (www.cagamas.com.my). The Framework includes information that describes the process for project evaluation, the intended use of proceeds and the requirement to obtain a second opinion to confirm the validity of the Framework.
	GBS 4.3.1 SBS 4.3.1	Prior to the issuance of the ASEAN Sustainability Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the process for managing the net proceeds from the ASEAN Sustainability Bonds.	Yes	Proceeds from all issuances under the Framework will be fully utilised at the point of issuance to purchase the eligible loans/financing/assets.

	GBS 4.3.4 SBS 4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Yes	During the tenure of the ASEAN Sustainability Bonds/SRI Sukuk, the Issuer will endeavour to maintain and monitor the portfolio of loans/financing/assets purchased at issuance. Should there be loans/financing/assets that cease to fulfil the Eligibility Criteria, the Issuer will, on a best-effort basis, replace them with eligible loans/financing/assets as per the Framework.
	GBS 4.4.5 SBS 4.4.5	The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Sustainability Bonds.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. Cagamas will appoint an independent party to provide an external assurance on the Annual Sustainability Progress Report.
Encourage More Frequent Reporting	GBS 4.4.1 SBS 4.4.1	Issuers must report to investors at least on an annual basis and encouraged to make more frequent reporting on the use of proceeds until full allocation, and as necessary thereafter in the event of material developments. This should include a list of the projects to which the ASEAN Sustainability Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued.
External Review	GBS 5.1 SBS 5.1	Issuers are recommended to appoint external review providers for their ASEAN Sustainability Bonds issuances.	Yes	RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's Framework against the disclosure requirements of the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the SRI Sukuk Framework, the GBP, the SBP and the SBG as well as the sustainability responsibilities of the Issuer.
	GBS 4.2.4 SBS 4.2.4	It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.	Yes	Second Opinion reviews cover project evaluation and selection.
	GBS 4.3.5 SBS 4.3.5	It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Sustainability Bonds proceeds.	Yes	Cagamas has committed to appointing an independent party to verify the internal tracking methods and allocation of funds of the ASEAN Sustainability Bonds/SRI Sukuk issued.
	GBS 4.3.6 SBS 4.3.6	Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of issuance of the ASEAN Green Bonds.	Yes	Cagamas has committed to publish the Annual Sustainability Progress Report and the accompanying annual assurance report on its corporate website.
	GBS 4.4.4 SBS 4.4.4	It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.	Yes	Cagamas will appoint an appropriate external assurance provider to independently confirm the accuracy of the Annual Sustainability Progress Report and provide an opinion on the compliance of the Framework.

APPENDIX 4

APPENDIX 4: SBG EXTERNAL REVIEW FORM

The Sustainability Bond Guidelines

Sustainability Bond / Sustainability Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Cagamas Berhad (Cagamas)

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable*:* Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework under its Medium Term Notes and Islamic Medium Term Notes Programme of RM60 billion (2007/2067)

Review provider's name: RAM Sustainability Sdn Bhd

Completion date of this form: 21 September 2020

Publication date of review publication: 21 September 2020

Section 2. Review Overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and the SBPs:

- ☒ Use of Proceeds
- ☒ Process for Project Evaluation and Selection
- ☒ Management of Proceeds
- ☒ Reporting

ROLE(S) OF REVIEW PROVIDER

- ☒ Consultancy (incl. 2nd opinion)
- ☐ Certification
- ☐ Verification
- ☒ Rating
- ☐ Other *(please specify)*:

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Second Opinion Report on Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework.

Section 3. Detailed Review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The proceeds from any bonds/sukuk issued under the Framework will be solely used to purchase eligible loans/financing/assets of the following green and social project categories:

- Renewable Energy
- Energy Efficiency
- Green Buildings
- Low Carbon and Low Emission Transportation
- Sustainable Water and Wastewater Management
- Affordable Housing
- Employment Generation for SMEs

Eligibility criteria for each category is described in the Framework.

Use of proceeds categories as per GBP:

☒	Renewable energy	☒	Energy efficiency
☐	Pollution prevention and control	☐	Environmentally sustainable management of living natural resources and land use
☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation
☒	Sustainable water and wastewater management	☐	Climate change adaptation
☐	Eco-efficient and/or circular economy adapted products, production technologies and processes	☒	Green buildings
☐	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	☐	Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

☐	Affordable basic infrastructure	☐	Access to essential services
☒	Affordable housing	☒	Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises
☐	Food security and sustainable food systems	☐	Socioeconomic advancement and empowerment
☐	Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs	☐	Other *(please specify)*:

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

The Issuer has outlined the measures established to identify eligible loans/financing/assets considered for purchase. A dedicated committee made up of senior management personnel is responsible for reviewing and approving the loans/financing/assets purchased.

Evaluation and selection

☒	Credentials on the issuer's social and green objectives	☒	Documented process to determine that projects fit within defined categories
☒	Defined and transparent criteria for projects eligible for Sustainability Bond proceeds	☐	Documented process to identify and manage potential ESG risks associated with the project
☒	Summary criteria for project evaluation and selection publicly available	☒	Other *(please specify): <u>Documented process to identify and manage potential environmental and social risks associated with the eligible loans/financing/assets</u>*

Information on Responsibilities and Accountability

☐	Evaluation / Selection criteria subject to external advice or verification	☒	In-house assessment
☐	Other *(please specify)*:		

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories.

Tracking of proceeds:

☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☒ Other *(please specify)*: *Proceeds will be immediately used to purchase eligible loans/financing/assets.*

Additional disclosure:

☐ Allocations to future investments only

☐ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)*:

The process for reporting is in line with the expected norms for sustainability bonds/sukuk. The Issuer is committed to publishing an Annual Sustainability Progress Report, which provides information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. The Issuer will disclose this information on its corporate website.

The Issuer will appoint an external assurance provider to independently validate the accuracy of the information presented in this progress report. The related assurance report will also be made available to the public via the Issuer's corporate website.

Use of proceeds reporting:

☒ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ Sustainability Bond financed share of total investment

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Impact reporting:

☒ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☒ Decrease in water use

☒ Number of beneficiaries

☐ Target populations

☒ Other ESG indicators *(please specify):* *<u>Please refer to Section 3.4 of the Second Opinion Report.</u>*

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other *(please specify):* *<u>An Annual Sustainability Progress Report will be published by the Issuer.</u>*

☒ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review): The Annual Sustainability Progress Report will be independently confirmed by an external assurance provider, who will also opine on the conformity to its ASEAN Sustainability Bonds/SRI Sukuk Framework.*

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

Corporate website of the Issuer (www.cagamas.com.my)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)

☐ Certification

☐ Verification / Audit

☐ Rating

☐ Other *(please specify):*

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

(i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second opinions" may fall into this category.

(ii) Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.

(iii) Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against external green and social assessment standards. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

(iv) Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks/programmes.

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