

HOUSING THE NATION
SERVING OUR
COMMUNITIES



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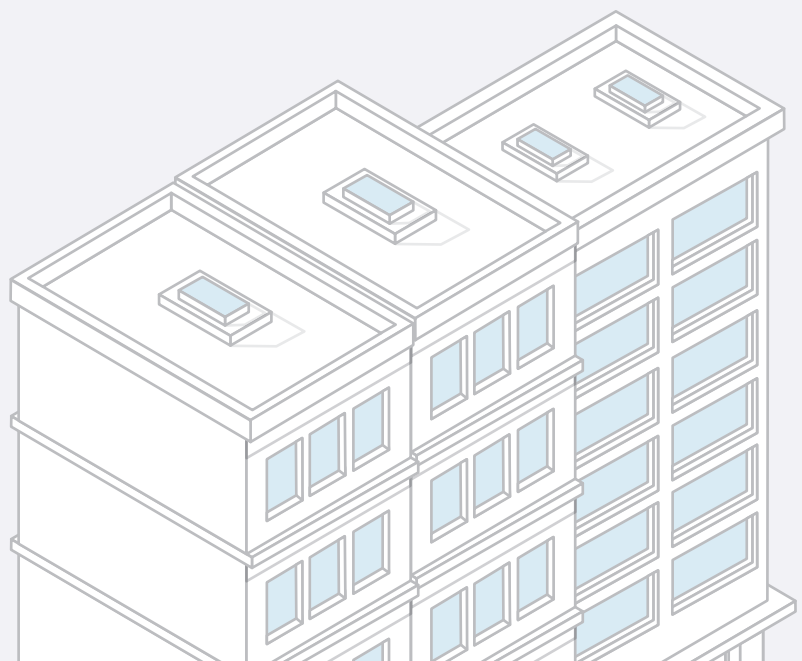
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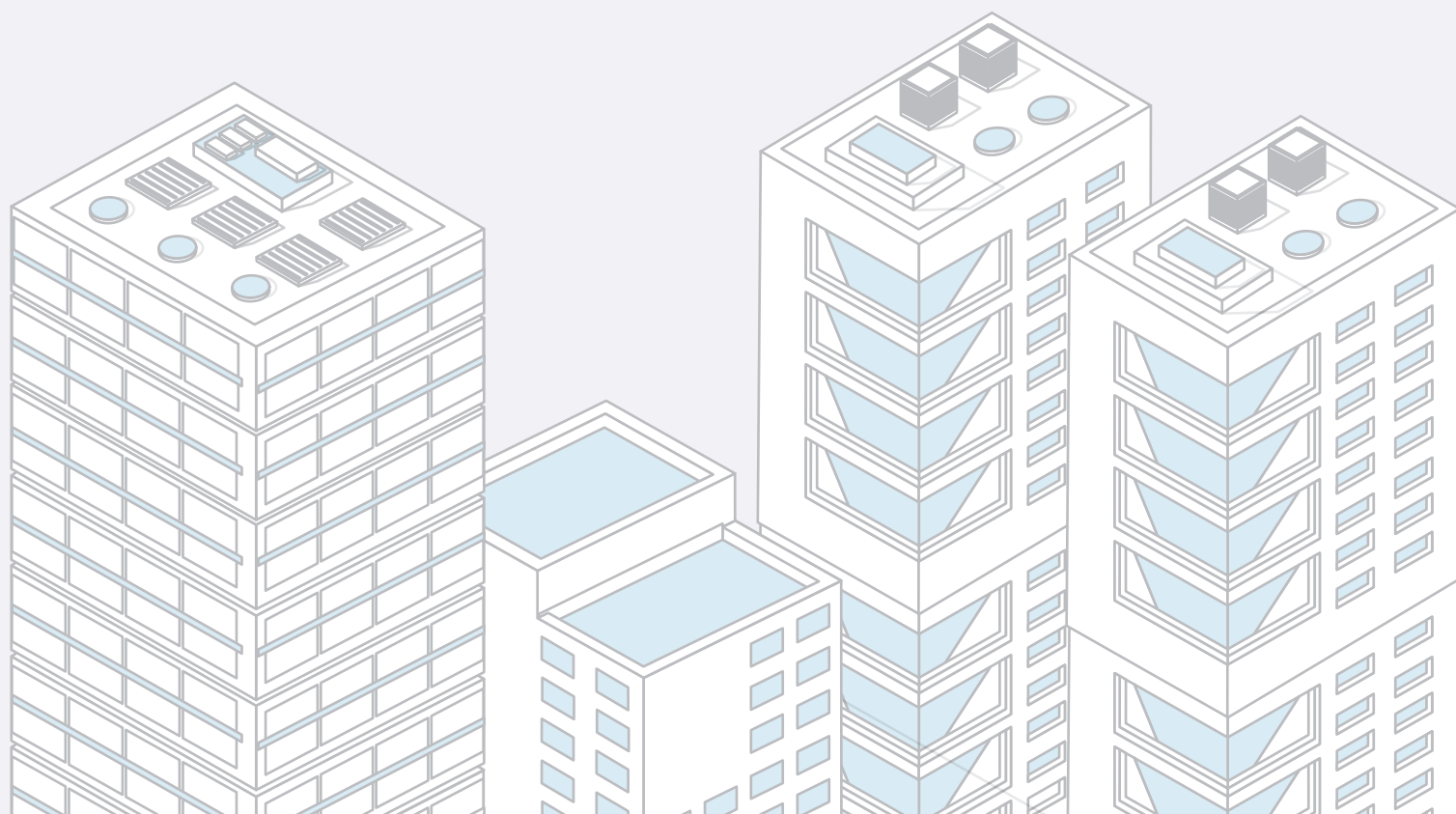
Housing The Nation:

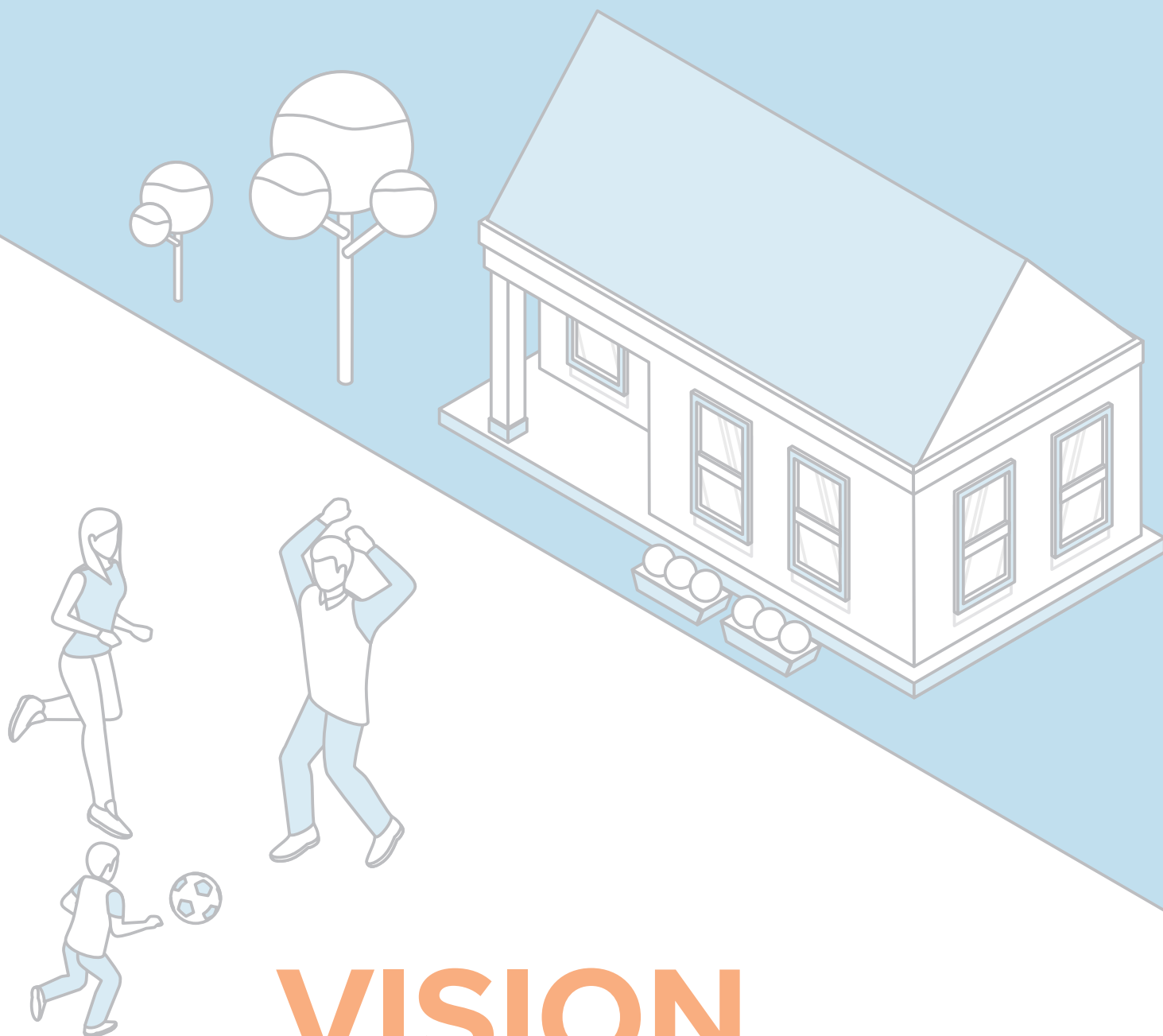
Serving our Communities

The housing market is a driving force in our economy and as a long-term asset, homeownership plays a vital role in helping to build strong and stable communities. As the country's national mortgage corporation, we are well positioned to lend a helping hand towards achieving homeownership with our affordable and competitive home financing solutions. Backed by experience and expertise, we remain committed towards serving our communities by supporting the Government's aspirations of increasing home ownership amongst the rakyat and fulfilling our role in Housing the Nation.



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VISION

To promote homeownership
and contribute towards
nation development

MISSION



Support the Government's initiatives on homeownership



Provide liquidity to the financial sector as a secondary mortgage corporation



Contribute towards the growth of the capital markets, Islamic finance and other priority sectors through issuance of innovative instruments



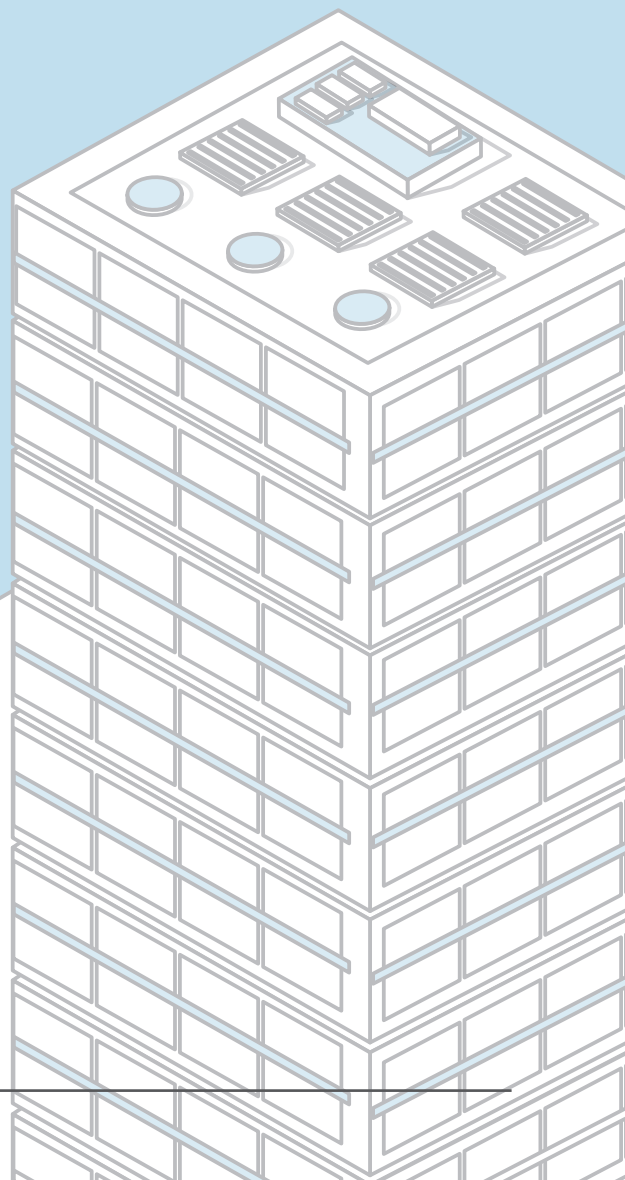
Offer bespoke risk and capital management solutions in line with the Company's objectives



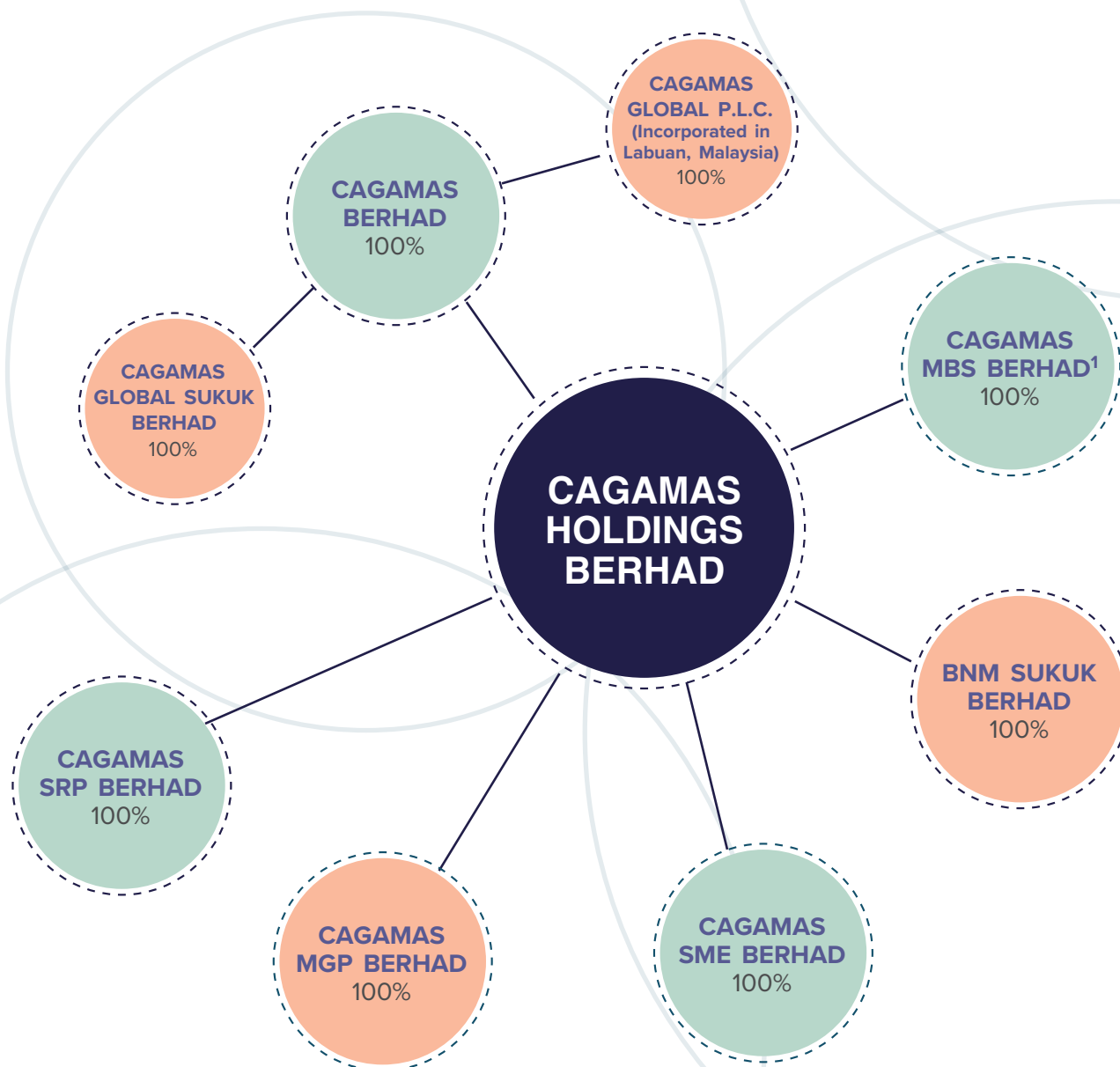
Embrace a culture of deploying sustainable initiatives



Promote professionalism, integrity and good corporate governance

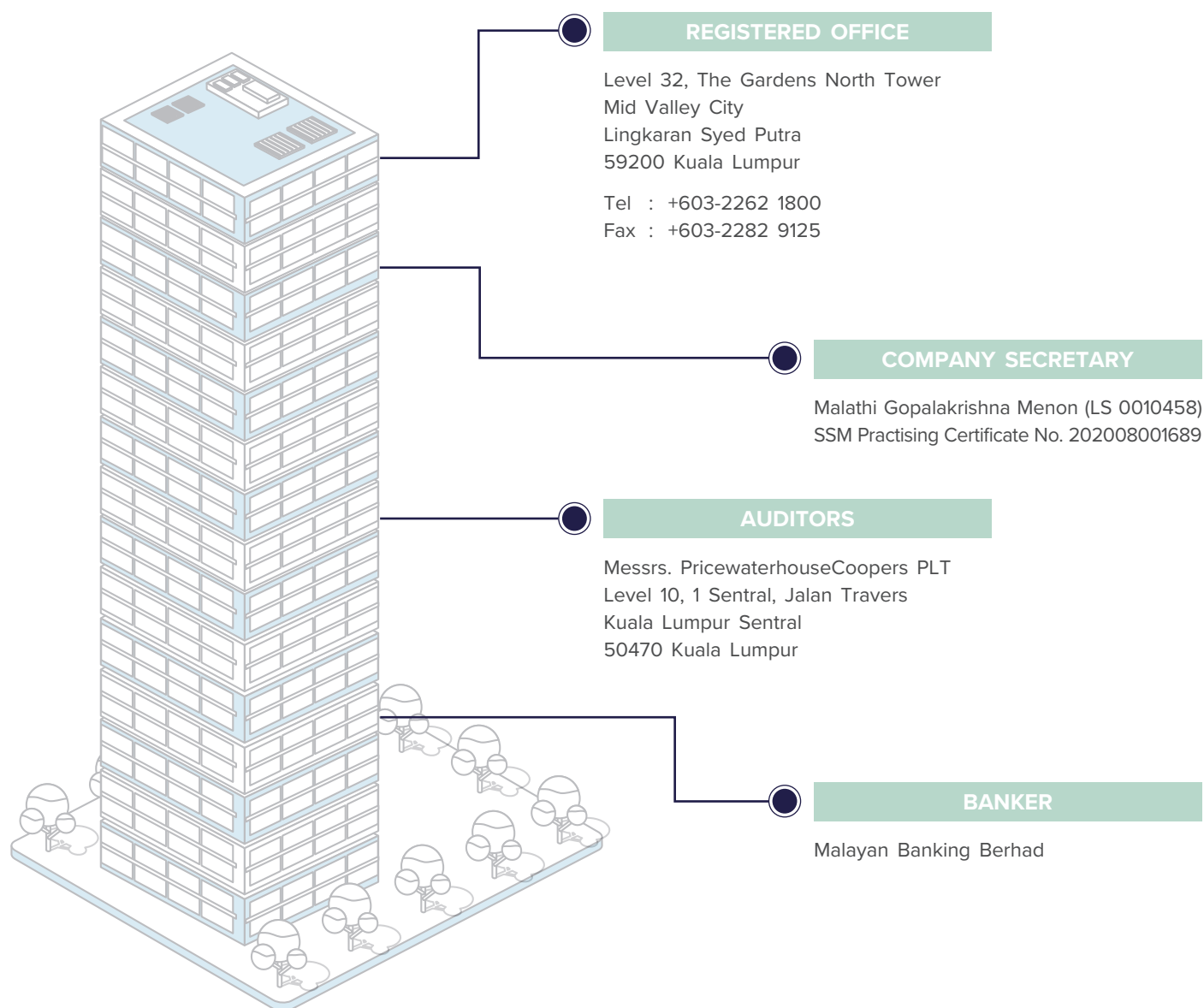


GROUP CORPORATE STRUCTURE



¹ One Redeemable Preference Share (RPS) equivalent to 100% RPS shareholding in Cagamas MBS Berhad, held by Cagamas SRP Berhad in trust for Lembaga Pembiayaan Perumahan Sektor Awam, was fully redeemed on 16 December 2019.

CORPORATE INFORMATION



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth (13th) Annual General Meeting (AGM) of Cagamas Holdings Berhad (“the Company”) will be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Wednesday, 3 June 2020 at 11.00 a.m. for the transaction of the following business:

AS ORDINARY BUSINESS		
1	To receive the audited financial statements for the financial year ended 31 December 2019, together with the Reports of the Directors and Auditors thereon.	
2	To approve the payment of Directors’ Fees from the 13 th to the 14 th AGM as stated below, payable in a manner as the Directors may determine: (i) RM100,000 per annum for the Chairman of the Board; (ii) RM70,000 per annum for the Chairman of Board Committees; and (iii) RM70,000 per annum for the Members of the Board.	(Ordinary Resolution 1)
3	To approve the Directors’ benefits comprising meeting allowances payable to the Directors from the 13 th to the 14 th AGM as stated below: (i) RM5,000 per meeting for the Chairman of the Board/Chairman of Board Committee; and (ii) RM3,500 per meeting for each Member of the Board/Board Committees.	(Ordinary Resolution 2)
4	To re-elect Wan Hanisah binti Wan Ibrahim who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers herself for re-election. Datuk George Ratilal who is also retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution, has expressed his intention not to seek re-election. Hence, he will retain office until the conclusion of the 13 th AGM.	(Ordinary Resolution 3)
5	To re-elect Datuk Siti Zauyah binti Md Desa who is retiring pursuant to Article 23.2 of the Company’s Constitution and being eligible, offers herself for re-election.	(Ordinary Resolution 4)
6	To re-elect Chong Kin Leong who is retiring pursuant to Article 23.2 of the Company’s Constitution and being eligible, offers himself for re-election.	(Ordinary Resolution 5)
7	To appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration.	(Ordinary Resolution 6)
8	To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.	

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

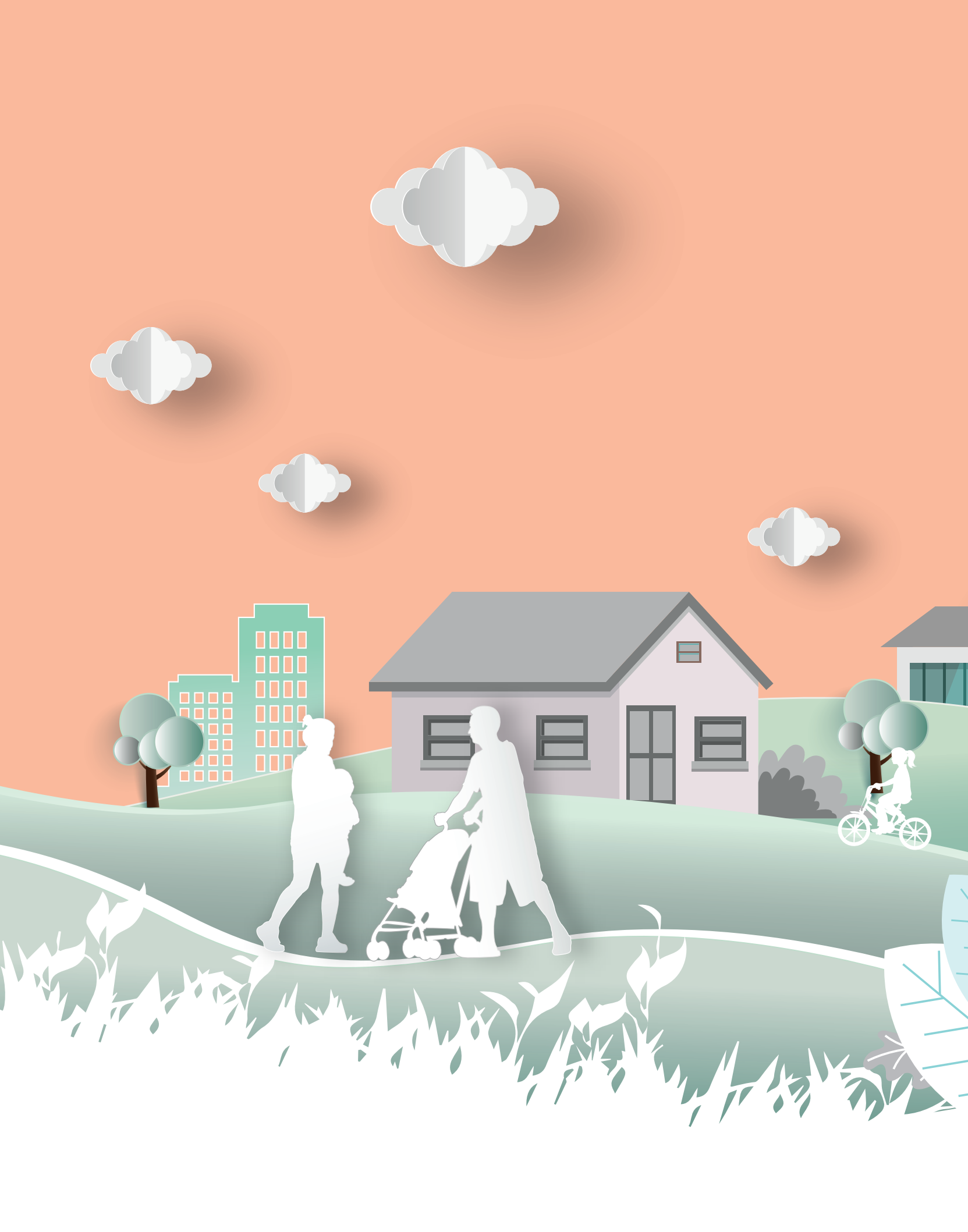
By Order of the Board

Malathi Gopalakrishna Menon (LS 0010458)
SSM Practising Certificate No. 202008001689
Company Secretary

Kuala Lumpur
4 May 2020

Notes

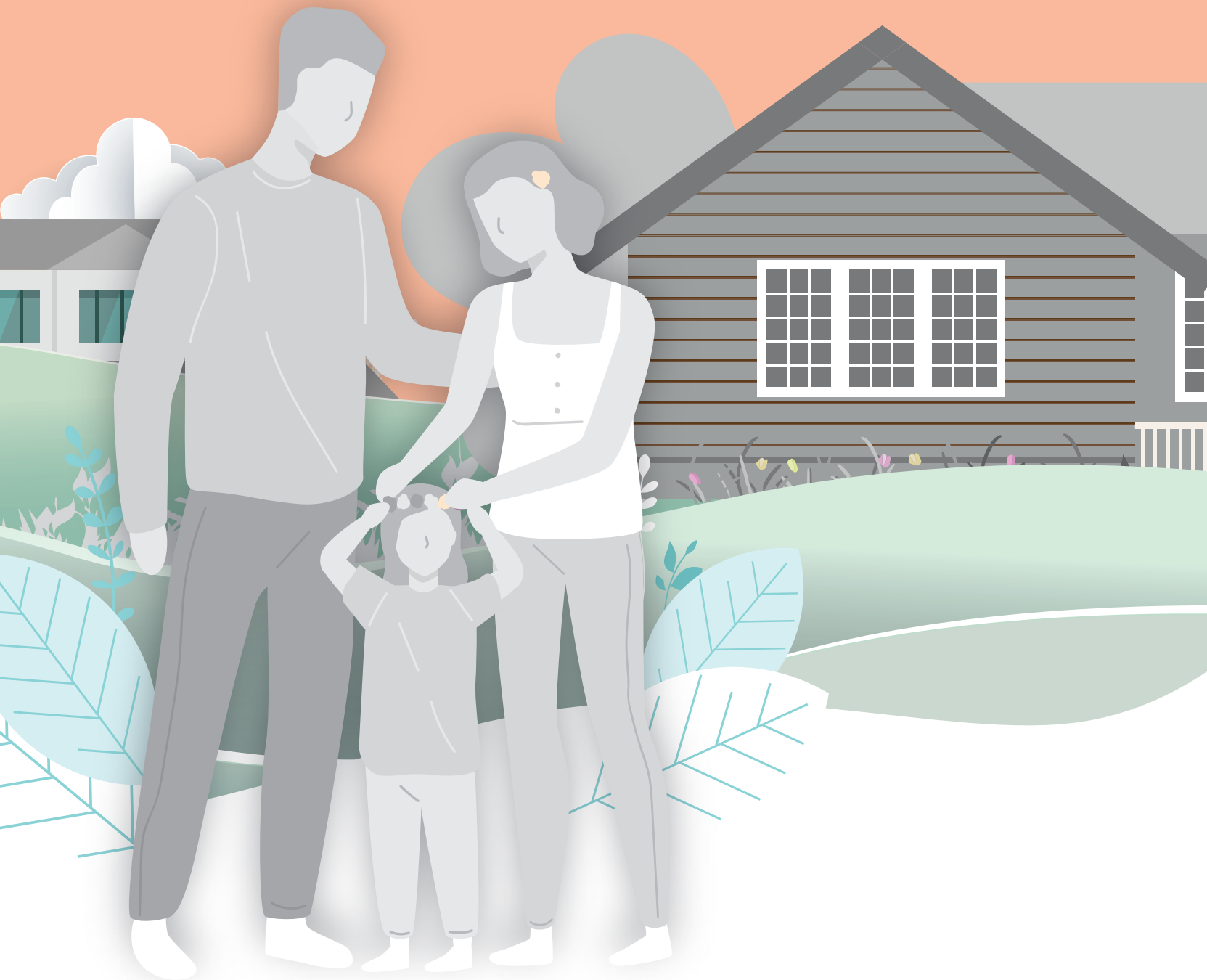
1. A member entitled to attend and vote at the meeting shall be entitled to appoint up to two (2) proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
 2. Where a member appoints more than one (1) proxy, the appointments shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
 3. The instrument appointing the proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
 4. All Proxy Forms must be duly executed and deposited at the Registered Office of the Company at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting as the case may be.
-



HOUSING THE NATION

SERVING OUR COMMUNITIES

**By Supporting the
Government's Affordable
Homeownership Programmes**



PROFILE OF THE BOARD OF DIRECTORS



**DATO'
BAKARUDIN BIN ISHAK**
Independent Non-Executive Chairman



Age
59 years



Date Appointed
1 January 2019



Nationality
Malaysian



Board Meetings
Attended **4/4**

Membership of Board Committee

Member, Group Board Governance Committee

Qualification

- Bachelor of Economics (Honours), University of Malaya

Working Experience/Other Directorships

Present

- Chairman, Cagamas Berhad
- Chairman, Cagamas SRP Berhad
- Director, Affin Islamic Bank 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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

Membership of Board Committee

Member, Group Board Governance Committee (Resigned w.e.f. 20 September 2019)

Qualification

- Fellow, CPA Australia
- Degree in Business, Curtin University of Technology, Perth

Working Experience/Other Directorships

Present

- Managing Director & Chief Executive Officer, Lembaga Tabung Haji
- Director, Bank Islam Malaysia Berhad
- Director, BIMB Holdings Berhad
- Director, TH Plantations Berhad

Past

- Founder, Inovastra Capital Sdn. Bhd.
- Director, BIMB Investment Management Berhad
- Public-Interest Director, Federation of Investment Managers Malaysia (FIMM)
- Board Member of Universiti Utara Malaysia
- Member, Corporate Debt Restructuring Committee (set up by Bank Negara Malaysia)
- Director, Al Hijrah Media Corporation
- Executive Director, Market and Corporate Supervision/Executive Chairman, Audit Oversight Board, Securities Commission Malaysia
- Executive Director, Market and Corporate Supervision
- Executive Chairman, Audit Oversight Board
- Member, Bursa Malaysia Listing Committee
- Member, Operational Review Panel, Malaysia Anti-Corruption Commission
- President, Malaysian Institute of Accountants
- Vice President, ASEAN Federation of Accountants
- Member, Executive and Strategy Committee, Confederation of Asian and Pacific Accountants
- Chairman, Committee to Strengthen the Accountancy Profession

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



DATUK NIK MOHD HASYUDEEN BIN YUSOFF

Independent Non-Executive Chairman
(Resigned as Director/Chairman w.e.f. 20 September 2019)



Age
55 years



Date Appointed
1 January 2017



Nationality
Malaysian



Board Meetings
Attended **3/3**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



**TAN SRI DATO' SRI
TAY AH LEK**

Non-Independent Non-Executive Director



Age
77 years



Date Appointed
12 August 2011



Nationality
Malaysian



Board Meetings
Attended **4/4**

Membership of Board Committee

Member, Group Board Governance Committee

Qualification

- Emeritus Fellow, Malaysian Institute of Management
- Fellow, Chartered Banker of the Asian Institute of Chartered Bankers
- Fellow, CPA Australia
- Fellow, Financial Services Institute of Australasia
- Advanced Management Program, Harvard Business School
- Master's degree, Business Administration from Henley, United Kingdom

Working Experience/Other Directorships

Present

- Managing Director and CEO, Public Bank Berhad
- Director, Public Bank Group of Companies
- Director, Ombudsman for Financial Services (formerly known as Financial Mediation Bureau)
- Member, Economic Action Council
- Chairman, Association of Hire Purchase Companies of Malaysia
- Council Member, Association of Banks in Malaysia
- Member, Steering Committee and the Service Provider Consultative Group of the National Payments Advisory Council.

Past

- Director, Cagamas Berhad
- Executive Vice President, Public Finance
- Executive Vice President, Public Bank

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

Membership of Board Committee

Chairman, Group Board Audit Committee

Qualification

- MBA, Aston University, United Kingdom
- BA (Hons) Accountancy, Birmingham City University

Working Experience/Other Directorships

Present

- Director, Genting Berhad

Past

- Executive Vice President and Group Chief Financial Officer, Petroliaam Nasional Berhad (PETRONAS)
- Director, PETRONAS
- Director, PETRONAS Chemicals Group Berhad
- Director, PETRONAS Gas Berhad
- Director, PETRONAS Dagangan Berhad
- Director, MISC Berhad
- Director, APA Group
- Director, RHB Investment Bank Berhad
- Director, KLCC Property Holdings Berhad
- Worked in PETRONAS as Vice President and Executive Vice President and Group CFO for 15 years. Prior to that, worked in investment banking for 18 years, concentrating in corporate finance where he was involved in advisory work in mergers and acquisitions and the capital markets

Declaration

The Director has no:


- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.




**DATUK
GEORGE RATILAL**

Independent Non-Executive Director

 Age
60 years

 Date Appointed
12 August 2011

 Nationality
Malaysian

 Board Meetings
Attended **4/4**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



**DATUK
ABDUL FARID BIN ALIAS**
Non-Independent Non-Executive Director



Age
52 years



Date Appointed
6 June 2013



Nationality
Malaysian



Board Meetings
Attended **4/4**

Membership of Board Committee

Nil

Qualification

- Masters in Business Administration, (Finance), University of Denver, USA
- Bachelor of Science in Accounting, Pennsylvania State University, USA
- Advanced Management Programme, Harvard Business School, Harvard University, USA
- Chartered Banker of Asian Institute of Chartered Bankers

Working Experience/Other Directorships

Present

- Group President and CEO, Malayan Banking Berhad
 - Director, Maybank Group of Companies

Past

- Deputy President & Head, Global Banking, Maybank
 - Head, International, Maybank
- Khazanah Nasional Berhad
- JP Morgan Securities
- Malaysian International Merchant Bankers
- Schroders (L) Limited

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

Membership of Board Committee

Member, Group Board Audit Committee

Qualification

- Master of Business Administration, Simon Fraser University of Canada
- BBA Joint Honours (1st Class) degree, Simon Fraser University of Canada

Working Experience/Other Directorships

Present

- Director, CIMB Group Holdings
- Director, CIMB Bank
- Chairman, BIX Malaysia (Bond & Sukuk Information Platform Sdn. Bhd.)
- Board of Trustees, Capital Market Development Fund
- Adviser, Securities Commission Malaysia

Past

- Deputy Group CEO, CIMB
- President, Financial Markets Association of Malaysia
- Treasury Portfolio Manager with a leading Canadian bank and member of its Senior Asset-Liability Management Committee

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



DATO'
LEE KOK KWAN

Non-Independent Non-Executive Director



Age
54 years



Date Appointed
12 June 2015



Nationality
Malaysian



Board Meetings
Attended **2/4**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



WAN HANISAH BINTI WAN IBRAHIM
Independent Non-Executive Director



Age
63 years



Date Appointed
26 May 2016



Nationality
Malaysian



Board Meetings
Attended **4/4**

Membership of Board Committee

Member, Group Board Audit Committee

Qualification

- Masters of Economics, University of Malaya
- Bachelor's degree in Economics (Honours), University of Malaya

Working Experience/Other Directorships

Present

- Director, Cagamas MBS Berhad
- Director, Franklin Templeton GSC Asset Management Sdn. Bhd.

Past

- Director, LINK & Regional Offices Department, Bank Negara Malaysia (BNM)
- Director, Foreign Exchange Department, BNM
- Director, Treasury Department, BNM
- Director, International Department, BNM
- Chief Representative, BNM London Representative Office

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS

(CONTINUED)

Membership of Board Committee

Chairman, Group Board Governance Committee

Qualification

- Ph.D in Law, the School of Oriental and African Studies (SOAS), University of London
- Post-Graduate Diploma in Syariah Law and Practice (with distinction), the International Islamic University Malaysia
- LL.M, Queen Mary College, University of London
- Barrister at Law, Lincoln's Inn.
- LL.B (Hons), University of Buckingham
- Working Experience/Other Directorships

Working Experience/Other Directorships

Present

- Chairman and Senior Partner, Zaid Ibrahim & Co. (ZICO)/Advocate & Solicitor
- Chairman, Chin Hin Group Berhad
- Chairman, T7 Global Berhad
- Chairman, Pengurusan Aset Air Berhad
- Director, Amanah Saham Nasional Berhad
- Director, MUFG Bank Malaysia Berhad
- Chairman, IILUM Holdings Sdn. Bhd.
- Chairman, Capital Market Compensation Fund Corporation (set up by the Securities Commission of Malaysia)
- Chairman, Malaysia – Singapore Business Council
- Practising Member, Chartered Institute of Islamic Finance Professionals (CIIF)
- Member, Chartered Institute of Marketing (United Kingdom)
- Fellow member, Financial Services Institute of Australasia (FINSIA)
- Visiting Senior Fellow, Melbourne Law School, University of Melbourne, Australia
- Registered Notary Public

Past

- Visiting Fulbright Scholar, Harvard Law School (1996-1997)
- Chevening Visiting Fellow, the Oxford Centre of Islamic Studies, Oxford University (2004-2005)
- Deputy Dean of the Faculty of Laws, International Islamic University Malaysia
- Legal Consultant, State General Reserve Fund (SGRF), the sovereign wealth fund of Sultanate of Oman
- Director, Tabung Haji
- Member of the Islamic Religious Council, Federal Territories of Malaysia (MAIWP) (Appointed by His Majesty Yang Di Pertuan Agong of Malaysia)
- Chairman and Director, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
- Chairman and Director, Perodua Sales Sdn. Bhd. and Perodua Otomobil Kedua Sdn. Bhd.
- Chairman, UMW Manufacturing & Engineering
- Director, Manulife Holdings Berhad
- Director, Manulife Insurance Berhad
- Director, UMW Holdings Berhad
- Director, Fraser & Neave Holdings Berhad
- Director, MSIG Insurance (Malaysia) Berhad
- Director, Ranhill Holdings Berhad

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



**DATUK SERI DR.
NIK NORZRUL THANI BIN
N. HASSAN THANI**

Independent Non-Executive Director



Age
60 years



Date Appointed
1 January 2019



Nationality
Malaysian



Board Meetings
Attended **4/4**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



**DATUK
SITI ZAUYAH BINTI MD DESA**
Independent Non-Executive Director



Age
61 years



Date Appointed
1 December 2019



Nationality
Malaysian



Board Meetings
Attended **1/1**

Membership of Board Committee

Nil

Qualification

- The Oxford High Performance Leadership Programme, Said Business School, University of Oxford, United Kingdom (UK)
- MBA (International Banking) (Board of Directors' list), University of Manchester, UK
- Diploma in Public Administration (Excellent), Nat. Ins. of Public Admin (INTAN), Malaysia
- BSc (Hons) in Quantity Surveying (Second Class Upper), University of Reading, UK

Working Experience/Other Directorships

Present

—

Past

- Director for Trade Finance Corporation, Islamic Development Bank
- Director, Social Security Fund of Malaysia
- Director, Export-Import Bank of Malaysia
- Director, Bank Pembangunan Malaysia Berhad
- Director, UDA Holdings Berhad
- Director, Syarikat Prasarana Malaysia Berhad
- Director, Bank Simpanan Nasional
- Director, DanaInfra Nasional Berhad
- Director, Malaysia Digital Economy Corporation Sdn. Bhd.
- Director, Bank Kerjasama Rakyat Malaysia
- Director, Kumpulan Wang Persaraan
- Chairman of ASEAN Infrastructure Fund
- Director/Deputy Chairman, Employees Provident Fund
- Co-chairman for National Investment Committee II
- Ministry of Finance, Malaysia
 - Deputy Secretary General (Policy)
 - Director of National Budget, National Budget Office
 - Under Secretary, Government Investment Companies Division.
 - Under Secretary, Loan Management, Financial Market & Actuary Division
 - Deputy Secretary (Infrastructure), Investment, MOF (Inc) & Privatisation Division
 - Director's Advisor for Asian Development Bank to the constituency belonging to Malaysia, Myanmar, Nepal, Singapore and Thailand

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

BOARD & BOARD COMMITTEES

The Board of Directors of Cagamas Holdings Berhad (the Board), comprising senior officers/representatives and chief executives of selected substantial shareholders as well as experienced professionals nominated by the Board, is responsible for the formulation of the Company's general policies.

The Group Board Audit Committee reviews the plan and scope of audit of the Cagamas group of companies (Group) by the external auditors as well as the effectiveness of financial and internal control procedures.

The Group Board Governance Committee reviews the corporate governance practices of the Group in line with best practices, annually assesses the effectiveness of the Board as a whole, the Board Committees and the contributions of individual Directors and proposes appointments to the Board and Board Committees.

BOARD OF DIRECTORS

Chairman of the Board

Dato' Bakarudin bin Ishak
(Re-designated as Chairman w.e.f. 20 September 2019)

Directors

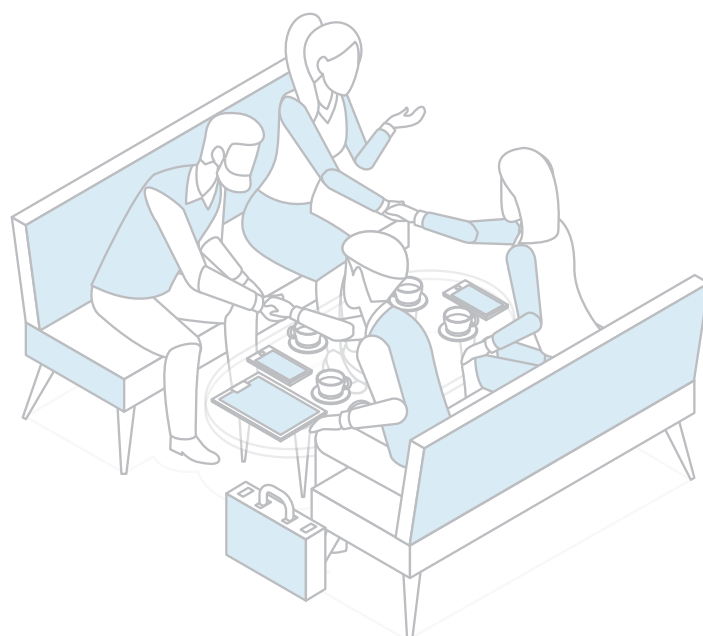
- Tan Sri Dato' Sri Tay Ah Lek
 - Datuk George Ratilal
 - Datuk Abdul Farid bin Alias
 - Dato' Lee Kok Kwan
- Wan Hanisah binti Wan Ibrahim
- Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
 - Datuk Siti Zauyah binti Md Desa
(Appointed w.e.f. 1 December 2019)
 - Datuk Nik Mohd Hasyudeen bin Yusoff
(Resigned as Director/Chairman w.e.f. 20 September 2019)

Members of the Group Board Audit Committee

- Datuk George Ratilal
(Chairman)
- Dato' Lee Kok Kwan
- Wan Hanisah binti Wan Ibrahim

Members of the Group Board Governance Committee

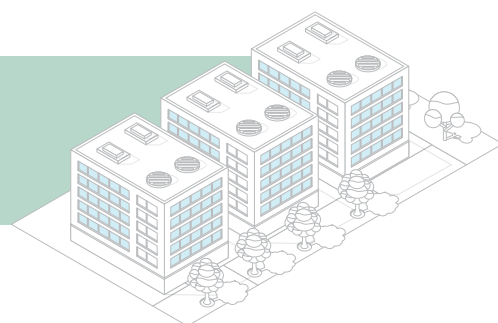
- Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed as Chairman w.e.f. 20 September 2019)
- Tan Sri Dato' Sri Tay Ah Lek
- Dato' Bakarudin bin Ishak
(Chairman from 1 January 2019 to 19 September 2019 and re-designated as member w.e.f. 20 September 2019)
- Datuk Nik Mohd Hasyudeen bin Yusoff
(Resigned as member w.e.f. 20 September 2019)



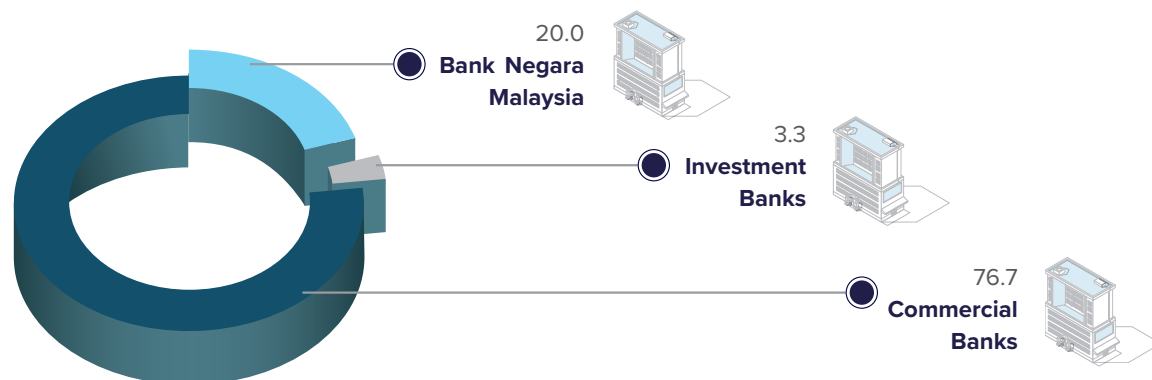
SHAREHOLDERS

CAGAMAS HOLDINGS BERHAD'S SHARE CAPITAL STRUCTURE AS AT 29 APRIL 2020

Issued and Paid-up Capital: 150 million ordinary shares of RM1 each



SHAREHOLDING STRUCTURE AS AT 29 APRIL 2020



Types of Shareholders	% Shareholding	No. of Shareholders	Range of % Shareholding
Bank Negara Malaysia	20.0	1	20.0
Commercial Banks	76.7	18	0.2 – 16.5
Investment Banks	3.3	4	0.4 – 1.6
Total	100.0	23	

ANALYSIS OF SHAREHOLDING AS AT 29 APRIL 2020

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
300,001 to less than 7,500,000 (less than 5%)	16	70	31,395,000	20.9
7,500,000 (5%) and above	7	30	118,605,000	79.1

SHAREHOLDERS (CONTINUED)

SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD AS AT 29 APRIL 2020

Shareholders	No. of Shares	% Shareholding
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 Group	12,932,400	8.6
RHB Bank Berhad	11,732,400	7.8
RHB Investment Bank Berhad	1,200,000	0.8
AmBank (M) Berhad	12,066,000	8.0
Public Bank Group	10,485,600	7.0
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 Group	5,583,000	3.7
Alliance Bank Malaysia Berhad	3,183,000	2.1
Alliance Investment Bank Berhad	2,400,000	1.6
Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
Affin Bank Group	4,410,000	2.9
Affin Bank Berhad	3,660,000	2.4
Affin Hwang Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
OCBC Bank (Malaysia) Berhad	2,997,000	2.0
MUFG Bank Malaysia Berhad	738,000	0.5
SIBB Berhad	450,000	0.3
Bangkok Bank Berhad	369,000	0.3
The Bank of Nova Scotia Berhad	327,000	0.2
Deutsche Bank (Malaysia) Berhad	300,000	0.2
Bank of China (Malaysia) Berhad	300,000	0.2
Total	150,000,000	100.0

CORPORATE HIGHLIGHTS

January

Business Meetings in Hong Kong

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings in Hong Kong. Datuk Chung met with several investors comprising securities and fund management firms, asset management companies and financial institutions over the span of two days.



Cagamas Golf Friendly 2019

The Cagamas Golf Friendly 2019 was held at Glenmarie Golf & Country Club, which saw the participation of senior representatives from financial regulatory authorities and the Cagamas Group of companies. Everyone had an enjoyable time perfecting their golf skills, renewing acquaintances and refreshing shared values and beliefs.

Interview with BFM Radio – The Business Station on The Breakfast Grille

President/Chief Executive Officer, Datuk Chung Chee Leong, was featured on BFM Radio – The Business Station, in an interview on the station's signature show, The Breakfast Grille. Datuk Chung was invited to share his thoughts on the property landscape as well as current trends and issues affecting the housing sector in Malaysia.

Courtesy Visit by the World Bank

Cagamas welcomed a visit from the World Bank Group, led by the Practice Manager for East Asia and the Pacific, Irina Astrakhan, to touch base on various projects by the World Bank and discuss the upcoming Constructing and Financing Affordable Housing Across Asia Conference in April 2019.



CORPORATE HIGHLIGHTS (CONTINUED)

February



Interview with The Business Year

President/Chief Executive Officer, Datuk Chung Chee Leong, was interviewed by The Business Year to share his thoughts on our contribution to promote home ownership in Malaysia and on charting Cagamas' next move.



Academic Visit from Politeknik Nilai

Cagamas welcomed diploma students from the Faculty of Islamic Business and Finance, Politeknik Nilai, Negeri Sembilan. The second year students were briefed on Cagamas' Islamic business.



Business Meetings in Bangkok, Thailand

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team to Bangkok, Thailand. Datuk Chung met with existing and potential investors comprising asset management companies and financial institutions in a series of business meetings.

CORPORATE HIGHLIGHTS

(CONTINUED)

March



Skim Rumah Pertamaku (SRP) Talk in MAPEX 2019

Senior Vice President, Operations & Services, S. Shanmuganathan and Vice President, Core & Structured Business, Zulieka Zulkipli, represented Cagamas at the House Ownership Campaign 2019 organised by Malaysia Property Expo (MAPEX) which was held in Kuala Lumpur. Both spoke on *Skim Rumah Pertamaku (SRP)* followed by a question and answer session with the public.

Penang State Government's Affordable Housing Expo Penang 2019

Cagamas participated in the Affordable Housing Expo Penang 2019 which was organised by the Penang State Government Housing Division. The expo was officiated by the Chief Minister of Penang (CM), Yang Berhormat Tuan Chow Kon Yeow and Yang Berhormat Tuan Jagdeep Singh Deo, Exco of the Penang Executive Council Committee, Housing, Local Government and Rural & Urban Planning. Cagamas, represented by Azizi Ali, Senior Vice President, Business & Product Development, welcomed the CM at the Cagamas booth and explained the *Skim Rumah Pertamaku (SRP)*.



The Euromoney/ECBC Asian Covered Bond Forum 2019

Cagamas President/Chief Executive Officer, Datuk Chung Chee Leong was a panelist for the session on Securitisation in Asia-Pacific: Opportunities and Threats during the Euromoney/ECBC Asian Covered Bond Forum 2019, held in Singapore. Datuk Chung presented his views on *Securitisation and Prospects for the Market's Growth in Asia*.

Cagamas Group of Companies: Annual General Meeting of the Subsidiaries

Cagamas Berhad Group along with the other subsidiaries of Cagamas Holdings Berhad - Cagamas SRP Berhad, Cagamas MBS Berhad, BNM Sukuk Berhad, Cagamas SME Berhad and Cagamas MGP Berhad held their Annual General Meetings in Lanai Kijang, Bank Negara Malaysia.



CORPORATE HIGHLIGHTS (CONTINUED)

April



Inaugural International Secondary Mortgage Market Meeting 2019

The inaugural International Secondary Mortgage Market Association (ISMMA) meeting was held in Sasana Kijang, Kuala Lumpur to provide an opportunity for useful dialogue and exchange of ideas amongst ISMMA members. The meeting saw participation from 13 countries including Canada, France, Indonesia, Japan, Kenya, Korea, Mongolia, Nigeria, Pakistan, Philippines, Tanzania and Thailand.

Constructing and Financing Affordable Housing across Asia Conference 2019

The Constructing and Financing Affordable Housing across Asia 2019 (Conference), organised by Cagamas Berhad and The World Bank Group, brought together more than 450 participants from over 30 countries globally, and was supported by 40 high-calibre speakers from public and private sectors, academia and non-government organisations around the world. Officiated by the Minister of Housing and Local Government, Yang Berhormat Puan Hajah Zuraida Kamaruddin, the key takeaways from this Conference included utilising big data to effectively allocate resources in the housing market, innovative financing solutions introduced globally for local adaptation and the emergence of non-banks to fill the gaps in financing affordable housing programmes.



Signing of Memorandum of Understanding between Cagamas Berhad and Korean Housing Finance Company

Cagamas signed a Memorandum of Understanding (MoU) with the Korean Housing Finance Corporation (KHFC) to jointly explore home financing methods to promote homeownership in their respective countries. President/Chief Executive Officer, Datuk Chung Chee Leong and Chairman/Chief Executive Officer, Jung Hwan Lee, represented Cagamas and KHFC respectively, at a ceremony witnessed by the Minister of Housing and Local Government, Yang Berhormat Puan Hajah Zuraida Kamaruddin, Deputy Governor of Bank Negara Malaysia, Datuk Abdul Rasheed Ghaffour, The World Bank Group's Director, Zoubida Allaoua, Chairman of Cagamas Holdings Berhad, Nik Mohd Hasyudeen Yusoff, Chairman of Cagamas Berhad, Dato' Bakarudin Ishak, as well as senior officials from both Cagamas and KHFC and delegates of the Constructing and Financing Affordable Housing across Asia Conference 2019.



CORPORATE HIGHLIGHTS (CONTINUED)

Visits by the Pakistan Mortgage Refinance Company and the Tanzania Mortgage Refinance Company Limited

Cagamas received delegations from the Pakistan Mortgage Refinance Company (PMRC) and the Tanzania Mortgage Refinance Company Limited (TMRC) led by Mudassir Khan, Chief Executive Officer of PMRC and Oscar P. Mgaya, Chief Executive Officer of TMRC respectively. Representatives from both organisations were briefed on secondary mortgage financing in Malaysia and in particular, Cagamas' operations and developments.



10th Annual Affordable Housing Projects

Senior Vice President, Corporate Strategy & Communications, Leong See Meng, represented Cagamas as a speaker at the 10th Annual Affordable Housing Projects organised by Marcus Evans which was held in Kuala Lumpur. He presented on *Housing 2.0 – Examining the Development of Malaysia's Housing Finance Market*.



15th Kuala Lumpur Islamic Finance Forum 2019

President/Chief Executive Officer, Datuk Chung Chee Leong, was a panelist at the 15th Kuala Lumpur Islamic Finance Forum 2019. Datuk Chung spoke about the latest updates on sukuk including his thoughts on *Socially Responsible Investment (SRI), Green and Halal Financing*.



Cagamas Co-Sponsored *Islamic Economics: Principles & Analysis* Publications Launched

Cagamas' co-sponsored International Shari'ah Research Academy's (ISRA) latest textbook entitled *Islamic Economics: Principles & Analysis*, was launched by the Prime Minister, Yang Amat Berhormat Tun Dr. Mahathir Mohamad during the 15th Kuala Lumpur Islamic Finance Forum

2019. This is a project collaboration with the Centre for Islamic Economics, International Islamic University Malaysia. The textbook offers significant benefits to the Islamic financial industry, as a source of reference for academicians, practitioners, policy makers as well as students.

Signing of Memorandum of Cooperation between Cagamas Berhad and National Home Mortgage Finance Corporation of Philippines

Cagamas signed a Memorandum of Cooperation with the National Home Mortgage Finance Corporation (NHMFC) of Philippines to jointly explore home financing methods to promote homeownership in their respective countries and mutual technical assistance in the area of Securitisation and Islamic Capital Markets. President/Chief Executive Officer, Datuk Chung Chee Leong and President, Dr. Felixberto U. Bustos Jr. represented Cagamas and NHMFC respectively, at a ceremony which was witnessed by senior officers from both organisations.



CORPORATE HIGHLIGHTS (CONTINUED)

Business Meetings with Saudi Real Estate Refinance Company

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a business meeting with Fabrice Susini, Chief Executive Officer of Saudi Real Estate Refinance Company in Riyadh.



Financial Sector Conference 2019

President/Chief Executive Officer, Datuk Chung Chee Leong, represented Cagamas as a panelist at the Financial Sector Conference 2019, organised and co-hosted by the Ministry of Finance of Saudi Arabia, the Saudi Arabian Monetary Authority and the Saudi Capital Market Authority in Riyadh. He spoke at the panel discussion on the topic of *Mortgages: Bolstering*

Industry Appetite. He also participated in the *Ministry of Housing Innovation Huddle on Bolstering Home Ownership* hosted by H.E. Majed Abdullah Al-Hogail, Minister, Ministry of Housing of Saudi Arabia.

Issuers & Investors Forum 2019

Senior Vice President, Business & Product Development, Azizi Ali, represented Cagamas as a panelist at the Issuers & Investors Forum 2019, which was held in Riyadh, Saudi Arabia. He spoke at the panel discussion on the topic of *Growing Mortgage Finance and Home Ownership in Saudi Arabia and Exploring the Role of Islamic Finance*.



IFN Asia Forum 2019

Senior Vice President, Treasury & Capital Markets, Delvin Chong, represented Cagamas as a panelist at the IFN Asia Forum 2019, Kuala Lumpur. He spoke at the panel discussion on the topic of *Sovereign, Multilateral and Supranational Issuers and the Islamic Market*.



Business Meetings in Dubai, Sharjah and Abu Dhabi

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings with potential investors in Dubai, Sharjah and Abu Dhabi.



CORPORATE HIGHLIGHTS (CONTINUED)

May



Cagamas Holdings Berhad's Twelfth Annual General Meeting

Cagamas Holdings Berhad (Company) held its Twelfth Annual General Meeting in Lanai Kijang, Bank Negara Malaysia, Kuala Lumpur. The Company achieved a profit of RM416.5 million for 2018, compared with RM414.3 million in 2017.



Business Meetings in Geneva, Zurich and London

President/Chief Executive Officer, Datuk Chung Chee Leong, led the Cagamas team for a series of business meetings with potential investors in Geneva, Zurich and London.

Asia Bond Market Summit European Edition

President/Chief Executive Officer, Datuk Chung Chee Leong, represented Cagamas as a speaker at The Asset's Asia Bond Market Summit European Edition in London, United Kingdom. Datuk Chung spoke at the panel session on *Issuers and Investors Approach to the Capital Markets*.



Meeting with Minister of Housing and Local Government

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a business meeting with the Minister of Housing and Local Government, Yang Berhormat Puan Hajah Zuraida Kamaruddin. The meeting discussed Cagamas' proposed initiatives to promote sustainable homeownership for the B40 and M40 groups.



CORPORATE HIGHLIGHTS (CONTINUED)

June

The Global Borrowers & Bond Investors Forum 2019

President/Chief Executive Officer, Datuk Chung Chee Leong, represented Cagamas as a speaker at The Global Borrowers & Bond Investors Forum 2019 organised by Euromoney and Global Capital in London, United Kingdom. Datuk Chung spoke at the panel session on *Asian Capital Markets in 2019: A New Diversity*, discussing opportunities and hazards for issuers and investors in these markets.



Business Meetings in London

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings with potential investors in London, United Kingdom.



Visit by Delegates from National Housing Development Corporation Limited, Bhutan

Cagamas received a delegation from the National Housing Development Corporation Limited of Bhutan. The purpose of the visit was to gain insight into Cagamas' activities and experience on supporting and promoting homeownership.



CORPORATE HIGHLIGHTS

(CONTINUED)

July

The Asset 2nd Malaysia Issuers & Investors Leaders Dialogue

President/Chief Executive Officer, Datuk Chung Chee Leong, represented Cagamas as a panelist at the 2nd Malaysia Issuers and Investors Leaders Dialogue 2019 organised by The Asset Publishing & Research Limited in Kuala Lumpur.



The Asset Triple A Islamic Finance Awards 2019

Cagamas was awarded the Islamic Issuer of the Year – Quasi-sovereign and Best Local Currency Sukuk at the Asset Triple A Islamic Finance Awards for its 1.5 billion Ringgit Commodity Murabahah. Datuk Chung Chee Leong, President/Chief Executive Officer accepted the awards on behalf of Cagamas at the ceremony which was held in Kuala Lumpur.



Cagamas Invitational Golf Challenge 2019

Cagamas held its Invitational Golf Challenge 2019 at the Kota Seriemas Golf & Country Club, Nilai, Negeri Sembilan which saw participation from golfers comprising stakeholders from regulatory bodies, financial institutions and corporations from Malaysia.

CORPORATE HIGHLIGHTS (CONTINUED)

Meeting with National Housing Department

President/Chief Executive Officer, Datuk Chung Chee Leong, and Cagamas representatives attended a business meeting with the Director-General of National Housing Department, Jeyaselan K. Navaratnam. The meeting discussed a strategic collaboration between National Housing Department and Cagamas to promote homeownership.



RAM-SIDC Bond Conference 2019

Senior Vice President, Treasury & Capital Markets, Delvin Chong, represented Cagamas as a panelist at RAM-SIDC Bond Conference 2019 organised by RAM Holdings Berhad and Securities Industry Development Corporation (SIDC). He spoke at the panel session on *New Frontiers to Deepen Market: Risk, Tenure & Investors*.



Hi Home Property Conference 2019

Cagamas participated at the Hi Home Property Conference 2019 organised by Hartabumi.com. The conference was officiated by Yang Berhormat Puan Hajah Zuraida Kamaruddin, Minister of Housing and Local Government and Yang Berhormat Tuan Syed Saddiq Syed Abdul Rahman, Minister of Youth and Sports in Kuala Lumpur. Cagamas, represented by President/Chief Executive Officer, Datuk Chung Chee Leong, spoke at the session on *Home Financing: Making it Affordable and Accessible*. The Cagamas team also welcomed both ministers at Cagamas' booth and explained the Company's *Skim Rumah Pertamaku (SRP)*.

CORPORATE HIGHLIGHTS

(CONTINUED)

August

Business Meetings with Investors in Bangkok, Thailand

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings in Bangkok, Thailand. They met with investors comprising Government pension funds and asset management companies over the span of two days.



September

6th Asian Fixed Income Summit 2019

Cagamas Berhad, led by its Chairman, Dato' Bakarudin Ishak and President/Chief Executive Officer, Datuk Chung Chee Leong, participated in the 6th Asian Fixed Income Summit (AFIS), hosted by the Korea Housing Finance Corporation in Busan, Korea.



Business Meetings with Investors in Seoul, Korea

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings in Seoul, Korea. They met with potential investors including asset management companies.



Asian Secondary Mortgage Market Meeting 2019

The Asian Secondary Mortgage Market Association (ASMMA) held its sixth annual meeting in Busan, Korea. The meeting saw leaders of secondary mortgage institutions from member countries including Indonesia, Japan, Kazakhstan, Korea, Malaysia, Mongolia, Pakistan, Philippines and Thailand gather to share knowledge, expertise and product innovation updates. Cagamas was represented by President/Chief Executive Officer, Datuk Chung Chee Leong.



CORPORATE HIGHLIGHTS (CONTINUED)

Strategy Offsite Meeting 2019

Members of the Board of Directors and management attended the Cagamas Strategy Offsite Meeting held in Langkawi, Kedah.



Global Islamic Finance Awards 2019

Cagamas was awarded the Islamic Finance Advocacy Award (Capital Markets) 2019 at the 9th Global Islamic Finance Awards. Azizi Ali, Senior Vice President, Business & Product Development, accepted the award on behalf of Cagamas at the ceremony which was held in Cape Town, South Africa.



Cagamas Group of Companies Annual Dinner 2019



IFSB-AMERC of IOSCO Joint High-Level Seminar

Senior Vice President, Corporate Strategy & Communications, Leong See Meng, represented Cagamas as a panelist at the IFSB-AMERC of IOSCO Joint High-Level Seminar on Development of Sukuk Markets in the Middle East and Africa: Growth Potential and Policy Considerations, jointly organised by the Islamic Financial Services Board and IOC-V-IOSCO in Abu Dhabi, United Arab Emirates. He spoke at the panel session on *Sukuk in Addressing Developmental Goals: Prospects and Challenges*.



CORPORATE HIGHLIGHTS (CONTINUED)

October

Home Ownership Campaign: Affordable Homes Exhibition

Cagamas participated in the Home Ownership Campaign: Affordable Homes exhibition which was organised by the Ministry of Housing and Local Government and officiated by Secretary-General Dato' Sri Haji Mohammad Mentek. Cagamas' officers welcomed the Secretary-General at the Cagamas booth where he was briefed on the *Skim Rumah Pertamaku (SRP)*.



Business Meeting with Labuan FSA in Labuan

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a business meeting to update Labuan FSA on Cagamas' activities.



Signing of Memorandum of Cooperation between Cagamas Berhad and Japan Housing Finance Agency

Cagamas signed a Memorandum of Cooperation (MoC) with the Japan Housing Finance Agency (JHF) with the aim of strengthening a cooperative relationship for development of housing finance in their respective countries. President/Chief Executive Officer, Datuk Chung Chee Leong and President, Toshio Kato represented Cagamas and JHF respectively, at a ceremony which took place at the side-lines of the 8th Asia Smart City Conference in Yokohama, Japan. The MoC was witnessed by the Vice-Minister for Land, Hokkaido Development and International Affairs Ministry of Land, Infrastructure, Transport and Tourism, Takuya Kurita, Deputy Minister for International Projects Ministry of Land, Infrastructure, Transport and Tourism, Dr. Hideki Hirai and Permanent Secretary for Ministry of Transport Thailand, Chaiwat Thongkamkoon as well as senior officers from both Cagamas and JHF.



Business Meeting in Tokyo, Japan

President/Chief Executive Officer, Datuk Chung Chee Leong led the Cagamas team for a series of business meetings in Tokyo, Japan. Datuk Chung met with several investors comprising asset management companies, financial institutions and insurance companies.



Home Ownership Campaign – Malaysia Property Exposition 2019

Vice President, Core & Structured Business, Zulieka Zulkipli, represented Cagamas at the Home Ownership Campaign - Malaysia Property Exposition (HOC-MAPEX) 2019, organised by Real Estate & Housing Developers' Association Malaysia (REHDA), which was held in Kuala Lumpur. She spoke on the *Skim Rumah Pertamaku (SRP)* followed by a question and answer session with the public.



CORPORATE HIGHLIGHTS (CONTINUED)

November

International Secondary Mortgage Market Association Meeting

The International Secondary Mortgage Market Association (ISMMA) meeting held in Cape Town, South Africa, provided members with an opportunity for discourse relating to development and challenges in the secondary mortgage market. The meeting was chaired by Datuk Chung Chee Leong as the current Chairman of ISMMA.



Leadership Energy Summit Asia 2019

Cagamas was the associate sponsor at the Leadership Energy Summit Asia 2019 (LESA 2019), organised by The ICLIF Leadership & Governance Centre in Sasana Kijang, Bank Negara Malaysia. LESA 2019 featured prominent speakers such as Aron Ralston, Stefan Olander and Datuk Nicol David.



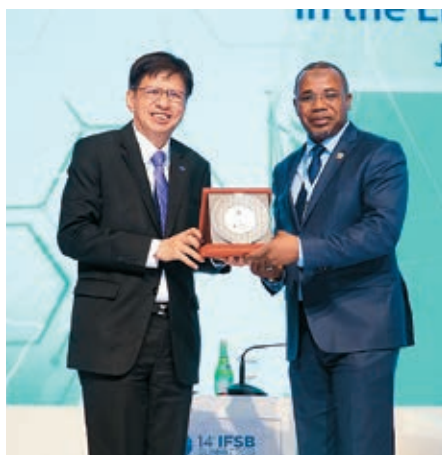
35th Annual Africa Union for Housing Finance Conference and the 31st International Union for Housing Finance World Congress

President/Chief Executive Officer, Datuk Chung Chee Leong, represented Cagamas at the 35th Annual Africa Union for Housing Finance (AUHF) Conference and the 31st International Union for Housing Finance (IUHF) World Congress, jointly organised by AUHF and IUHF, which was held in Cape Town, South Africa. Datuk Chung participated in the panel discussion on *Targeting Liquidity: Connecting the Capital Market with Affordable Housing*.



14th Islamic Financial Services Board Summit 2019

Cagamas participated in the 14th Islamic Financial Services Board Summit 2019 as the Summit Branding sponsor. This three-day conference covered topics based on the theme of *Islamic Finance for Sustainable Development in the Era of Technological Innovations*.



Malaysian Bond & Sukuk Conference: Capital Markets for a Sustainable Future

Cagamas participated in the Malaysian Bond & Sukuk Conference: Capital Markets for a Sustainable Future as a Gold sponsor. This two-day conference was co-organised by the Malaysian Rating Corporation Berhad, Amanie Academy and Amanie Media. Datuk Chung Chee Leong, President/Chief Executive Officer spoke at the panel session on *Malaysian Bond and Sukuk Markets: Where Are We Now?*



CORPORATE HIGHLIGHTS (CONTINUED)

December



PropertyGuru 2020 Outlook Forum

Senior Vice President, Corporate Strategy & Communications, Leong See Meng, represented Cagamas as a panelist at the PropertyGuru 2020 Outlook Forum organised by PropertyGuru Malaysia in Kuala Lumpur. The Forum discussed prospects for the property sector in 2020 and alternative financing solutions and homeownership initiatives.



Cagamas Sponsors INCEIF Book Award 2019

Cagamas was one of the sponsors for the INCEIF Book Award 2019 in conjunction with the 11th Convocation organised by the International Centre for Education in Islamic Finance in Kuala Lumpur.

AWARDS & ACCOLADES



**TOP ISSUANCE
(ALL)**

**TOP TRADED
AMOUNT
(CONVENTIONAL)**



**ISLAMIC ISSUER
OF THE YEAR
(QUASI-SOVEREIGN)**

**BEST LOCAL
CURRENCY SUKUK**



**ISLAMIC
FINANCE
ADVOCACY
AWARD
(CAPITAL MARKET)**

Awards	Deals/Categories
BPAM Bond Market Awards 2019	a) Top Issuance – All b) Top Traded Amount – Conventional
The Asset Triple A Islamic Finance Awards 2019	a) Islamic Issuer of the Year – Quasi-Sovereign b) Best Local Currency Sukuk 1.5 billion Ringgit Commodity Murabahah
Global Islamic Finance Awards 2019	Islamic Finance Advocacy Award (Capital Market)

CAGAMAS IN THE NEWS (CONTINUED)

Cagamas wraps up 2019 with bonds and sukuk issuance over RM10b

The issuance comprises of 3 Islamic and conventional debt papers namely ICPs, CCPs and IMTNs

by PRITA VASU

CAGAMAS Bhd, the National Mortgage Corp of Malaysia issued RM10.2 billion worth of aggregate bonds and sukuk this year.

The issuance comprised of three Islamic and conventional debt papers — RM600 million Islamic Commercial Papers (ICPs), RM200 million Conventional Commercial Papers (CCPs), and RM400 million Islamic medium-term notes (IMTNs).

The proceeds from ICPs, CCPs and IMTNs issuances will be used to fund the purchases of mortgage loans and Islamic house financing from the domestic financial system.

"The issuance exercise which brings the aggregate issuances for the year to RM10.2 billion, marking the company's third consecutive year surpassing RM10 billion worth of issuances," said Cagamas presi-



The issuance exercise which brings the aggregate issuances for the year to RM10.2b, marking the company's 3rd consecutive year surpassing RM10b worth of issuances, says Chung

dent and CEO Datuk Chung Chee Leong said.

The six-month CCPs/ICPs was

competitively priced at 3.25%, 20 basis points (bps) above six-month Malaysia Treasury Bills and 17bps

above the Malaysian Islamic Treasury Bills.

The one-year IMTNs was com-

petitively priced at 3.29%, 26bps above the corresponding Malaysia Government Investment Issue.

"It has been an eventful year for both domestic and global markets. The company remains optimistic as it continues to fulfil its mandate as a financial intermediary between the capital market and the Malaysian housing sector," he said.

The papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the company, ranking pari passu among themselves and with other existing unsecured obligations of the company.

They will be listed and tradable under the Scripless Securities Trading System.

According to Malaysia Rating Corp Bhd, Malaysia's sukuk market remains the biggest in East Asia, where 61% of the total local currency bonds outstanding comprises of sukuk. The outstanding amount of Malaysia's local currency bonds totalled RM1.49 trillion at the end of October 2019, a 73% year-on-year growth.

Cagamas issues RM350m worth of CCPs

by S BIRRUNTHA

NATIONAL mortgage corporation Cagamas Bhd has announced the issuance of its three-month conventional commercial papers (CCPs) amounting to RM350 million.

In a statement, Cagamas said proceeds from the issuance will be used to fund the purchase of mortgages from the financial system.

The company also stated that the CCP, which represents the company's fifth issuance for the year, will be issued from its existing RM20 billion conventional commercial paper programme.

Cagamas CEO Datuk Chung Chee Leong said with the current risk-off sentiment arising from continued global geopolitical uncertainty and increased expectations of a cut in the US Federal Reserve funds rate, the issuance was strategically concluded via private placement.

"It achieved a competitive pricing of three basis points below the corresponding benchmark three-month KLIBOR (Kuala Lumpur Interbank Offered Rate).

"We are pleased to see that the company's short-term issuances continue to be highly sought after as demand for local currency fixed income instruments remains robust within the domestic capital market," he added.

Chung said the conclusion of this issuance brings the company's total year-to-date issuance to RM2.8 billion.

According to Cagamas, the papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the company.

HOME BUSINESS

Integrated property database key to address market concerns

Integrated property database key to address market concerns

This will serve as a launch pad for future policy direction — experts

STORIES BY THE EDITOR

by ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Malaysia will need an integrated property database that could serve as a launch pad for future policy direction and actions by both the government and private sector players.

This was suggested by experts at the inaugural "Constraining and Enabling Affordable Housing across Asia Conference" at the Affordable Housing, jointly hosted by Cagamas Bhd and the World Bank Group here, yesterday.

Speaking during a panel session, Cagamas president and chief executive officer (CEO) Datuk Chung Chee Leong said while there has been local income in the provision of better ownership, as observed in the rate of Malaysia's home ownership at over 10%, there is a prevailing issue of a supply and demand mismatch.

"We also observed the increase in housing prices, which has grown at a faster pace than the growth of income levels of individuals or households."

"It is the lack of big data that facilitated this mismatch of supply and demand. But another issue that should be addressed is that the Millennials are really lacking in savings. There is a real need to understand the needs, especially among millennials who are going to enter the market as purchasers," said Chung.

World Bank senior adviser of finance, competitiveness, and innovation Lok Chuan stated that an inclusive property market database will work in the government's favour.

"If the government can have a fully integrated vision of the housing market with real-time data, then we can better plan and manage the housing market," he said.

Chung added that the development of the Malaysian real-



From left, Datuk Chung Chee Leong, Cagamas president and CEO, and World Bank Group senior adviser Lok Chuan, speaking at the inaugural 'Constraining and Enabling Affordable Housing across Asia Conference'.

market in another area the World Bank could look into discussing with the government.

He also stressed that the rental market should not be considered with only one-to-one (1T1) solution. 1T1 solution, he said, are "very very powerful and powerful vehicle for better ownership."

"It is a different kind of gain for the rental market. We need, as the minister has said, a solid strategy and not more piecemeal packages — not piecemeal packages or investments — for both landlords and tenants, together with the renter, and long-term business," said Chung.

"We are really looking to the way of aggregating data, and how we can better plan and manage the housing market with real-time data, then we can better plan and manage the housing market," he said.

Chung added that the development of the Malaysian real-

Cagamas' debt paper issuance of RM1.8b in August highest this year

BY ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Cagamas Bhd said its issuance of debt papers for August totalled RM1.8 billion, the highest this year.

The national mortgage company said these include its most recent issuance of RM300 million three-month conventional commercial papers (CCPs) and RM305 million three-month Islamic commercial papers (ICPs).

Proceeds from the issuance will be used to fund the purchase of housing loans and Islamic home financing from the domestic financial system, it said in a statement yesterday.

"We are pleased with the successful conclusion of both the CCPs

and ICPs as it represents the company's fourth and fifth issuances respectively for the month of August," said Cagamas president and chief executive officer Datuk Chung Chee Leong. The company said that despite uncertainty stemming from global growth rate forecasts, evidenced by regional monetary policy easing, both the ICPs and CCPs secured competitive pricing at 15 basis points below the three-month onshore Kuala Lumpur Interbank Offered Rate.

"The issuances were fully subscribed by financial institutions which continue to seek short-term high-grade investment assets domestically," added Chung.

August's issuances brought Cagamas' total year-to-date issuances to RM5.6 billion.

Cagamas issues RM1.2b bonds, sukuk

KUALA LUMPUR: National mortgage corporation Cagamas Bhd has announced the combined issuance of RM1.2 billion bonds and sukuk, comprising RM400 million Islamic Commercial Papers (ICPs), RM200 million Conventional Commercial Papers (CCPs) and RM400 million Islamic Medium-Term Notes (IMTNs).

President and chief executive officer Datuk Chung Chee Leong said yesterday the proceeds from the combined issuance would be used to fund the purchases of mortgage loans and Islamic house financing from the domestic financial system.

"We are pleased to conclude the year with yet another successful issuance representing the company's 20th issuance since it was set up as a financial intermediary between the capital market and the Malaysian housing sector," Chung said.

The papers, which will be redeemed at their full nominal value upon maturity, are unsecured obligations of the company, ranking pari passu among themselves and with all other existing unsecured obligations of the company.

They will be listed and tradable under the Scripless Securities Trading System. — Bernama

GROUP FINANCIAL HIGHLIGHTS

for the year ended 31 December 2019

	Group									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue (RM million)										
Gross Operating Revenue	1,922.0	1,877.4	1,793.8	1,954.7	1,996.9	1,983.2	2,144.7	2,174.4	2,351.9	2,313.7
Profit Before Tax and Zakat	610.5	591.5	551.9	703.2	546.5	558.3	574.2	548.2	544.0	534.2
Profit After Tax and Zakat	455.7	442.1	413.2	527.6	391.2	436.5	439.4	414.3	416.5	410.9
Dividend After Tax	22.5	22.5	45.0	22.5	30.0	30.0	30.0	30.0	30.0	30.0
Statement of Financial Position (RM million)										
Amount Due From Counterparties	4,325.1	4,307.0	3,696.1	3,825.7	6,540.2	10,971.0	14,296.2	19,870.4	20,404.9	16,657.2
Islamic Financing Assets	6,854.3	6,879.6	8,076.9	6,107.9	6,541.2	5,581.4	5,307.7	5,544.4	10,030.0	10,842.2
Conventional Mortgage Assets	11,384.6	10,510.8	9,659.4	11,064.3	10,189.8	9,354.3	8,494.0	7,678.1	6,939.3	6,212.1
Islamic Mortgage Assets	7,696.2	7,434.9	7,124.3	10,648.2	10,176.2	9,618.6	9,058.7	8,465.4	7,857.9	7,209.4
Total Assets	32,130.7	32,137.9	31,863.7	36,420.0	37,407.7	40,346.8	42,972.4	46,812.2	50,701.5	46,346.9
Unsecured Bearer Bonds and Notes	10,039.5	9,868.0	9,217.5	11,521.7	13,291.6	17,994.7	20,946.6	25,764.9	26,082.4	20,661.0
Sukuk	10,651.3	10,585.5	11,707.6	13,403.0	13,261.7	11,944.0	11,214.9	11,597.9	14,808.5	15,849.9
Residential Mortgage-Backed Securities	4,135.4	3,842.8	3,195.3	3,195.3	2,464.5	2,143.5	2,143.5	1,270.3	1,270.3	1,009.0
Islamic Residential Mortgage-Backed Securities	3,382.8	3,382.8	2,865.3	2,865.3	2,594.2	2,075.5	2,075.8	1,261.4	1,261.4	1,015.5
Paid-up Capital	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Reserves	3,329.3	3,741.0	4,111.7	4,614.8	4,983.3	5,414.6	5,799.6	5,914.7	6,222.7	6,698.5
Shareholders' Funds	3,479.3	3,891.0	4,261.7	4,764.8	5,133.3	5,564.6	5,949.6	6,064.7	6,372.7	6,848.5
Per Share										
Earnings (sen)*	303.8	294.7	275.4	351.7	260.8	291.0	292.9	276.2	277.7	274.0
Net Tangible Assets (RM)*	23.1	25.9	28.4	31.7	34.2	37.1	39.6	40.3	42.3	45.5
Dividend (sen)	15.0	15.0	30.0	15.0	20.0	20.0	20.0	20.0	20.0	20.0
Financial Ratios										
Pre-tax Return on Average Shareholders' Funds (%)	18.7	16.1	13.5	15.6	11.0	10.4	10.0	9.1	8.7	8.1
After-tax Return on Average Shareholders' Funds (%)	14.0	12.0	10.1	11.7	7.9	8.2	7.6	6.9	6.7	6.2
Pre-tax Return on Average Total Assets (%)	1.9	1.8	1.7	2.1	1.5	1.4	1.4	1.2	1.1	1.1
After-tax Return on Average Total Assets (%)	1.4	1.4	1.3	1.5	1.1	1.1	1.1	0.9	0.9	0.8
Dividend Cover (times)	20.3	19.6	9.2	23.4	13.0	14.6	14.6	13.8	13.9	13.7
Total Capital Ratio (%)	26.8	35.7	39.4	39.1	39.9	37.1	38.0	35.1	45.0	44.0

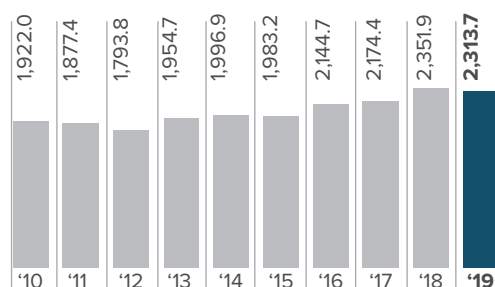
* Based on 150 million ordinary shares of RM1.00 each

GROUP FINANCIAL HIGHLIGHTS

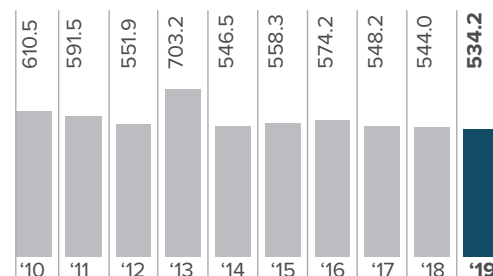
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for the year ended 31 December 2019

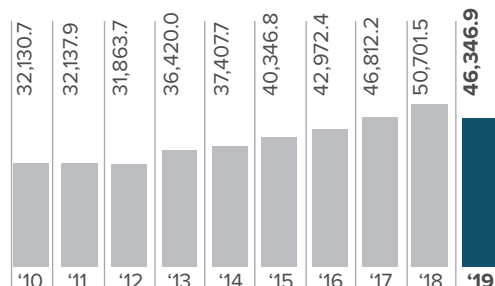
GROSS OPERATING REVENUE (RM million)



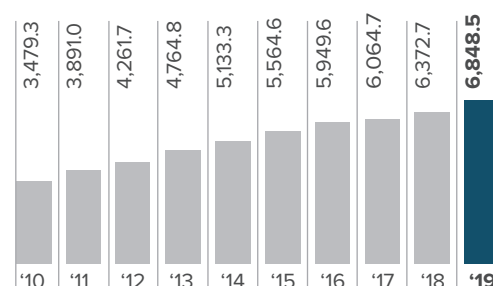
PROFIT BEFORE TAX AND ZAKAT (RM million)



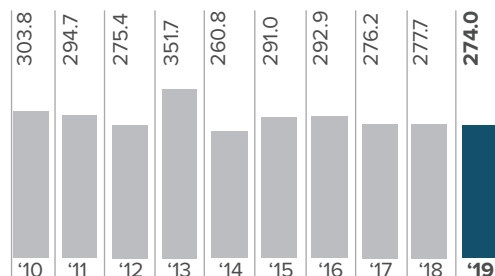
TOTAL ASSETS (RM million)



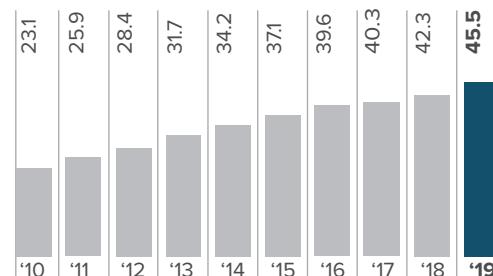
SHAREHOLDERS' FUNDS (RM million)



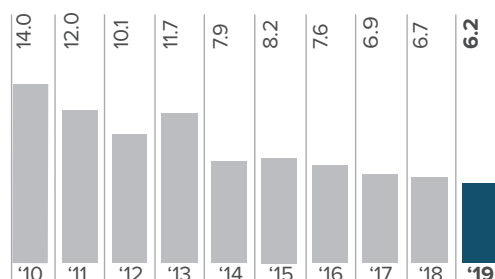
EARNINGS (sen)*



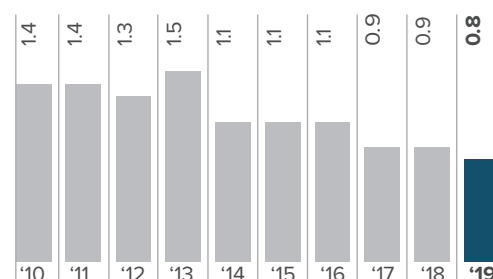
NET TANGIBLE ASSETS (RM)*



AFTER-TAX RETURN ON AVERAGE SHAREHOLDERS' FUNDS (%)



AFTER-TAX RETURN ON AVERAGE TOTAL ASSETS (%)



* Based on 150 million ordinary shares of RM1.00 each

BUSINESS REVIEW

CAGAMAS HOLDINGS BERHAD

Incorporated in 2007, Cagamas Holdings Berhad is the holding company of Cagamas Berhad (“Cagamas”), Cagamas SRP Berhad, Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad and Cagamas MGP Berhad (collectively as “Group”). Its wholly-owned subsidiary, Cagamas is Malaysia’s National Mortgage Corporation and the main operating entity of the Group. Cagamas plays an important role in the Malaysian capital markets where its primary function is to promote the broader spread of homeownership and growth of the secondary mortgage market as well as contributing towards nation development.

Cagamas Berhad

Cagamas was incorporated in 1986 by Bank Negara Malaysia with the primary objective of increasing homeownership and promoting the development of the country’s capital markets. By issuing debt securities in the capital market to purchase residential mortgages, Cagamas creates a secondary market for mortgages, provides liquidity to the financial system and being one of the largest domestic issuers of corporate bonds and sukuk, contributes to the development of domestic capital market. In addition, Cagamas Global P.L.C and Cagamas Global Sukuk Berhad are subsidiaries established under Cagamas for the purpose of issuing foreign currency bonds and sukuk, with issuances by both entities being guaranteed by Cagamas.

Through the issuance of conventional and Islamic securities, Cagamas funds the purchase of residential mortgages through its Purchase with Recourse (“PWR”) and Purchase without Recourse (“PWOR”) schemes. Under the PWR scheme, Cagamas provides liquidity and takes on the credit risk of selling institutions against an undertaking to replace defaulted loans and financing, whilst under the PWOR scheme, Cagamas absorbs all the credit risk of the loans and financing acquired. Based on this business model, Cagamas is able to provide liquidity and capital management solutions to selling institutions at a competitive cost, thus encouraging the origination of additional housing loans and financing to new applicants at an affordable cost.

To fund its purchases, Cagamas taps into the capital market through the issuance of corporate bonds and sukuk in the form of fixed and floating rate bonds, discounted notes and sukuk. To manage liquidity risk, Cagamas issues corporate bonds and sukuk that are closely matched against cashflows and maturity

profiles of its portfolio of purchased loans and financing. All corporate bonds and sukuk issued by Cagamas are unsecured, and rank pari passu among themselves.

Cagamas SRP Berhad

As part of the Government efforts aimed at assisting first time house buyers, Cagamas SRP Berhad (“CSR”) was established in 2011 with the objective of providing mortgage guarantees to the primary lenders of house financing. Through two schemes namely the Skim Rumah Pertamaku (“My First Home Scheme [SRP]”) and Skim Perumahan Belia (“Youth Housing Scheme [SPB]”), qualifying house buyers can obtain up to 110% (for SRP) and 100% (for SPB) financing from participating banks, enabling them to own a home without paying a down payment.

In addition, CSR offers mortgage guarantee as a “first loss” protection on the residential mortgage portfolio of the Financial Institutions (“FIs”). The guarantee reduces the credit risk on their mortgage loan/financing portfolio, whilst improving their Total Capital Ratio.

Cagamas MBS Berhad

Cagamas MBS Berhad is a special purpose vehicle set-up in 2004 to facilitate asset-backed securitisation transactions. Its main function is to purchase mortgage assets and Islamic home financing assets from the Government of Malaysia and the issuance of Residential Mortgage Backed Securities (“RMBS”) and Islamic Residential Mortgage Backed Securities (“IRMBS”) in the capital market to fund those purchases.

OPERATING REVIEW 2019

Global and Domestic Economic Environment

The global economy expanded at a more moderate pace in 2019 with an estimated growth rate of 2.9% (2018: 3.7%)¹. Trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity in the second half of 2019. Intensifying social unrest in several countries posed new challenges, as did weather-related disasters – from hurricanes in the Caribbean, to drought and bushfires in Australia, floods in eastern Africa, and drought in southern Africa. More recently, the COVID-19 outbreak which started late 2019 has also affected economic growth.

¹ IMF World Economic Outlook January 2020

BUSINESS REVIEW

(CONTINUED)

On the positive side, market sentiment was boosted by tentative signs that manufacturing activity and global trade were bottoming out, a broad-based shift towards accommodative monetary policy, intermittent favourable news on US-China trade negotiations, and diminished fears of a no-deal Brexit.

Growth in the Malaysian economy moderated to 3.6% in the fourth quarter of 2019 as a result of supply disruption in the commodities sector despite stronger private sector expenditure. For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%)².

Interest Rate and Liquidity Environment

In 2019, the banking system remained flushed with liquidity with financial institutions continuing to operate with strong capital and liquidity buffers. The Overnight Policy Rate (“OPR”) was decreased to 3.00% in May 2019 and remained unchanged until the end of the year³, while the Statutory Reserve Requirement was reduced to 3.00% effective 16 November 2019. The ringgit appreciated by 2.3% against the US dollar in the fourth quarter, in line with most regional currencies.⁴

Property Market

Malaysian House Price Index increased by 0.2% to 195.7 points in 3Q 2019 (3Q 2018: 195.3 points)⁵, reflecting a moderation in house prices in almost all of the states in Malaysia. In the 1H 2019, the residential property sector recorded 99,922 transactions worth RM34.65 billion, an increase of 6.1% in volume and 9.5% in value from 2018. According to latest data by the National Property Information Centre as at 1H 2019, the overhang of residential properties had accumulated to 32,810 units worth RM19.76 billion. The provision of affordable housing continues to be a major policy concern in Malaysia with emphasis on the B40 income group remaining a key focus in the Government’s housing agenda under the National Housing Policy 2018-2025.

Bond Market

In 2019, global economic growth deteriorated as the US-China trade war continued to escalate with higher tariffs from both sides. Other factors which contributed to a relatively challenging 2019 were the Brexit deal that was eventually postponed, the devaluation of the Argentina Peso as well as the unrest in Hong Kong. Also, throughout 2019, markets remained focused on the US Federal Reserve’s monetary policy where the target range of the federal funds rate was brought down by 25 bps in each of its July, September and October 2019 Federal Open Market Committee meetings to 1.50% – 1.75% (a cumulative 0.75% in 2019). The yield on the benchmark 10-year US Treasury note ranged from a high of 2.80% in January 2019 to a low of 1.43% in September 2019 and ended the year at 1.92%.

On the local front, Malaysian Government Securities (“MGS”) yields were lower across the curve, partly as a result of the cut in the OPR by 25 bps to 3.00% by Bank Negara Malaysia at its May 2019 Monetary Policy Committee meeting in reaction to weak economic growth. On average, MGS yields decreased by 69 bps across tenures in 2019.

The local corporate bonds and sukuk market moved in tandem with the MGS curve, alongside the uncertainty in the global economic outlook and dovish stance undertaken by more central banks globally wherein the yields for corporate bonds and sukuk i.e. Government Guaranteed (“GG”), Cagamas and other AAA-rated papers moved lower as at end December 2019 compared to end December 2018. In terms of credit spread, average credit spread of GG, Cagamas and other AAA-rated papers against MGS compressed by 11 bps, 13 bps and 11 bps respectively.

² BNM Quarterly Bulletin 4Q2019

³ OPR was further reduced to 2.75% in January 2020.

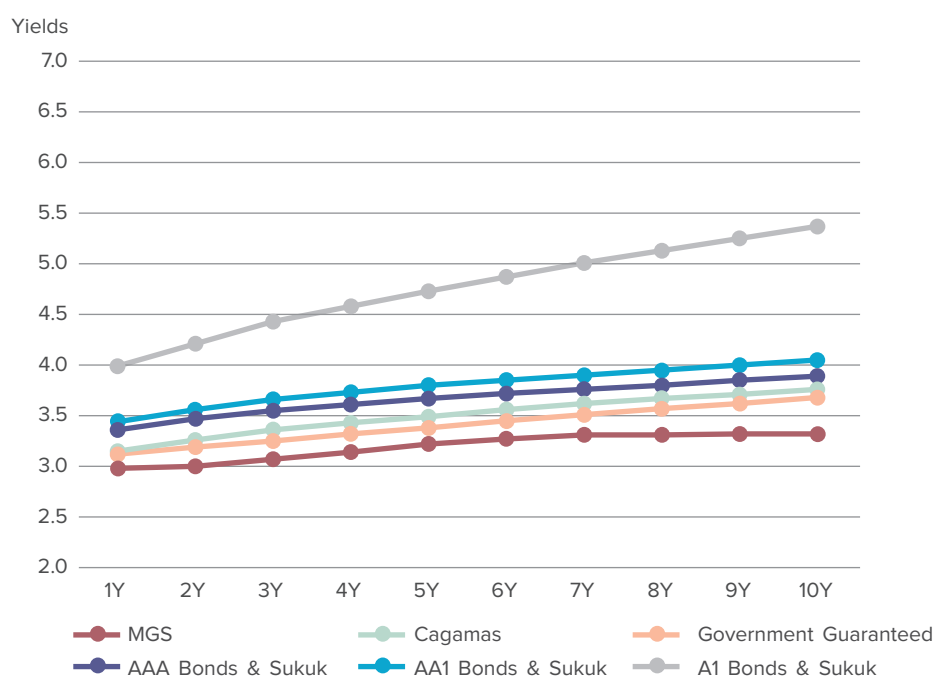
⁴ BNM Quarterly Bulletin 4Q2019

⁵ National Property Information Centre

BUSINESS REVIEW

(CONTINUED)

Chart 1
Bond Yield Comparison
as at 31 December 2019



As at end December 2019, total foreign holdings of MGS were higher by RM17.7 billion to RM163.9 billion (Dec 2018: RM146.2 billion) which resulted in foreign holdings increasing to 41.6% (Dec 2018: 38.4%) of total MGS outstanding. Foreign holdings of MGS recorded its lowest for the year 2019 at 35.8% in May from 37.6% in January. The recovery in foreign holdings of MGS in the fourth quarter of 2019 was mainly due to risk-on sentiments among foreign investors arising from pause signals of global monetary policy easing and the US-China trade truce.

As for Malaysian Government Investment Issues ("MGII"), total foreign holdings increased by RM5.2 billion to RM21.1 billion as at end December 2019 (Dec 2018: RM15.9 billion) resulting in the increase in total foreign holdings of MGII outstanding as at December 2019 to 6.2% (Dec 2018: 5.2%).

Overall, total foreign holdings in MGS and MGII increased in December 2019, with total holdings higher by RM22.9 billion or 14.2% to RM185.0 billion (Dec 2018: RM162.1 billion) which translates to 23% of total MGS and MGII holdings of RM732.9 billion as at December 2019.

PURCHASE OF LOANS AND FINANCING

Cagamas recorded RM5.0 billion purchases of loans and financing under the PWR scheme (2018: RM12.1 billion). No purchase of loans and financing was recorded under the PWOR scheme (2018: nil). Cagamas' net outstanding loans and financing decreased by 9.4% to RM37.8 billion (2018: RM41.7 billion). As at the end of 2019, residential mortgages dominated Cagamas' portfolio at 98.6% (2018: 98.7%), followed by hire purchase financing at 1.4% (2018: 1.2%). Cagamas' Islamic asset portfolio against conventional assets increased to a ratio of 43:57 (2018: 38:62), while PWR and PWOR loans and financing portfolios were at 70%⁶ and 30%⁶ respectively (2018: 71% and 29% respectively). The gross impaired loans and financing under the PWOR scheme stood at 0.72% (2018: 0.85%), while net impaired loans and financing was at 0.11% (2018: 0.43%).

⁶ Gross loans and financing before loan loss provision and accretion

BUSINESS REVIEW

(CONTINUED)

Chart 2

Cagamas' Annual Purchases, 1987 – 2019

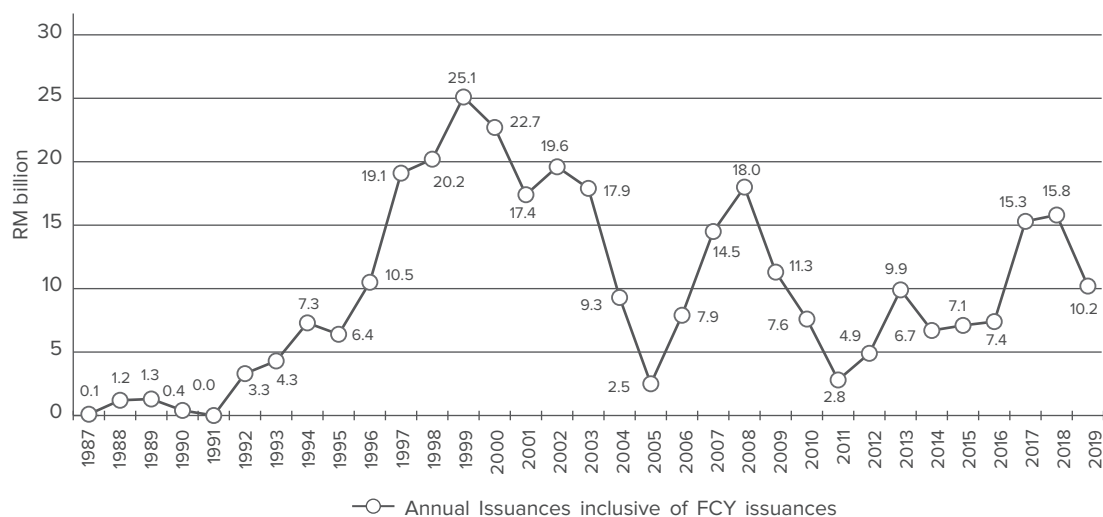


ISSUANCE OF CAGAMAS BOND AND SUKUK

Since 1987 until end 2019, Cagamas and its subsidiaries cumulatively issued a total of RM327.9 billion of corporate bonds and sukuk, out of which, RM58.8 billion comprised of sukuk issuances and RM9.98 billion equivalent was from foreign currency issuances ("FCY")

Chart 3

Cagamas' Annual Issuances, 1987 – 2019



BUSINESS REVIEW

(CONTINUED)

As one of the largest issuers of corporate bonds and sukuk in Malaysia, Cagamas continued to diversify its funding sources and investor base to include a wider range of foreign institutional investors. In 2019, a total of RM10.2 billion worth of bonds and sukuk were issued, marking Cagamas' third consecutive year surpassing RM10.0 billion worth of issuances through 26 Cagamas bonds and sukuk issuance exercises that resulted in 40 new stocks. From the total issuance, 61% or RM6.2 billion were raised via conventional bond issuances and 39% or RM4.0 billion were raised via sukuk issuances.

In 2019, there were no FCY mainly due to the competitive cost advantage in the local bond market evidenced by the significant tightening of MGS throughout the year which translated into a lower cost of funding for Cagamas and competitive pricing required by the asset sellers.

In terms of tenure, 79% amounting to RM8.1 billion of total issuances in 2019 were for tenures of 1 year and below (2018: 48% or RM7.6 billion) while 13% or RM1.3 billion were for tenures of between 1 year to 3 years (2018: 42% or RM6.7 billion). The balance of 8% amounting to RM0.8 billion of total issuances in 2019 were for tenures of above 3 years (2018: 10% amounting to RM1.5 billion).

Chart 4
Annual Bonds
and Sukuk
Issuances,
2006 – 2019

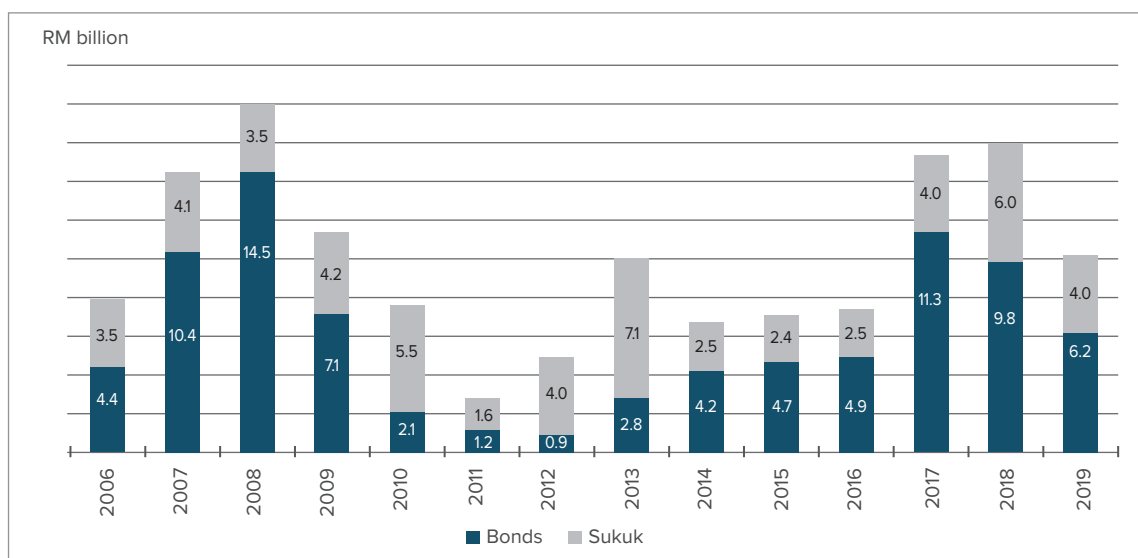
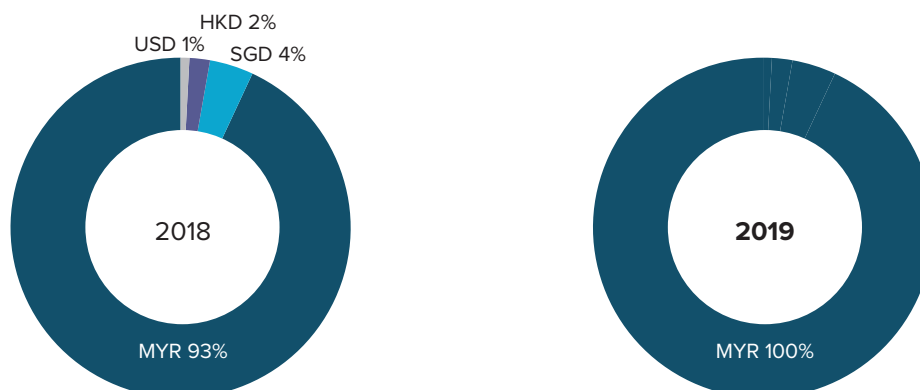


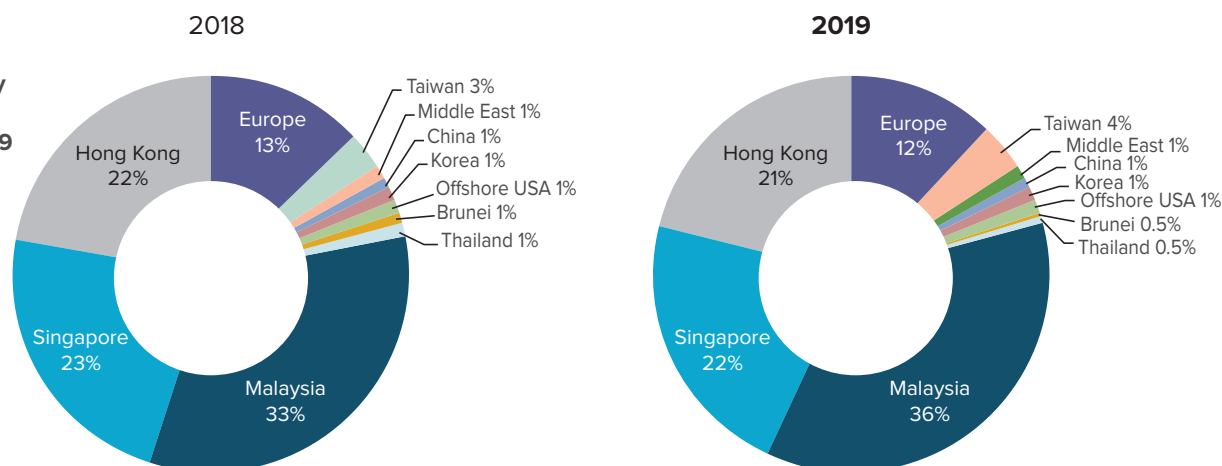
Chart 5
Issuances by
Currency,
2018 & 2019



BUSINESS REVIEW

(CONTINUED)

Chart 6
Number of
Investors by
Country,
2018 & 2019



As part of the initiatives to promote secondary market liquidity for Cagamas' bonds and sukuk, reopening exercises has been conducted since October 2015 under its RM60.0 billion Medium Term Notes programme. In 2019, Cagamas reopened a total of three tranches in July (1 reopening) and November (2 reopenings) for a combined size of RM800.0 million.

Table 1
Bonds and Sukuk Reopening, 2019

2019 Bonds and Sukuk Reopening			
	July	November	
Initial Issue Size	RM50 mil.	RM75 mil.	RM25 mil.
Reopened Amount	RM700 mil.	RM60 mil.	RM40 mil.
New Size	RM750 mil.	RM135 mil.	RM65 mil.
Type	Bond	Bond	Bond

In terms of the most traded local corporate bonds and sukuk in 2019, Cagamas ranked sixth with a total traded volume of RM4.8 billion, commanding a market share of 2.9%. In terms of the most traded local conventional corporate bonds in 2019, Cagamas ranked first with a total traded volume of RM2.9 billion, comprising a market share of 14.0%.

As at end December 2019, outstanding Cagamas debt securities stood at RM36.5 billion where RM33.9 billion or 93% was in local currency and RM2.7 billion equivalent or 7% was denominated in foreign currencies. Conventional bonds comprised 57% or RM20.7 billion of the total outstanding while the remaining 43% or RM15.8 billion were sukuk. Cagamas remained one of the largest issuers of corporate bonds and sukuk in Malaysia, accounting for 5% of total outstanding corporate bonds and sukuk and 20% of outstanding AAA-rated bonds and sukuk.

BUSINESS REVIEW

(CONTINUED)

RATINGS

For 2019, Cagamas successfully reaffirmed its ratings with 3 rating agencies. Moody's Investors Service ("Moody's") assigned long-term issuer A3 ratings for both Cagamas' local and foreign currency capital market programmes, in line with Malaysian sovereign ratings. RAM Rating Services Berhad ("RAM Ratings") assigned Cagamas' Global, ASEAN and national-scale corporate credit ratings at gA_2 /Stable/ $gP1$, $seaAAA$ /Stable/ $seaP1$ and AAA /Stable/ $P1$ respectively. In addition, Malaysian Rating Corporation Berhad ("MARC") assigned Cagamas' bonds and sukuk issues ratings at AAA /MARC-1 and AAA_{IS} /MARC-1 $_{IS}$, 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.

Table 2: Cagamas Ratings

	Ratings Agency		
	Moody's	RAM	MARC
Cagamas Berhad	A3	gA_2 /Stable/ $gP1$, $seaAAA$ /Stable/ $seaP1$, AAA /Stable/ $P1$	AAA /MARC-1, AAA_{IS} /MARC-1 $_{IS}$

MORTGAGE GUARANTEE

In line with the Government's effort to promote home ownership for the nation, the SPB has been extended to 2021. SPB offers a 10 per cent loan guarantee through CSRП to enable borrowers to obtain full financing and RM200 monthly instalment assistance for the first two years. For the extended period, SPB is limited to 10,000 home units, offering a total of 20,000 home units since inception in 2015.

As at 31 December 2019, CSRП's cumulative guarantee exposure to the SRP and SPB schemes was RM706.5 million as compared with RM361.1 million in 2018. The value and number of new loans and financing approved with guarantee cover under SRP and SPB have increased, mainly due to greater public awareness of the schemes through the 24 participating FIs as well as collaborations with online property portals. For 2019, the total value of new loans and financing approved for both SRP and SPB was RM3.2 billion which translates to 15,493 individuals/households.

Since the launch of SRP and SPB in 2011 and 2015 respectively, CSRП has provided guarantees for housing loans and financing totalling RM6.9 billion enabling 33,236 individuals/households to own their first house, of which 33% are from the B40 segment.

Table 3: Skim Rumah Pertamaku and Skim Perumahan Belia

	2011 – 2018	2011 – 2019	Growth
(RM'mil)			
Guaranteed Exposure	361.1	706.5	+96%
SRP	251.4	563.1	+124%
SPB	109.7	143.4	+31%
(RM'mil)			
Loans and Financing Value	3,695.6	6,880.1	+86%
SRP	2,547.7	5,368.1	+110%
SPB	1,147.9	1,512.0	+32%
Number of Loans and Financing Approved	17,743	33,236	+87%
SRP	12,478	26,213	+110%
SPB	5,265	7,023	+33%

Note: Latest figures may differ with previous reporting due to revisions requested by counterparties

BUSINESS REVIEW

(CONTINUED)

Chart 7

SRP & SPB: Salary Range by Number of Loans

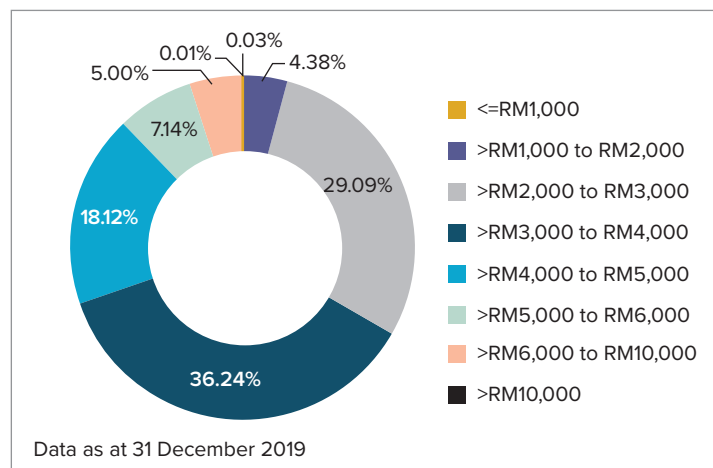


Chart 8

SRP & SPB: Age Range by Number of Loans

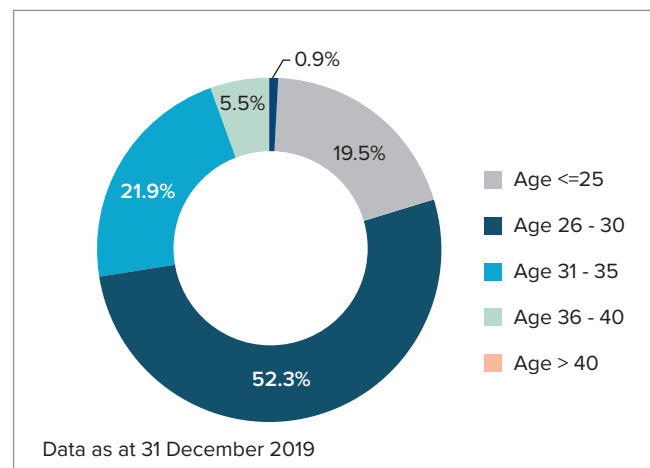
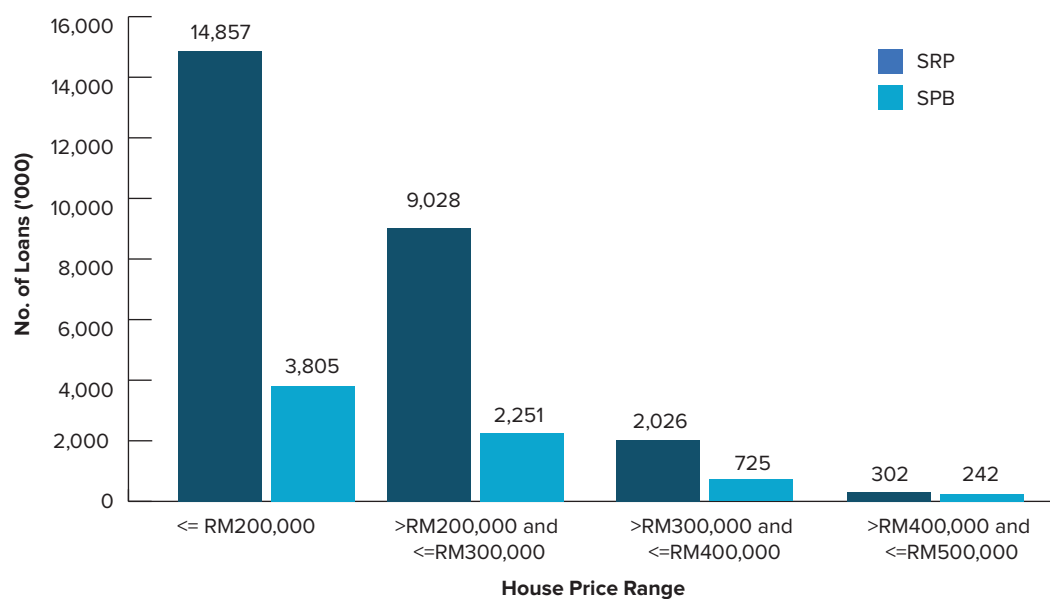


Chart 9

SRP & SPB: House Price Range by Number of Loans



BUSINESS REVIEW

(CONTINUED)

SECURITISATION

As at end 2019, the total outstanding CMBS bonds and sukuk, stood at RM2.0 billion out of the total issuances of RM10.2 billion, comprising RM1.0 billion each of RMBS and IRMBS. The outstanding CMBS bonds and sukuk are expected to mature in stages and will be fully redeemed by August 2027. There was no new securitisation deal during the year.

FUTURE DEVELOPMENTS IN CAGAMAS' BUSINESS

Cagamas will strive to innovate and identify new business opportunities to enhance its position in providing liquidity and support to the local FIs, Government and homeownership initiatives through competitive solutions. Cagamas intends to continue its core mission and objective to promote homeownership, its role as a liquidity and capital management solutions provider as well as to provide first loss protection through mortgage guarantee programmes. Given its role as the National Mortgage Corporation, Cagamas has been an active participant in discussions with the Government on affordable housing financing schemes. Moving forward, the value proposition that Cagamas has to offer would be aligned with the Government's aspirations on affordable housing.

Cagamas is also exploring the feasibility of purchasing loans and financing related to environmental and social impact projects via the issuance of sustainability bonds and sukuk, in line with Malaysia's aspirations to transition to a more environmentally friendly economy. This will attract green and socially responsible investors to the existing pool of investors in its efforts to promote homeownership.

Cagamas seeks to structure and participate in innovative schemes such as Home Equity, Rent-to-Own, Public-Private Partnerships and any other alternative funding mechanisms to meet the demands and needs of specific customers in purchasing their first homes, as well as looking into the retirement space by exploring the feasibility of introducing a reverse mortgage programme for the silver economy. In addition, Cagamas intends to expand and diversify its investor profile by targeting cross-border investors to subscribe to our primary and Euro Medium Term Notes public issuances as well as focusing on providing liquidity support for Small and Medium Enterprise financing via capital market solutions.

Finally, as part of Cagamas' efforts to enhance the regional development of the secondary mortgage markets, in 2019 Cagamas signed Memoranda of Understandings ("MOUs") to collaborate with Korea Housing Finance Corporation, Japan Housing Finance Agency and Philippines' National Home Mortgage Finance Corporation with the objective of sharing knowledge and expertise for the positive development of the respective mortgage markets. So far Cagamas has executed a total of six MOUs with similar counterparts, with the others being Indonesia's PT. Sarana Multigriya Finansial (Persero), Mongolian Mortgage Corporation and Thailand's Secondary Mortgage Corporation. Cagamas will also continue to play its leadership role with the International Secondary Mortgage Market Association as well as the Asian Secondary Mortgage Market Association to bring together secondary mortgage market institutions to focus on advocacy on regulatory issues, share information, and provide support to newly-established institutions in this space.

SUSTAINABILITY REPORT

This document outlines the ongoing commitment of Cagamas Holdings Berhad and its subsidiaries (the Group) to conduct its business in an ethical and responsible manner. This report highlights the Group's sustainability methodology, key initiatives implemented and achievements in 2019.

EMBEDDING SUSTAINABILITY

Approach to Sustainability

In the context of the United Nations Sustainability Development Goals (UNSDG), the Group has identified 3 sustainability development goals that are of critical importance. These goals are aligned with the Group's mandate to promote homeownership and contribute to nation development and the ability of the Group to support the economic well-being of its stakeholders.

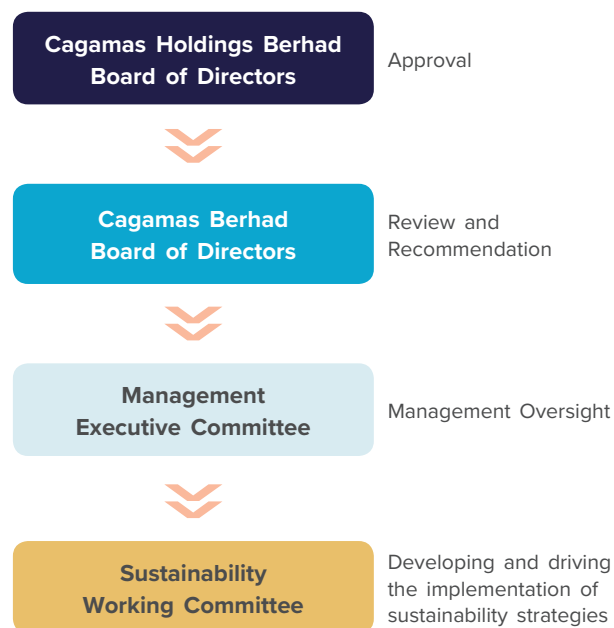


Sustainability Governance

The Board of Directors (Board) of Cagamas Holdings Berhad (the Company) is fully committed to ensuring that the Group maintains the highest standards in corporate governance, with a view to enhance shareholder value and protect the interests of all stakeholders. The Board understands that sound corporate governance promotes personal and corporate integrity and is essential for the long-term sustainable growth of the Group.

The establishment of the Sustainability Working Committee (SWC) in June 2018, marked a milestone in the corporate governance fundamentals of the Group. With the approval of the Sustainability Governance Structure on 17 May 2019, the Board will work with the SWC through the Management Executive Committee, to provide formal oversight of the Group's corporate sustainability strategy. The successful execution of this strategy will require the Board to develop and instil best corporate governance practices whilst meeting its corporate objectives. The Board's governance approach on sustainability will further strengthen the Group's identity, values and culture.

Structure of the Group's Sustainability Governance



SUSTAINABILITY REPORT

(CONTINUED)

Corporate Governance Framework

The Board is fully committed to maintaining the highest standards of corporate governance for the Group with a view to enhancing value and protecting the interests of all stakeholders. To ensure effective corporate governance, the Board has put in place the following:

Board Effectiveness

- a. The Company and two subsidiaries, the Group's main operating entity, Cagamas Berhad (Cagamas) and Cagamas SRP Berhad (CSRP), adopted Board Charters in 2017 and 2018, based on the provisions of the Bank Negara Malaysia Corporate Governance 2016 policy document for financial institutions, as guiding principles.

- b. The attendance of Directors of the Company at board meetings is disclosed in the annual report.

The Company discloses all sponsored training attended by Directors in the annual report.

- c. An assessment of board effectiveness for the Company and Cagamas, is conducted by the Group Board Governance Committee on an annual basis.

Board Independence

- a. The Company and Cagamas have an Independent Non-Executive Chairman.
- b. Cagamas as the main operating entity is managed by a Chief Executive Officer (CEO). The responsibilities of the Chairman and CEO are clearly defined and disclosed in the annual report.
- c. The maximum tenure for an Independent Director is 9 years, except under exceptional circumstances as determined by the Boards.
- d. The Boards of the Company and Cagamas have a majority of Independent Directors.

- e. The Group Board Governance Committee's annual assessment of Board members of the Company and Cagamas, includes an assessment of independence.

- f. The Chair of the Group Board Audit Committee is held by an Independent Non-Executive Director who is different from the Chairman of the Company.

Board Diversity

- a. Directors of the Group are ethnically diverse.
- b. There is sufficient age diversity at the Boards of the Company and Cagamas. The Company's board members are aged between 52 and 77 years whilst Cagamas' board members are aged between 59 and 71 years.
- c. In terms of gender diversity, both the Company and Cagamas have two independent female Directors on their respective Boards.

Board Remuneration

- a. The Company's Board Charter requires a market survey on Directors' remuneration based on relevant institutions to be conducted every 3 years to ensure that the remuneration framework is sufficient to attract, retain and remunerate Directors for their contributions.
- b. Independent Non-Executive Directors make up the majority of the 3-member Group Board Governance Committee which is responsible for reviewing the remuneration of Non-Executive Directors.
- c. The aggregate remuneration of each individual Director of the Board of the Company is disclosed by name in the annual report.

SUSTAINABILITY REPORT

(CONTINUED)

Risk Management

- a. The Board Risk Management Committee, which is responsible for providing the oversight of risk management for the Group, comprises 3 Independent Directors.
- b. The Group adopts the Enterprise Risk Management Framework which incorporates the best practices for risk management and details the roles and responsibilities of the 3 lines of defence in managing risk.

Anti-Bribery and Anti-Corruption

- a. The Group adopted a No-Gift Policy that prohibits all employees from accepting or soliciting any gifts from current or potential customers, vendors or business partners.
- b. Procedures on declaration of personal interest require all new employees to make a declaration in writing that they do not have any close financial or personal relationships with the management. In addition, the fit and proper assessments on key employees are conducted, both prior to appointment and on an annual basis to ensure, amongst other matters, that such employees, have not been convicted of or involved in any bribery or corruption, nationally or internationally.
- c. The Vendor Code of Conduct requires the inclusion of anti-corruption clauses in procurement or tender contracts which reflects the Group's zero tolerance approach to bribery and corruption.
- d. The Anti-Money Laundering Policy stipulates the roles and responsibilities of the employees in ensuring compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and provides guidance on the procedures necessary to prevent, detect and report money laundering and the financing of terrorism.
- e. The Anti-Bribery and Anti-corruption Policy (to be implemented by May 2020) is aligned with the following laws and guidelines:
 - (i) The Malaysian Anti-Corruption Commission Act 2009;
 - (ii) The UK Bribery Act 2010;
 - (iii) The US Foreign Corrupt Practices Act of 1977; and
 - (iv) The Guidelines on Adequate Procedures issued by the Prime Minister's Department.

Whistleblowing Policy

- a. The Group has an established Whistleblowing Policy that allows both internal and external stakeholders to raise any concerns on any form of improper conduct. The policy is published on Cagamas' website.
- b. Whistle-blowers who report in good faith within the scope of the policy are protected from detrimental treatment as a direct consequence of such reports.

Auditor Independence

- a. The Group Board Audit Committee is responsible to assess the suitability of external auditors in respect of performance, objectivity and independence based on the Group's External Auditor Policy and Guidelines.
- b. The Group's External Auditor Policy and Guidelines require that the partner-in-charge for the external audit be rotated every 5 financial years.
- c. Non-audit fees for Financial Year December 2019 represented 13.6% of total audit fees, well within the industry's best practice ratio of less than 50%.

Financial Reporting Transparency and Disclosure Quality




- a. The external auditors have expressed that the financial statements provide a true and fair view of the financial position and performance of the Group. The external auditors have not made any qualifications or adverse comments in the last 3 years.
- b. Financial statements are published on Cagamas' website. The Group's Corporate Communications Policy ensures accurate, timely and relevant dissemination of information in response to stakeholders' needs.

SUSTAINABILITY REPORT

(CONTINUED)

Internal Materiality Assessment

Using the internal materiality assessment approach, 3 material sustainability pillars have been identified for the Group as tabulated below:

	PILLARS	RATIONALE	EFFORTS
	Pillar 1 PROMOTING SUSTAINABLE HOME OWNERSHIP	We are committed to facilitating sustainable home ownership for all Malaysians	<ul style="list-style-type: none"> • Mortgage Multiplier • Sustainable Assets and Bonds/Sukuk • Affordable Homes • M40 and B40 schemes • New Initiatives – Home Equity Scheme and Rent-to-Own
	Pillar 2 EMPLOYER OF CHOICE	We believe in providing an inclusive and engaging work environment for our people to excel	<ul style="list-style-type: none"> • Employee engagement • Culture and Transformation • Safety and Health • Learning and Development • Conducive policies
	Pillar 3 POSITIVE SOCIETAL IMPACT	We contribute towards sustainable efforts with a positive environmental impact	<ul style="list-style-type: none"> • Corporate Social Responsibility and Zakat • Scholarship • Education publications • Public engagement and conferences • Environmental impact initiatives

SUSTAINABILITY REPORT

(CONTINUED)

PILLAR 1: PROMOTING SUSTAINABLE HOME OWNERSHIP

1.1 Promote Home Affordability:

Housing loans/financing multiplier through the secondary mortgage market

Since its inception in 1986, Cagamas has purchased housing loans/financing in the secondary market from financial institutions and non-financial institutions (Primary Lenders) amounting to RM158 billion, equivalent to 2 million houses in aggregate.

By providing liquidity to Primary Lenders, Cagamas intends to continuously promote sustainable home ownership amongst Malaysians.

Provide reasonable pricing to Primary Lenders of housing loans/financing

Cagamas accesses the capital markets through its bonds and sukuk issuances to obtain a competitive cost of funding to finance the purchase of eligible housing loans/financing from Primary Lenders. This enables Primary Lenders to expand their housing loans/financing portfolios at an affordable cost, leading to an increase in home ownership for Malaysians.

Since inception, Cagamas has issued highly rated papers worth MYR338 billion of which MYR300 billion have been successfully redeemed, without any technical default as at 31 December 2019.

Cagamas' credit rating is at par with Malaysia's sovereign rating with a global rating of A3 assigned by Moody's Investors Services. Meanwhile, both local rating agencies, namely RAM Rating Services Berhad and Malaysian Rating Corporation Berhad have assigned the highest domestic rating of AAA. Cagamas is steadfastly committed to maintaining its ratings in order to retain its ability to attract competitively priced funding.

Adequate funding capacity to provide liquidity to Primary Lenders of housing loans/financing

Cagamas has set up issuance facilities amounting to approximately RM100 billion comprising a USD5 billion Multi-Currency Bonds/Sukuk (EMTN) programme, a RM60 billion Conventional/Islamic Medium Term Notes (MTN/IMTN) programme and a RM20 billion Conventional/Islamic Commercial Papers (CP/ICP) programme in order to ensure the provision of liquidity to Primary Lenders of housing loans/financing.

Robust investor base to fund our secondary mortgage market activities

It is of paramount importance to have a ready pool of investors who are interested in Cagamas papers.

Consequently, Cagamas adopts a proactive investor engagement platform with regular non-deal roadshows and investors meetings to keep both domestic and foreign investors well informed on Cagamas' financial performance and key developments. These efforts ensure that Cagamas issuances fall within the requisite investment criteria and maintain a short lead time for assessment. Cagamas also works with several financial institutions to bring investors to Malaysia to showcase Cagamas, hence increasing the appeal of its bonds and sukuk issuances.

Speed to raise funding is of the essence

Cagamas needs to ensure that it is able to raise funding to purchase housing loans/financing from Primary Lenders in the shortest time span. The 'Registered Person' status granted by the Securities Commission pursuant to the Capital Markets and Services Act 2007 allows Cagamas to market and distribute its own debt securities directly to end investors without going through licensed institutions. This effectively enables Cagamas to raise funding expeditiously when required.

SUSTAINABILITY REPORT

(CONTINUED)

Impeccable brand equity for Cagamas and its capital market issuances

Cagamas has built an impeccable brand recognition for its bonds and sukuk as solid investment grade instruments in investment and fund management circles.

Cagamas has achieved many “firsts” for capital market transactions in Malaysia and beyond, garnering a string of impressive local and international awards and accolades since its inception in 1986. Some of the awards received in 2019, reflecting the Cagamas brand equity in the capital markets, include:

- (i) Top Issuance and Top Traded Amount (Conventional Category) by Bond Pricing Agency Malaysia;
- (ii) Islamic Issuer of the Year-Quasi-Sovereign and Best Local Currency Sukuk for its RM1.5 billion Commodity Murabahah by The Asset Triple A Islamic Finance; and
- (iii) Islamic Finance Advocacy Award (Capital Market) 2019 by Global Islamic Finance Awards.

1.2 Promote Home Accessibility:

Solutions to bridge access to home financing for the B40 and M40 segments

The Group aspires to widen the access to home financing amongst Malaysians, in particular, the B40 and M40 segments.

CSRP offers “first loss” mortgage guarantees on residential mortgage portfolios of participating financial institutions through the Skim Rumah Pertamaku (My First Home Scheme; SRP) and the Skim Perumahan Belia (Youth Housing Scheme; SPB).

2019 was a stellar year for CSRP with approved guarantees rising to 15,493 as compared with 7,881 in 2018 as a result of greater public awareness of these schemes, through brand building exercises undertaken by CSRP. Since the inception of the SRP and SPB schemes, CSRP has provided guarantees amounting to RM6.9 billion enabling 33,236 individuals to own their first home, of which 11,078 (33%) are from the B40 segment.

Innovative affordable housing schemes

The Group intends to provide innovative affordable home financing schemes to complement existing housing loans/financing products of Primary Lenders.

Cagamas is continuously exploring means to assist the B40 and M40 segments to purchase their first home. At this juncture, its Home Equity Scheme and financing products to facilitate Rent-to-Own schemes undertaken by Primary Lenders, private developers or the Government are being discussed and refined through engagement with stakeholders.

1.3 Strategic Collaboration

The Group believes in disseminating knowledge and experience on home financing, affordable housing, access to housing finance, capital markets and the secondary housing industry amongst foreign counterparts with the objective of sharing expertise and learning best practices that can be deployed in Malaysia.

Cagamas was instrumental in the formation of both the Asian Secondary Mortgage Market Association in 2014, of which Cagamas was the founding Chair, and the International Secondary Mortgage Market Association in 2018, of which Cagamas is the current Chair. Both organisations promote the exchange of knowledge and experiences amongst its members.

Cagamas has also entered into collaborative arrangements with some of its Asian peers. Memoranda of Understanding have been signed with PT Sarana Multigriya Finansial (Indonesia), Secondary Mortgage Corporation (Thailand), Mongolian Mortgage Corporation (Mongolia), National Home Mortgage Finance Corporation (Philippines), Korea Housing Finance Corporation (Korea) and Japan Housing Finance Agency (Japan). These collaborative arrangements aim to enhance strategic cooperation in various areas, including research and knowledge related to housing finance, in addition to providing Cagamas a platform to explore business opportunities with its counterparts.

SUSTAINABILITY REPORT

(CONTINUED)

1.4 Responsible Financing

The Group intends to create a broader impact in the Environment, Social and Governance (ESG) ecosystem by giving Primary Lenders or the Government access to capital required to finance ESG compliant assets such as affordable homes for eligible Malaysians.

Cagamas has successfully incorporated its Bonds/Sukuk Sustainability Framework into the existing RM60 billion MTN/IMTN programme to allow for the issuance of sustainability bonds or sukuk. This will provide socially responsible investors avenues to invest in ESG compliant asset classes through Cagamas issuances and influence clients to undertake more environmentally friendly and socially responsible projects to promote homeownership and sustainable nation development.

PILLAR 2: EMPLOYER OF CHOICE

Cagamas offers a holistic Employee Value Proposition (EVP) across all employee groups, which supports business strategies and objectives. Beyond competitive remuneration, the EVP includes providing a conducive work environment and culture, meaningful and challenging work, career advancement and personal development opportunities. The EVP is a key enabler in having the right talent, organisational culture and environment for the Group to deliver, grow and remain relevant.

2.1 Competitive Remuneration and Benefits

Cagamas provides a competitive total remuneration and benefits package. This includes a competitive salary and performance related bonus, comprehensive medical benefits, and intangible benefits such as career development opportunities and personal recognition. As a whole, the total remuneration and benefits package is designed to be competitive in the financial services industry so that along with other aspects of the EVP, Cagamas is able to attract, motivate and retain the right talent.

2.2 Continuous Learning and Development

Continuous learning and development of professional skills and competencies are of paramount importance to cultivate an engaged workforce, which is well equipped with the right mindset, behaviour and tools to be effective, agile and responsible. This proposition is aligned with one of Cagamas' core values, which is professionalism.

Currently, the mandatory corporate training target of 16 hours (equivalent to two (2) full days training) per annum is achieved through participation in both formal and informal learning activities. As at December 2019, all employees completed an average of 48 hours (equivalent to six (6) full days training), far exceeding the mandatory target.

Cagamas' learning and development plan is closely linked to Cagamas' succession planning and career development initiatives. Since 2012, high-potential staff have been enrolled in Leadership Development Programmes such as the Cambridge Summer School Programme by the Asian Banking School and the Leading Leaders and Emerging Leaders by the ICLIF Leadership and Governance Centre. In addition, staff are encouraged to pursue professional certifications to further enhance their competency and professional development. To date, 67% of staff in critical positions possess various professional certifications such as Chartered Banker, Certified Internal Auditor, Certification for Bank Auditors and Professional Credit Certification.

2.3 Robust Talent Management Practices

Cagamas aspires to attract, motivate and retain the right talent with the appropriate skills for all roles available within the organisation to ensure long-term success.

From recruiting talent for filling vacancies, Cagamas has evolved to talent acquisition, which is an ongoing strategy to find top talents, potential high performers and future leaders who can harmonise with the organisation's values and culture.

SUSTAINABILITY REPORT

(CONTINUED)

A robust Succession Planning Framework aligns current talent development with future leadership needs, business direction and goals. Successors have been identified for all management and critical positions. Nevertheless, Cagamas believes a truly effective succession management approach means not just identifying, but also assessing, developing and transitioning potential successors for senior and critical roles.

Staff capabilities and gaps are comprehensively assessed through latest human resource assessment tools and methodologies as well as through critical qualitative talent factors such as staff performance and supervisors' assessment of the employees' readiness for expanded roles. Individualised development plans are also crafted for high-potential staff to chart their internal mobility and growth, to create future leaders.

2.4 Conducive Work Environment and Culture

Cagamas aspires to create a workplace that offers more than just a career and seeks to foster a sense of belonging and connection through workforce inclusivity.

In May 2019, Cagamas launched Enhanced Flexible Working Hours, to create a more caring working environment which empowers staff to manage the demands of work and life better.

The organisation also fosters teamwork and open communication through regular Townhall and Chief Executive Officer Focus Group Sessions which provide a platform to not only disseminate key messages but also to facilitate open communication between management and other employees.

The Cagamas Sports and Recreational Club (CSRC) provides employees opportunities to practise work-life balance through outdoor activities involving family members such as family day and movie night. CSRC also promotes a healthy lifestyle by arranging annual friendly futsal, badminton and table tennis tournaments with business counterparts.

Cagamas endeavours to ensure the safety and health of all employees. The Safety, Health and Environment (SHE) Committee that was set up in June 2000, implements the Occupational, Safety and Health (OSH) policy, guidelines and practices as well as ensures compliance with the national OSH regulations. SHE's primary role is to foster a safe working environment and operating culture in the

organisation leading to an accident-free workplace and healthy practices for staff. Since 2010, no workplace incident has been reported.

Since 2013, engagement talks which cover various themes, such as the Health and Safety Awareness Programme, have been conducted annually. Activities and engagement talks conducted throughout 2019 include:

- (i) Cardiopulmonary Resuscitation and First Aid Class on Wounds, Bleeding, Choking, Fracture and Burns
- (ii) Talk on Office Safety, Office Housekeeping and Office Ergonomics
- (iii) Talk and Consultation by Nutritionist on Healthy Diet
- (iv) Talk and Consultation by Yoga Specialist on Body Posture and Relief Stress
- (v) Eye Test and Consultation on Eye Care

2.5 Comprehensive Organisational and Employee Policies and Practices

Cagamas is fully committed to enhancing and protecting the interests of its employees. A conducive working environment is provided for employees through a comprehensive set of employee policies and practices that cultivate trust, respect and assurance.

Cagamas' Core Values and Code of Conduct require employees to practise high levels of integrity and trust and to hold themselves and each other accountable. Open and honest communication are encouraged, and employees are free to report violations.

Recognising the importance of continuously enhancing good organisational and employee policies and practices to deliver sustainable performance, various related policies are regularly reviewed to ensure that they reflect changes in the legislative and regulatory developments of the nation, including the following:

a. Guidelines on Workplace Sexual Harassment

Cagamas is fully committed to providing and creating a harassment free work environment in which employees are engaged, motivated and able to contribute to their fullest potential. The Guidelines on Workplace Sexual Harassment are in place to prevent and protect employees from sexual harassment.

SUSTAINABILITY REPORT (CONTINUED)

b. Guidelines on Grievance and Complaint

These guidelines provide an avenue for employees to raise their grievances in respect of work-related issues and ensure the resolution of such issues in a fair and thorough manner.

c. Guidelines on Misconduct and Staff Disciplinary

To maintain satisfactory norms of behaviour and conduct, these guidelines provide standards of conduct and job performance and a consistent and fair method of dealing with breaches.

d. Personal Data Protection

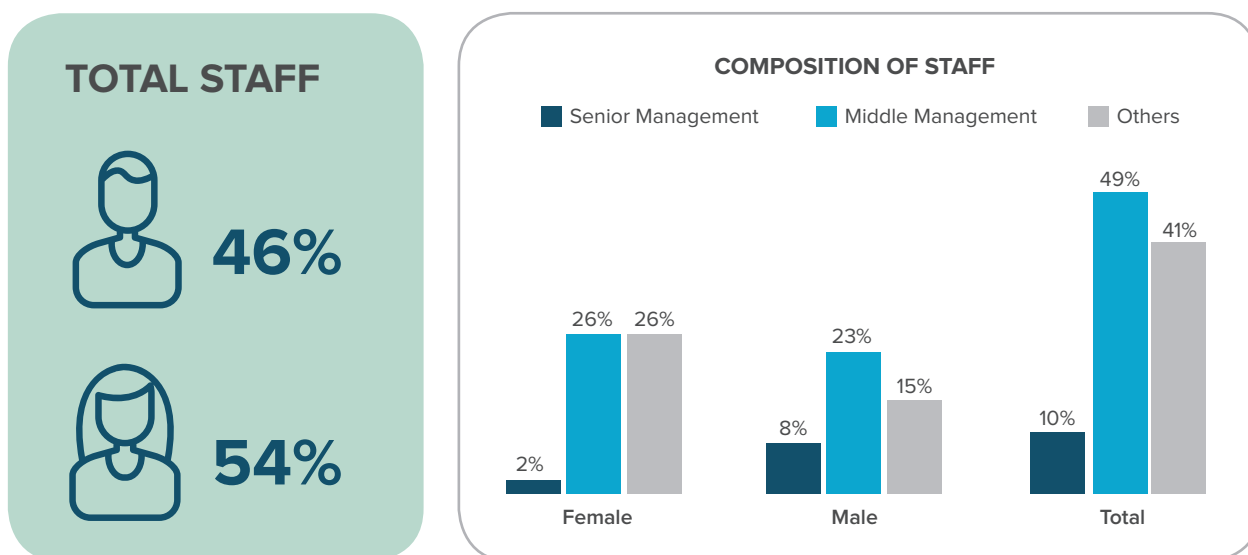
Information is an asset and therefore employees are required to ensure the security of personal data (including sensitive data) obtained from clients and staff. In compliance with the Personal Data Protection Act 2010, Cagamas is committed to properly managing entrusted personal data and using the said data only for relevant and appropriate business purposes.

2.6 Diversity, Inclusion and Non-Discrimination

Cagamas strongly believes in equal opportunity at work, embraces diversity and is against all forms of discrimination in its efforts to recruit, develop and retain a workforce with the widest possible range of competencies and skill sets. Cagamas recognises that a diverse mix of backgrounds, skills and experiences helps to promote new ideas and provide the organisation with a competitive advantage.

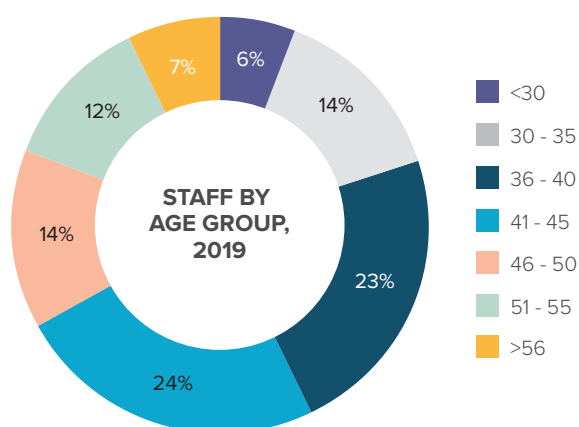
In order to achieve this goal, the right to work and advancement on the basis of merit, ability, potential and experience, that is free from prejudice, is practised without discrimination of any person based on age, gender, race, religion and disability. Gender equality is at the core of this principle, and in 2019, 47% of staff in leadership positions (middle management levels and above) in Cagamas, were female.

As at 31 December 2019, the organisation comprised a total of 103 staff with a good mix of gender and age, as set out below:



SUSTAINABILITY REPORT

(CONTINUED)



PILLAR 3: POSITIVE SOCIETAL IMPACT

3.1 Energy and Waste Management

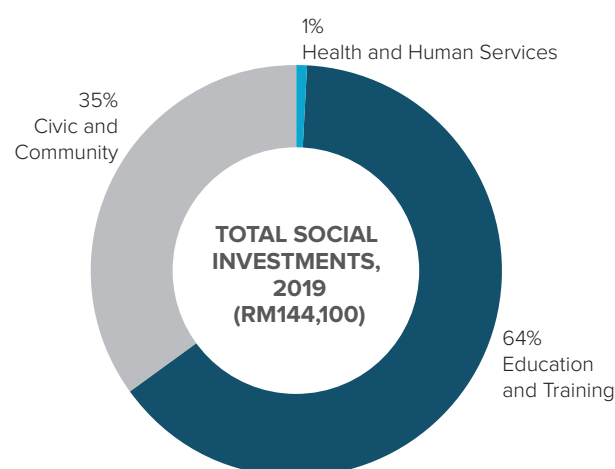
In 2019, Cagamas committed to minimising its environmental impact through the following activities:

- a. Reduce its electricity consumption by:
 - (i) Replacing downlight halogen bulbs with energy-saving LED lights.
 - (ii) Substituting multiple printers with energy efficient multi-function printers.
 - (iii) Switching off office lights and computers during lunch time.
- b. Improved Waste Management:
 - (i) Provided digital devices to Board members and management for submission of board papers, approval memoranda and other documents to reduce usage of paper.
 - (ii) Introduced the 3Rs concept of Reuse, Reduce and Recycle to all employees. Recycle bins have been placed at strategic locations.
 - (iii) Implemented material usage management process to control the usage of input materials such as printing paper.

3.2 Social Contribution and Development

Cagamas advocates Corporate Social Responsibility (CSR) to create a positive societal impact on local communities resulting in a more inclusive and caring society through the following means:

- a. Education and Training – Raise equitable education for highest-need schools and communities through scholarships and teaching programmes.
- b. Civic and Community – Provide sustainable basic facilities for underprivileged communities and empower single mothers with the ability to generate sustainable income for the family.
- c. Health and Human Services – Funding support for vulnerable groups through charitable and non-governmental welfare organisations.



Raising education equity for highest-need schools and communities: abbreviation at the end of Teach for Malaysia (TFM)

According to the Malaysia Education Blueprint 2013-2025, more than two-thirds of students in most under-performing schools in Malaysia come from challenging socioeconomic backgrounds where 1 in 5 Malaysian students fail to complete secondary school.

SUSTAINABILITY REPORT

(CONTINUED)

Cagamas has been in partnership with TFM to sponsor one amongst the crop of top graduates and young professionals recruited to teach in high-need B40 schools for 2 years with the intention to drive long-term systemic change.

Since 2017, Cagamas' partnership with TFM has enabled recruitment, training and support for 3 teachers (TFM Fellows) who impacted 450 students located in rural locations across Malaysia. During the TFM Week in 2019, a staff volunteered to co-teach financial literacy with a TFM Fellow in a rural secondary school in Semporna, Sabah.

Impacting lives within the under privileged communities

In its inaugural volunteer programme, Cagamas partnered with Incitement Malaysia, the local chapter of the global organisation, Liter of Light, that provides solar-powered lights to remote areas throughout the world. A total of 20 staff participated in the two-day programme to build and install 30 solar powered streetlights for an Orang Asli settlement which houses over 150 villagers in 25 homes in Kampung Sungai Sekin, Kuala Lipis, Pahang Darul Makmur.

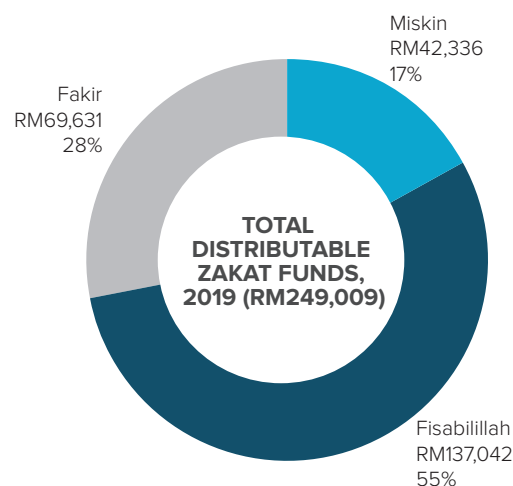
Cagamas Scholarship Programme

To develop a future workforce for the nation, specifically in the financial services industry, and build a sustainable pipeline of talents, Cagamas has established a scholarship fund since 2016 to help students by removing barriers to education.

Since 2016, Cagamas has expended RM494,000 on scholarships for 15 scholars from lower income households to study various disciplines in local public universities. A mentorship programme with Cagamas' management enables these scholars to leverage on their respective mentor's experience for career guidance and knowledge.

3.3 Zakat Contributions

Cagamas continues to serve multiple communities through its business zakat contribution and has established a Zakat Wakalah Programme (ZWP). In 2019, the ZWP allocated zakat funds amounting to RM249,009 to eligible recipients including associations and charity homes throughout Malaysia according to the three asnaf categories of *Fakir*¹, *Miskin*², and *Fisabilillah*³.



¹ A person who does not have any property or employment and is receiving income from any source which is not more than 50% of his/her and dependants' daily needs and less than 50% of his/her and dependants' living expenses.

² A person who has employment or income which only meets part of his/her basic needs but is not sufficient to support his/her daily needs and dependants.

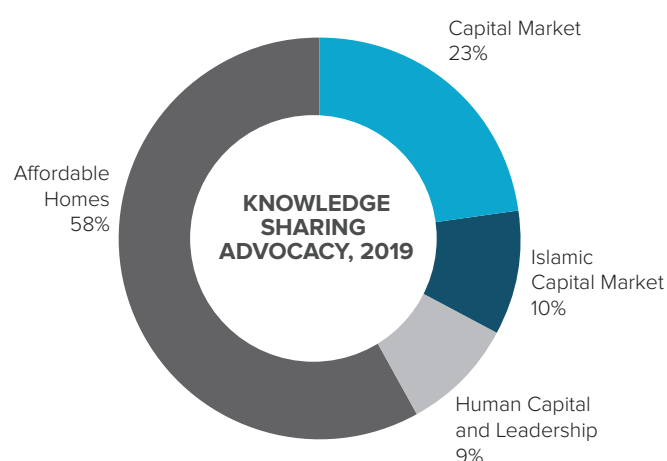
³ Any person or organisation which is involved in an activity or activities to uphold, preserve and preach the Islamic religion and its well-being.

SUSTAINABILITY REPORT

(CONTINUED)

3.4 Advocate in Knowledge Sharing

The Group advocates knowledge sharing in the spheres of homeownership, conventional and Islamic capital markets and human capital development. This is primarily carried out through conferences and collaborative publications.



Knowledge sharing through speaking engagements, sponsorship and stakeholder collaboration

Cagamas regularly collaborates with its stakeholders to share the Cagamas experience in the areas of homeownership financing, conventional and Islamic capital markets, Islamic finance and other areas relevant to the secondary mortgage market. In 2019, Cagamas co-organised, participated in and sponsored various industry conferences and roundtables organised by its stakeholders, both locally and abroad.

a. Co-organised the Constructing and Financing Affordable Housing across Asia Conference

In 2019, Cagamas and the World Bank co-organised the “Constructing and Financing Affordable Housing across Asia” conference, which was held on 2 and 3 April 2019 in Kuala Lumpur. Aimed at creating a platform for the exchange of views, the session offered an opportunity for industry experts to deliberate on issues relating to affordable housing, both locally and

internationally. The conference brought together more than 450 participants from over 30 countries globally and was supported by 40 high-calibre speakers. Cagamas participated in two panel sessions on Connecting Capital Markets and Affordable Housing Delivery and Ask Me Anything – Closing Session.

b. Engagement with industry players, regulators and policy makers

Housing Finance Conferences

- (i) *35th Annual African Union of Housing Finance (AUHF) Conference and the 31st International Union for Housing Finance (IUHF) World Congress (Cape Town, South Africa)*

Cagamas participated in the 35th Annual AUHF Conference and the 31st IUHF World Congress, jointly organised by AUHF and IUHF, which were held in Cape Town, South Africa, in the panel discussion on Targeting Liquidity: Connecting the Capital Market with Affordable Housing.

- (ii) *Home Ownership Campaign – Malaysia Property Exposition 2019*

Cagamas’ representative spoke on the Skim Rumah Pertamaku at this event, organised by the Real Estate and Housing Developers’ Association Malaysia.

Capital Market and Islamic Finance Conferences

- (i) *Financial Sector Conference (Riyadh, Saudi Arabia)*

Cagamas’ representative participated as a panellist on the topic of Mortgages: Bolstering Industry Appetite and in the Innovation Huddle on Bolstering Home Ownership, at this conference, organised and co-hosted by the Ministry of Finance of Saudi Arabia, the Saudi Arabian Monetary Authority and the Saudi Capital Market Authority.

SUSTAINABILITY REPORT

(CONTINUED)

(ii) *RAM-SIDC Bond Conference 2019*

Cagamas' representative spoke at the panel session on New Frontiers to Deepen Market: Risk, Tenure & Investors, at this conference, organised by RAM Holdings Berhad and the Securities Industry Development Corporation.

(iii) *IFSB-AMERC of IOSCO Joint High-Level Seminar (Abu Dhabi, United Arab Emirates)*

Cagamas' representative spoke at the panel session on Sukuk in Addressing Developmental Goals: Prospects and Challenge, at this seminar, jointly organised by the Islamic Financial Services Board and IOCV-IOSCO in Abu Dhabi, United Arab Emirates.

(iv) *Malaysian Bond & Sukuk Conference: Capital Markets for a Sustainable Future*

Cagamas' representative participated as a panellist at the session on Malaysian Bond and Sukuk Markets: Where Are We Now?, at this two-day conference, which was co-organised by the Malaysian Rating Corporation Berhad, Amanie Academy and Amanie Media.

Cagamas' representatives also participated as speakers/panellists in various other conferences on the topics of housing finance, capital market and Islamic finance, organised by renowned organisations, both locally and internationally.

c. Supported Multilateral and Regulatory Agencies through sponsorship of industry and leadership conferences

(i) *10th Islamic Financial Services Board Summit organised by Islamic Financial Services Board*

The conference covered topics on the global financial regulatory reforms, the development of Islamic financial markets and innovation and inclusive growth in the Islamic financial system.

(ii) *Leadership Summit Asia organised by The ICLIF Leadership & Governance Centre*

The conference covered topics on leadership energy and life experiences of prominent leaders from around the world. Charismatic speakers such as Aron Ralston, Stefan Olander and Datuk Nicol David were featured at the conference.

Cagamas also sponsored various other conferences on the topics of housing finance, capital market and Islamic finance, organised by reputable organisations, both locally and internationally.

3.5 Educational and Industry Publications

The Company strongly advocates promoting greater understanding and knowledge of home ownership and capital markets, both conventional and Islamic, to benefit the industry and the community. The Company has collaborated with various higher learning institutions and think-tanks to produce industry-relevant publications featuring compelling analysis of current developments and case studies.

"Housing the Nation: A Definitive Study", published in 1997 in conjunction with Cagamas' 10th anniversary, was the first book to compile writings on various aspects of housing in Malaysia in a single comprehensive volume. The publication provided a perspective on the housing market, financing housing development and home ownership, the secondary mortgage market, Government housing policies and challenges faced by segments of society.

To commemorate Cagamas' 25th anniversary, "Housing the Nation: Policies, Issues and Prospects" was published in 2014, documenting the new realities of the housing sector and views on housing policies. The contributions of Cagamas to meet the need for homeownership, to promote a secondary mortgage and debt capital market, and its initiatives to drive Islamic finance were elaborated on in this publication, taking into account perspectives on the

SUSTAINABILITY REPORT

(CONTINUED)

state of the housing market, Government policies, challenges and future trends and directions. Both publications of “Housing the Nation” were produced in collaboration with the Institute of Strategic and International Studies Malaysia.

Aside from producing its own publications, Cagamas as an advocate for Islamic finance, was involved in 9 publications covering topics ranging from the Islamic financial system, Islamic finance principles and the growth and development of Islamic finance in Malaysia. These publications have been distributed on a complimentary basis to more than 2,000 targeted stakeholders including local and university libraries and academicians in local institutions of higher learning and internationally renowned foreign universities. Cagamas believes these publications will help provide a sustainable pipeline of institutional knowledge for future generations.

The World Bank has regarded Cagamas as the largest and most successful liquidity facility provider in its 2009 publication entitled “Housing Finance Policy in Emerging Markets”. As such, the Asian Institute of Finance has collaborated with Cagamas to produce a case study on Cagamas’ journey to build a sustainable business model that weathers rapid change in market conditions. This case study provides an invaluable insight for aspiring nations who seek to model their respective secondary mortgage corporations along the lines of the Cagamas business model.

BUILDING A SUSTAINABLE FUTURE

The Group recognises the need to create long-term shared values and embed sustainability into its business to secure a sustainable future for the Group and its stakeholders.

Sustainability is a journey and the Group will endeavour to continuously enhance its sustainability agenda and capabilities to ensure efficient use of resources, to enable its business to be conducted in a responsible manner and to attain a positive societal impact across the nation.

SUSTAINABILITY REPORT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY (CSR) & ZAKAT WAKALAH PROGRAMME (ZWP)

January

ZWP – Back to School

Cagamas, under its ZWP – Back to School, contributed school kits consisting of a school bag and a school uniform set in addition to socks and shoes for 167 underprivileged students under the ‘Fisabilillah’ category from Sekolah Menengah Kebangsaan Padang Tembak for the new school term.



March

Zakat Contribution to Asnaf Students from Sekolah Kebangsaan Paloh Pintu Gang, Kota Bharu, Kelantan

Cagamas, under its ZWP, provided financial assistance to 30 urban poor students under the ‘Asnaf’ category from Sekolah Kebangsaan Paloh Pintu Gang, Kota Bharu, Kelantan, to purchase their school essentials.



SUSTAINABILITY REPORT

(CONTINUED)

July

Teach For Malaysia (TFM) Week – Impacting Lives: Co-Teaching with TFM in Semporna, Sabah

Cagamas assigned a member of its management team to co-teach an English lesson during TFM Week in Semporna, Sabah. TFM Week is one of TFM's most significant events where key influencers, including corporate figures, celebrities and members of the civil service spend time as “teachers” for a day, co-teaching a lesson in school with a TFM teacher (Fellow). Cagamas has partnered with TFM for the past 3 years as part of the Cagamas' CSR programme, and this is the second time that it has participated in TFM Week.



August

ZWP – Contribution to Single Mothers

Cagamas, under its ZWP, in collaboration with Persatuan Nadi Inspirasi Wanita, contributed towards the purchase of business equipment to assist 80 single mothers in their micro-businesses. Single mothers under this programme will use the new equipment to generate and improve on production output that will result in higher income generation. Cagamas presented the contributions at an event held at Kampung Gajah, Perak Darul Ridzuan.



SUSTAINABILITY REPORT (CONTINUED)

November

Sponsorship of a TFM Fellow

Cagamas continued its partnership with TFM for the third consecutive year. This enabled TFM to recruit and fund a TFM Fellow to be trained as a teacher as well as provide support for another Fellow to be equipped to teach in high-need B40 schools in Malaysia. The TFM programme is intended to drive long-term systemic changes to improve the quality of education for the B40 segment. Raising education equity in these schools is in line with Cagamas' sustainable CSR agenda and the United Nations Shared Development Goal 11 of Sustainable Cities and Communities.



Incitement Malaysia: Liter of Light Programme

As part of its sustainable CSR agenda, Cagamas collaborated with Incitement Malaysia to organise its inaugural volunteer programme through the Liter of Light social project, which provides cost-effective, solar-powered lights to underprivileged communities in Malaysia who have no access to electricity. A total of 20 volunteers from Cagamas participated in the two-day programme to build and install 30 solar powered streetlights for an orang asli community in Kampung Sungai Sekin, Kuala Lipis, Pahang Darul Makmur.



SUSTAINABILITY REPORT (CONTINUED)



Bursa Bull Charge 2019

Cagamas participated in the Bursa Bull Charge 2019, organised by Bursa Malaysia Berhad as part of its CSR activity. The funds collected by the organiser were channelled to selected charity homes and associations under Yayasan Bursa Malaysia.



Cagamas supported B40 single mother entrepreneurs with business capital goods aid in collaboration with AIM under the Cagamas' CSR initiative. The initiative aims to empower single mothers from the low-income group to increase their household income through entrepreneurship. A total of 20 single mothers from Kelantan received items such as sewing machines, commercial refrigerators and a sugar cane juicer that will be used to generate income to support their families.

HOUSING THE NATION

SERVING OUR COMMUNITIES

By Promoting
Professionalism and
Good Corporate Governance





CHAIRMAN'S STATEMENT

“Cagamas intends to develop a range of products and services such as risk participation, home equity schemes, reverse mortgage for retirees and home loan guarantees for gig economy workers to address the needs of Malaysians at various stages of their housing lifecycle.”



CHAIRMAN'S STATEMENT (CONTINUED)

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report of Cagamas Holdings Berhad ("Company") for the financial year ended 31 December 2019.

STRATEGIC INITIATIVES

Cagamas Berhad ("Cagamas") has seen tremendous growth in the past three decades since its inception in 1986. As the main operating subsidiary, Cagamas has promoted the broader spread of home ownership and pioneered the nation's secondary mortgage market. These achievements have been widely recognised in the industry both locally and globally.

In the next decade and beyond, Cagamas will continue to build on this solid foundation and strengthen its culture of innovation to be ahead of the curve and focus on seeking opportunities in a fast-changing world.

In 2019, Cagamas undertook a strategic review of its mandate vis-à-vis the current market environment, its product offerings and capabilities. The review encompassed understanding trends in the financial markets and the changing housing needs of Malaysians. Insights from the review will enable the deployment of capital and resources to identified untapped segments in anticipation of rapid changes in the housing finance ecosystem.

Cagamas' traditional role as a provider of liquidity and mortgage guarantee is set to evolve to include becoming an affordable-housing enabler. The aim over the next three years is a gradual expansion of revenue streams, to include new strategic areas, and to play a bigger role in supporting the Government's affordable housing programmes.

Cagamas intends to develop a range of products and services such as risk participation, home equity schemes, reverse mortgage for retirees and home loan guarantees for gig economy workers to address the needs of Malaysians at various stages of their housing lifecycle.

BEYOND LIQUIDITY AND GUARANTEE

One of the new strategic initiatives is in the area of risk participation. This initiative will facilitate Islamic Financial Institutions in particular, to strive for asset growth with more efficient use of capital, while having the ability to manage risk exposure.

Cagamas is aligning its product offerings alongside the homeownership aspects of Budget 2020 by allocating resources to work with the Government, FIs and private developers under Public Private Partnership on homeownership schemes such as Rent-to-Own programmes. This is one of the many initiatives to help address the ongoing concerns of home prices rising beyond the affordability of most B40 and M40 households.

As homeownership continues to elude many millennials, Cagamas intends to assist young Malaysians achieve their aspiration of owning a home earlier, particularly those who have stable earning capacity but are struggling to keep up with the rising cost of living. A Home Equity Scheme ("HES") will provide a more affordable approach for first-time home buyers who qualify for at least 80% margin of financing from a bank. The scheme acts as an alternative source to help bridge the funding gap, allowing homebuyers sufficient time to fully transition into a traditional bank home loan.

HOME FINANCING REIMAGINED

The gig economy is expanding rapidly in Malaysia, especially among the younger generation who are drawn to the opportunities and work culture in this emerging segment. It is estimated that as much as 26% of the Malaysian workforce are freelancers and the number is growing. Cagamas plans to provide this segment of the population access to homeownership by offering innovative home financing options alongside traditional banking offering, such as a mortgage guarantee mechanism and risk participation with financial institutions.

According to the Department of Statistics Malaysia, the number of retirees and elderly citizens is rising in the country, with the proportion of Malaysians aged 65 and above projected to reach 7.2% of the population by 2020. Cognisant of a burgeoning group of older Malaysians and the rising cost of living, the feasibility of introducing a reverse mortgage programme for the silver economy is being explored. This programme aspires to allow retired Malaysians to unlock equity in their assets such as property hence converting it into a stable lifelong income stream to support and enhance the quality of their retirement lives while still enjoying access to their homes.

CHAIRMAN'S STATEMENT

(CONTINUED)

PRIORITISING SUSTAINABILITY

As the national mortgage corporation, Cagamas is mindful of its role and influence to assist Malaysia achieve its United Nations Sustainable Development Goals by 2030 under the Eleventh Malaysia Plan. Resources are intended to be earmarked to support the country's commitment, especially in the area of developing and managing sustainable cities and communities by making housing affordable and inclusive.

Cagamas seeks to create a broader impact in the Environment, Social and Governance ("ESG") ecosystem by giving our clients access to capital required to finance ESG compliant assets such as affordable homes for deserving Malaysians. The objective is to source and deploy capital from socially responsible investors to finance or refinance qualifying, sustainability related projects and qualifying asset classes. The first step has been successfully taken by lodging the Cagamas Sustainability Bond/Sukuk Framework with the regulatory authority, as part of our RM60 billion Medium Term Notes Issuance programme. An inaugural sustainability issuance is targeted in 2020.

More recently, Cagamas has advocated for a clear and consistent naming convention for ESG products across the industry to enable informed investing decisions for funds labelled as "sustainable". To this end, Cagamas will collaborate with regulatory authorities to provide relevant input for their Climate Change and Principle-Based Taxonomy which can be used as the Malaysian financial industry's benchmark. It is hoped that this taxonomy will provide prospective investors and issuers with a common definition for Green Loans or Green Housing Loans, including prerequisites for Green or ESG Funding eligibility.

On the other hand, Cagamas SRP Berhad ("CSRP") as the Company's subsidiary, continues to support the Government's agenda to promote affordable housing to the nation through the Skim Rumah Pertamaku ("My First Home Scheme", "SRP") and Skim Perumahan Belia ("Youth Housing Scheme", "SPB") As at December 2019, CSRP saw a dramatic increase in total loans/ financing approved at 15,493 compared to 7,881 in 2018 due to greater public awareness of the schemes. CSRP provided guarantees for housing loans/financing totalling RM6.9 billion, enabling about 33,236 individuals/households to own their first homes, of which 33% are from the B40 segment. In 2020, CSRP will partner with property technology companies to digitally promote SRP to broaden access to home financing for this population segment. With these new collaborations, CSRP expects incremental contribution towards SRP and SPB loans/ financing approvals in 2020.

Through its Corporate Social Responsibility ("CSR") Programmes, Cagamas, in partnership with selected charitable and Non-Governmental Organisations such as Teach for Malaysia, Incitement Malaysia and Amanah Ikhtiar Malaysia, has contributed RM144,100 in 2019 to raise education equity for the highest-need schools and communities, to provide sustainable basic facilities for disadvantaged communities and to empower single mothers to increase their family income. On the education front, the Cagamas Scholarship Programme has, as at 2019, sponsored 15 scholars from low-income households at an allocation of RM480,000. Under the Cagamas Zakat Wakalah programme, RM249,000 has been distributed to eligible asnaf recipients in 2019.

UPHOLDING STANDARDS

Cagamas remains focused on upholding standards as a high-performing organisation by constantly improving our work culture and engagement, strengthening leadership accountability and accelerating the professional development of our employees. In May 2019, the Enhanced Flexible Working Hours was launched to promote a more conducive environment for employees by providing them the option of managing their working hours to elevate performance and increase productivity. In order to ensure the organisation's agility to capitalise on emerging opportunities and to succeed in new strategic areas, significant emphasis is placed on developing technical competencies and leadership skills to improve the broader culture, climate and performance within the organisation. To date, 67% of the staff in critical positions possess various professional certifications and high-potential staff continue to be identified and enrolled for leadership development programmes. These are some of the efforts which are part of Cagamas' human capital strategy to stay ahead.

From a governance perspective, in 2019, both the Company and its main operating entity, Cagamas, successfully adopted new constitutions which are aligned with the Companies Act 2016. The exercise to harmonise the Company's organisational framework, which includes the rights and obligations of each company, its directors and shareholders with progressive regulatory standards, continues to be carried out for other selected subsidiaries within the Cagamas Group of Companies ("Group"). In observation of the highest standards of corporate governance and as best practice, the Company, Cagamas and CSRP adopted Bank Negara Malaysia Corporate Governance 2016 policy document as guiding principles in their respective Board Charters. In 2019, although compliance with the Malaysian Code of Corporate Governance 2017 is not obligatory, Cagamas updated its Board Charter to enhance the company's governance

CHAIRMAN'S STATEMENT

(CONTINUED)

standards and practices as championed by the latest Code. Meanwhile, as board composition influences the ability of the Board to fulfil its oversight responsibilities, a director skill set self-assessment tool has been adopted for succession planning purposes. This will facilitate accurate monitoring of the strengths and shortcomings of the Board and the selection of suitable directors to ensure that the Board's composition remains dynamic and relevant to the strategic direction of the Group.

ACHIEVEMENTS AND ACCOLADES

In striving to promote regional cooperation and enhance mutual development with secondary mortgage market institutions, Memoranda of Understanding ("MOUs") have been signed with such institutions, including Korean Housing Finance Corporation, Japan Housing Corporation and the National Home Mortgage Finance Corporation of Philippines. These MOUs demonstrate Cagamas' leadership in supporting similar regional institutions in the secondary mortgage market and its commitment to learn and grow with our counterparts.

Our bonds and sukuk continue to attract both domestic and foreign investors and have been underpinned by the organisation's strong credit rating, performance track record, strong capitalisation, robust asset quality and stable profitability. These factors were reflected in its ability to maintain its international credit rating of A3 by Moody's Investors Service and the domestic ratings of AAA by both Malaysian Rating Corporation Berhad and RAM Rating Services Berhad.

In 2019, Cagamas received the overall award for Top Issuance and Top Traded Amount in the conventional category for its performance in 2018 from the Bond Pricing Agency Malaysia, the Islamic Issuer of the Year – Quasi-Sovereign and Best Local Currency Sukuk for the RM1.5 billion Commodity Murabahah at The Asset Triple A Islamic Finance Awards and the Islamic Finance Advocacy Award (Capital Market) at the Global Islamic Finance Awards.

YEAR IN REVIEW

The global economy expanded at its slowest pace since the global financial crisis a decade ago. It was a year marked by rising trade tensions and related uncertainties that weighed on business confidence and investment globally.

Amidst an eventful year in the financial markets exacerbated by a challenging global economic environment, the Group's revenue for 2019, comprising revenues of Cagamas, Cagamas MBS Berhad ("CMBS"), and CSRP, remained steady at RM2,313.7 million, as compared with RM2,351.9 million in 2018. Both Cagamas and CMBS remained key contributors to the results of the Group.

Cagamas purchased a total of RM5.0 billion assets under the Purchase with Recourse ("PWR") scheme and issued a total of RM10.2 billion bonds and sukuk as at 31 December 2019, all in domestic currency. In 2019, no foreign-currency issuance was concluded, mainly due to the competitive cost advantage obtained in the local bonds and sukuk market, as evidenced by the significant reduction in the yields of government securities i.e., Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGI"), and the spill-over effect to the corporate bonds and sukuk market. This translated into lower cost of funding to meet the cost requirement of the asset sellers.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend our appreciation to the shareholders for their continued support, and to the regulatory authorities, relevant ministries and agencies for their continued guidance in facilitating the Group to deliver its mandate effectively.

Finally, on behalf of the Board, I would like to record our deepest appreciation to the management and staff of Cagamas for their dedication, commitment and valuable contribution throughout the year.



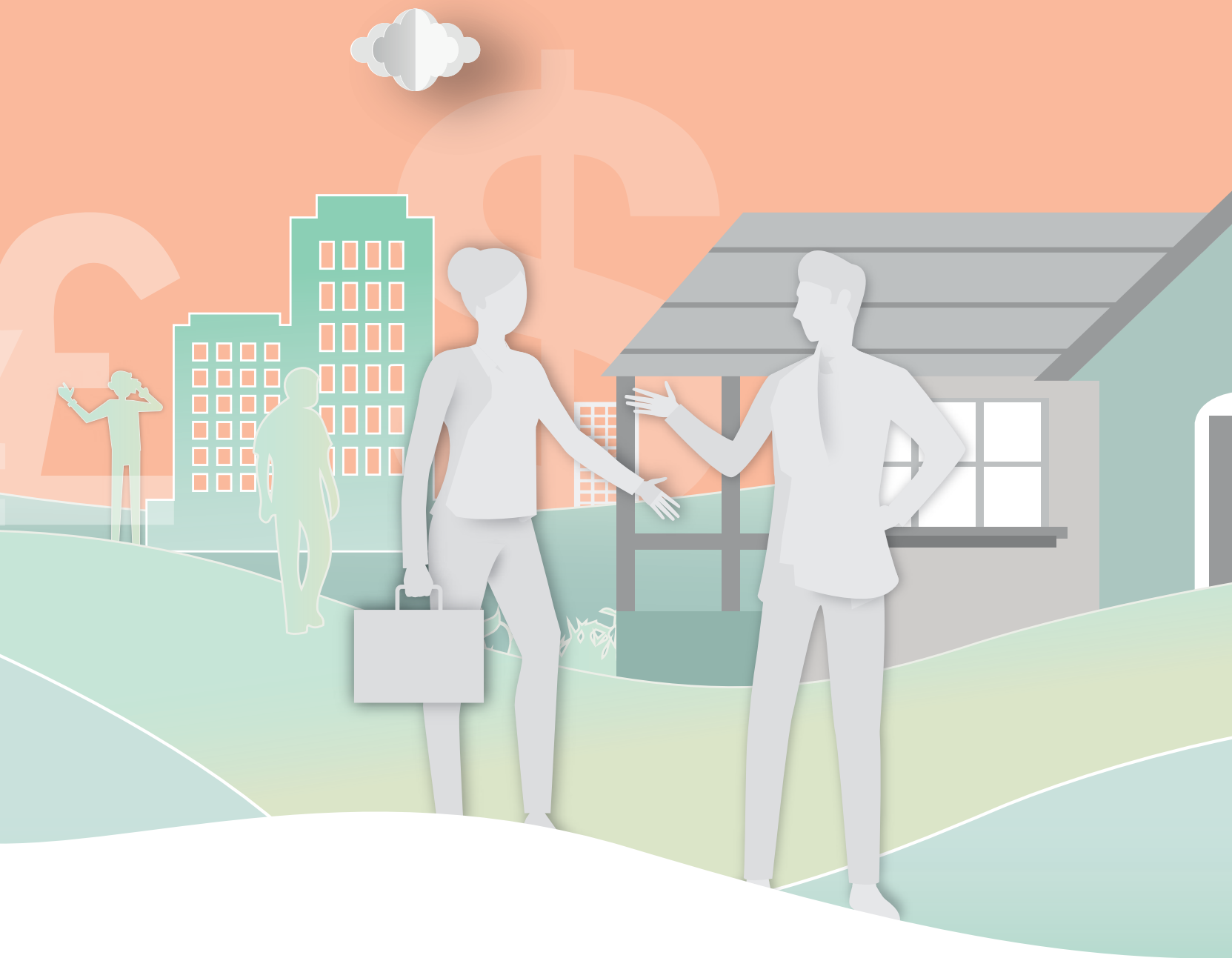
Dato' Bakarudin Ishak
Chairman

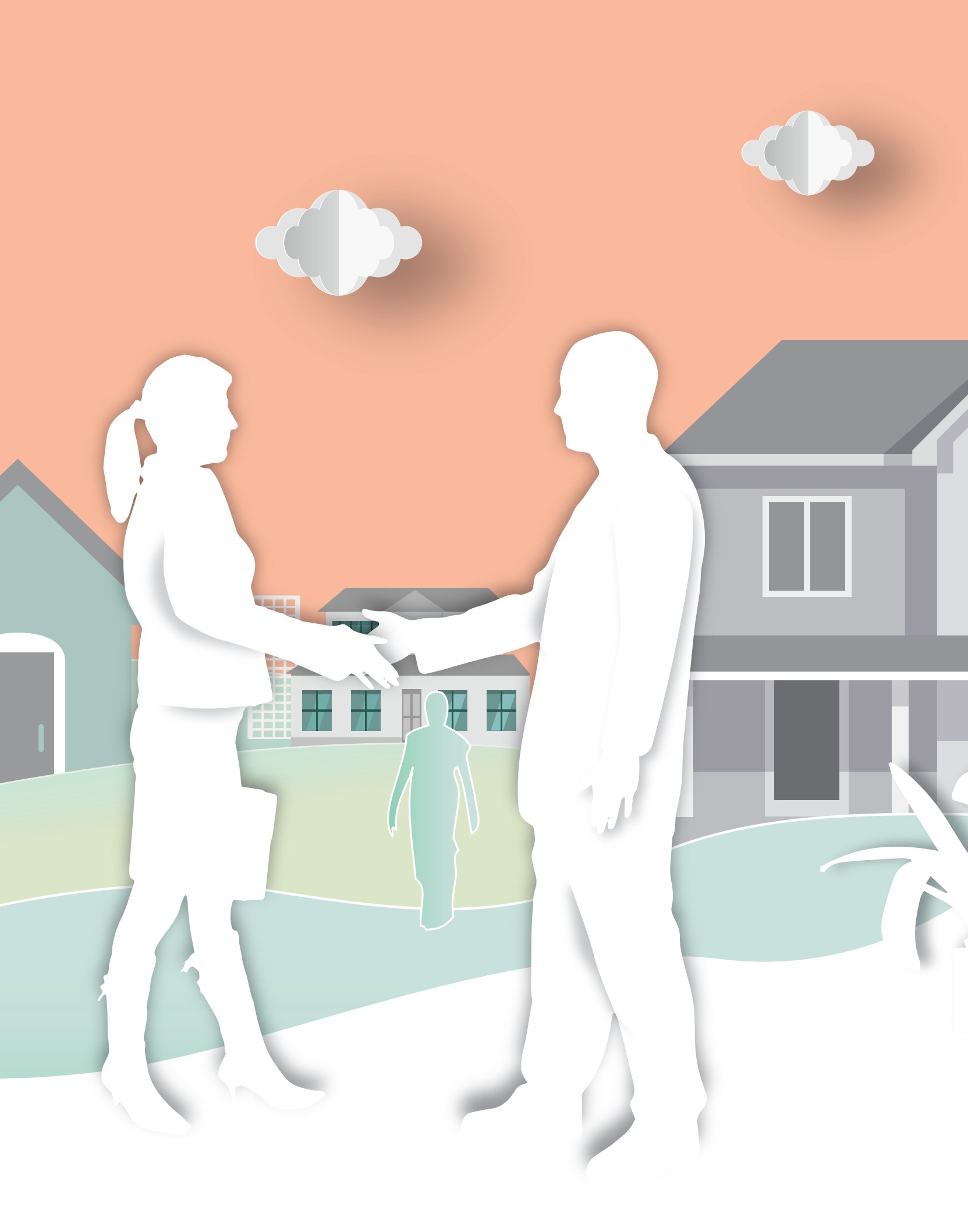


HOUSING THE NATION

SERVING OUR COMMUNITIES

By Diversifying
Our Funding Sources

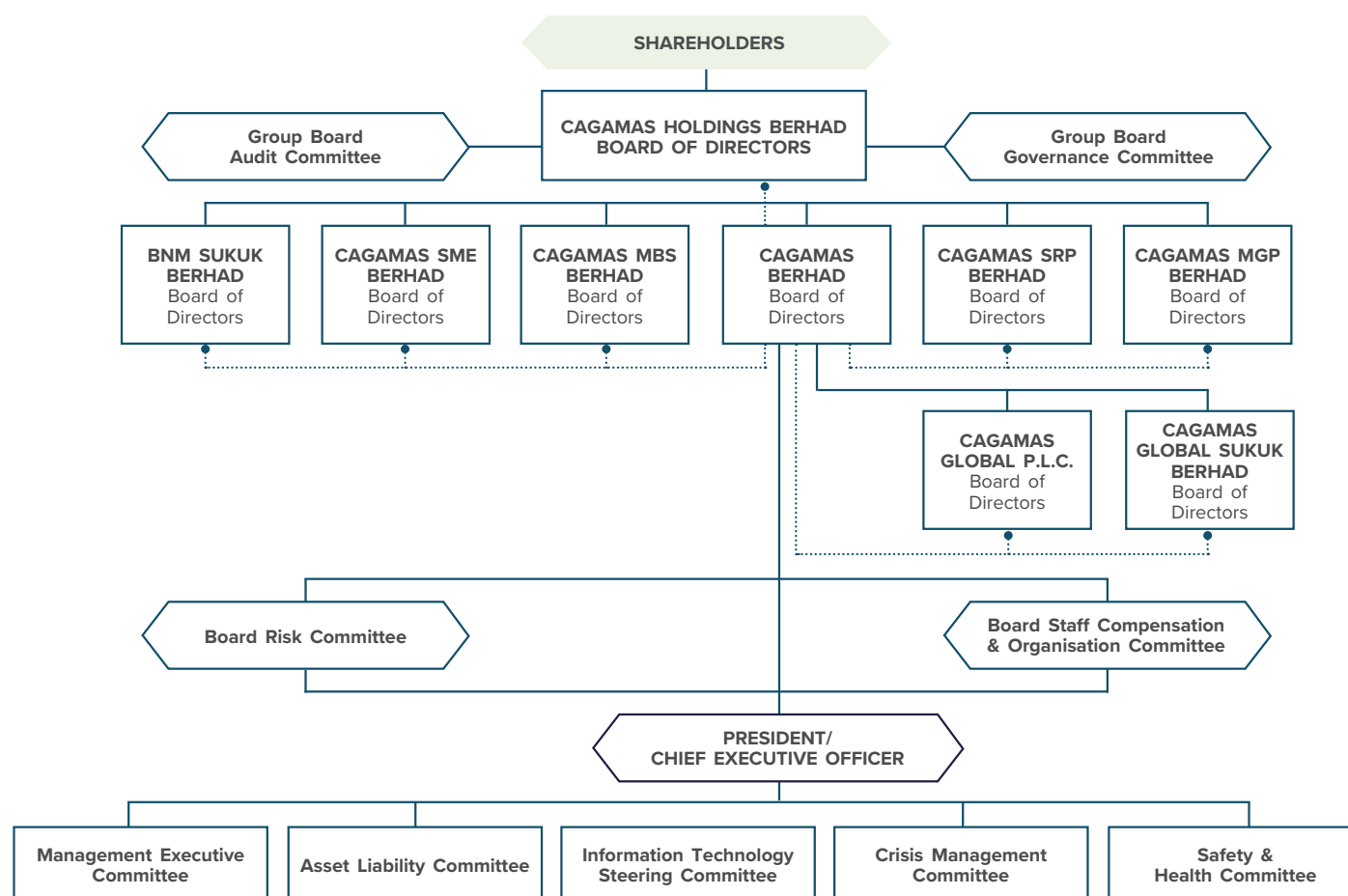




STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (Board) of Cagamas Holdings Berhad (the Company) is committed to ensuring that the Company and its subsidiaries (the Group), practise the highest standards of corporate governance so that the Group's affairs are conducted with integrity and professionalism to safeguard the financial performance of the Group and enhance long term shareholder value. To this end, the Board has largely adopted the Bank Negara Malaysia Corporate Governance 2016 policy document (BNMCG) for financial institutions as its guiding principles to ensure that the highest standards of corporate governance are practised within the Group.

GOVERNANCE FRAMEWORK



..... Administrator/Transaction Administrator/Services Provider

STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

BOARD OF DIRECTORS

Board Composition

The Board consists of eight Non-Executive Directors, comprising senior officers/representatives and chief executives of selected substantial shareholders as well as experienced professionals nominated by the Board. Collectively, the Directors bring to the Board a broad and diverse range of knowledge in banking and finance, capital markets, accounting, law, economics and risk management.

Based on the BNMCG criteria, a majority of the Company's Directors are considered independent as they are independent in character and judgment, and free from associations or circumstances that may impair the exercise of their independent judgment. The Directors provide objective and independent views for the Board's deliberations and do not participate in the day-to-day running of the Company's business.

The Board observes the BNMCG's standard that the tenure limit of an Independent Director should generally not exceed nine (9) years, except under exceptional circumstances as may be determined by the Board upon the recommendation of the Group Board Governance Committee (GBGC). In the event the cumulative tenure limit for an Independent Director is extended beyond 9 years, shareholders' approval will be sought at the Annual General Meeting (AGM).

Currently, one Independent Non-Executive Director, who has exceeded a cumulative term of nine (9) years, will retire by rotation pursuant to the Articles of the Constitution and not seek re-election. Accordingly he will hold office until the conclusion of the 13th AGM.

Clear Roles and Responsibilities

Cagamas Holdings Berhad

The Board has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the Company. The Board Charter is reviewed periodically to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

The direction and control of the Group rests with the Board, and the Board assumes the overall responsibility for corporate governance, strategic direction, risk appetite, formulation of policies and oversight of the operations of the Group. The Board ensures that an appropriate system is in place to identify the Group's material risks and that appropriate internal controls and mitigation measures are implemented to manage these risks. The Board is also entrusted to ensure adequacy and the integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The Board is regularly updated and apprised by the Chief Compliance Officer (currently the Senior Vice President of Risk Management and Compliance Division [RMD]) on relevant new laws and directives issued by regulatory authorities and the resultant implications for the Group and the Directors in relation to their duties and responsibilities.

The Board sets the overall risk appetite for the Group's business. The oversight of management of risks within the Group is undertaken by the Board Risk Committee (BRC) of Cagamas Berhad. The BRC oversees the development of risk management strategies, policies, and critical internal processes and systems to assess, measure, manage, monitor and report risk exposures within the Group. The BRC reports directly to the Board of Cagamas Berhad which in turn, updates and where necessary, seeks input from the Board of Cagamas Holdings Berhad on decisions pertaining to risk reviews and other risk related matters. The BRC is supported by RMD which is responsible for performing risk reviews and assessments on the operations of Cagamas Berhad and other subsidiaries of the Company. The Senior Vice President of RMD reports directly to the BRC. The RMD also submits the risk reviews to the respective Boards of the subsidiaries.

The Board oversees the conduct and performance of the Group's business by reviewing the Group's strategic business plan and annual budget. Updates on the key operations of the Group are provided to the Board for review at every Board meeting. In addition, significant matters presented to the Boards of the subsidiaries are forwarded to the Board for information or endorsement.

The Chairman of the Company leads the Board and ensures it performs and functions effectively in meeting its obligations and responsibilities. Being an investment holding company, Cagamas Holdings Berhad does not have a CEO or any employees.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Cagamas Berhad

The day-to-day operations of the Group are being undertaken by the main operating entity, Cagamas Berhad which is the appointed services provider for Cagamas Holdings Berhad. Cagamas Berhad also acts either in the capacity of administrator/transaction administrator or services provider for its sister companies namely Cagamas SME Berhad, Cagamas MBS Berhad, Cagamas SRP Berhad, Cagamas MGP Berhad and BNM Sukuk Berhad, and its two (2) subsidiaries namely, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad.

Cagamas Berhad has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the company. There is a clear segregation of roles and responsibilities between the Chairman and the CEO. The Chairman provides leadership to the Board and ensures that the Board functions effectively; he leads discussions on overall strategies, policies, risk appetite and oversight of the conduct of Cagamas Berhad's business. The CEO of Cagamas Berhad leads the management of Cagamas Berhad and is responsible for the implementation of strategies and policies as well as the day-to-day running of Cagamas Berhad's business. All the Directors are Independent Non-Executive Directors except for the CEO who is an Executive Director.

Annual Key Performance Indicators for the CEO and management of the company are reviewed and set by the Board.

Cagamas SRP Berhad

Cagamas SRP Berhad was incorporated to undertake the guarantee of residential mortgages under the Skim Rumah Pertamaku – My First Home Scheme (SRP) and the Skim Perumahan Belia – Youth Housing Scheme (SPB) announced by the Government in 2011 and 2015 respectively. The SRP and SPB are in line with the Government's aspirations of increasing home ownership for the "rakyat".

Cagamas SRP Berhad has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the company. Currently, Cagamas SRP Berhad does not have a CEO or any employees but Cagamas Berhad, the main operating entity and sister company of Cagamas SRP Berhad, is the appointed services provider.

The Chairman provides leadership to the Board and ensures that the Board functions effectively whereas the management of Cagamas Berhad is responsible for the implementation of the strategies and policies as well as the routine administration of Cagamas SRP Berhad's business.

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded in the statutory books maintained at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board and the GBGC to the management for action.

Board Meetings

During the financial year ended 31 December 2019, the Board met four times to deliberate on a wide range of matters, including the Company's business performance, risk profile, business plans and strategic issues that affect the Group's business. Board papers providing updates on operations, financials, risk profile, regulatory issues and corporate developments are sent to the Directors in advance of each meeting.

All Directors have direct access to the advice of the management of Cagamas Berhad. In furtherance of their duties, the Board is entitled to seek independent professional advice at the Company's expense, as and when deemed necessary.

STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

The Directors' attendance at Board meetings during the financial year ended 31 December 2019 is set out below:

Director	Designation	Board Meetings Attendance
Dato' Bakarudin bin Ishak (Re-designated as Chairman w.e.f. 20 September 2019)	Chairman, Independent	4/4
Tan Sri Dato' Sri Tay Ah Lek	Non-Independent	4/4
Datuk George Ratilal	Independent	4/4
Datuk Abdul Farid bin Alias	Non-Independent	4/4
Dato' Lee Kok Kwan	Non-Independent	2/4
Wan Hanisah binti Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent	3/4
Datuk Siti Zauyah binti Md Desa (Appointed w.e.f. 1 December 2019)	Independent	1/1
Datuk Nik Mohd Hasyudeen bin Yusoff (Resigned as Director/Chairman w.e.f. 20 September 2019)	Chairman, Independent	3/3

Board Committees

The Board is assisted by the GBGC and the Group Board Audit Committee (GBAC) which operate within their specified terms of reference as approved by the Board.

The GBGC comprises three Non-Executive Directors, namely:

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani
(Appointed as Chairman w.e.f. 20 September 2019)

Tan Sri Dato' Sri Tay Ah Lek

Dato' Bakarudin bin Ishak
(Chairman from 1 January 2019 to 19 September 2019 and re-designated as member w.e.f. 20 September 2019)

The GBGC is responsible for the review and alignment of the Group's corporate governance practices with best practices. The GBGC is also responsible to annually assess the effectiveness of the Board as a whole, the Board Committees and the contributions of individual Directors and to propose appointments to the Board and Board Committees.

The details of the GBAC are described in the Report of the Group Board Audit Committee in this Annual Report.

Other committees, namely the Board Staff Compensation and Organisation Committee and Board Risk Committee remain at Cagamas Berhad.

Appointment and Re-election of Directors

The Directors are nominated by the shareholders or members of the Board. These nominations are reviewed by the GBGC which then presents its recommendations to the Board for approval.

In accordance with the Company's Constitution, at least one-third of the Directors retire from office at each AGM of the Company and if eligible, may offer themselves for re-election. The Constitution also states that any Director appointed by the Board during a particular year shall hold office only until the next following AGM and shall then be eligible for re-election.

Directors' Remuneration

The Company's policy on Directors' remuneration endeavours to attract Directors of the calibre and experience needed to provide sound and effective oversight of the Group's activities. The GBGC reviews the remuneration of the Non-Executive Directors every three years to ensure that the Directors' remuneration is commensurate with the Directors' time commitment and expertise, as well as the risk and complexity of the business of the respective companies and the responsibilities undertaken.

STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

The remuneration paid to the Directors as disclosed in the financial statements is as follows:

Non-Executive Directors	Directors' Fee (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin bin Ishak (Re-designated as Chairman w.e.f. 20 September 2019)	78,466	27,500	105,966
Tan Sri Dato' Sri Tay Ah Lek	70,000	24,500	94,500
Datuk George Ratilal	70,000	39,000	109,000
Datuk Abdul Farid bin Alias	70,000	14,000	84,000
Dato' Lee Kok Kwan	70,000	21,000	91,000
Wan Hanisah binti Wan Ibrahim	70,000	31,500	101,500
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	70,000	24,000	94,000
Datuk Siti Zauyah binti Md Desa (Appointed w.e.f. 1 December 2019)	5,945	3,500	9,445
Datuk Nik Mohd Hasyudeen bin Yusoff (Resigned as Director/Chairman w.e.f. 20 September 2019)	71,781	18,500	90,281

Directors' Training

All Directors of Cagamas Berhad are required to attend the Financial Institutions Directors' Education (FIDE) Core Programme. The annual directors' training programme focuses on the continued enhancement of the Directors' skill sets and updates on recent developments in the financial services sector, including relevant new laws and regulations. Some of the Directors are also Directors of public-listed companies and have attended the Mandatory Accreditation Programme required by the Bursa Malaysia Listing Requirements.

For 2019, training programmes organised and sponsored by the company and attended by the Directors are detailed below.

Training Programmes attended by Directors

Training Programmes	Mode of Training	Duration in day(s)
2nd Islamic FINTECH Dialogue 2019	Dialogue	2
In-House Training: 1. Cagamas Islamic Products 2. Awareness Session on Anti-Corruption - The Malaysian Anti-Corruption Commission Act, Section 17A	In-house training	1
Leadership Energy Summit Asia (LESA) 2019	Summit	2
Cagamas & World Bank Group "Constructing and Financing Affordable Housing Across Asia" Conference	Conference	2
6 th Asian Fixed Income Summit (AFIS)	Summit	1
Directors' Induction (For newly appointed Directors)	Induction	2

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Management Committees

At Cagamas Berhad, management committees have been established to support the CEO in managing various activities and operations throughout the Group. The management committees comprise the following:

Management Executive Committee
Asset Liability Committee
Information Technology Steering Committee
Crisis Management Committee
Safety & Health Committee

Investor Relations and Shareholders' Communication

The Board recognises the importance of effective and timely communication with all its shareholders and bondholders. The Group's strategies, plans, financial information and new products are communicated to the shareholders and investors through letters, the Annual Report, press statements and announcements, and other financial information providers e.g. Bloomberg, Refinitiv, Bursa Malaysia Berhad, Labuan International Financial Exchange and Singapore Exchange Limited. The principal forum for dialogue with shareholders continues to be the AGM. At the AGM, the Chairman highlights the performance of the Group and provides the shareholders every opportunity to raise questions and seek clarification on the business and performance of the Group.

Cagamas Berhad maintains a website, www.cagamas.com.my which provides comprehensive up-to-date information on the Group's products, rates and financial information.

AUDIT

Internal Control

The Company's Statement on Internal Control is set out on pages 88 to 89 of this Annual Report.

Relationship with the Auditors

The roles and responsibilities of the GBAC in relation to the internal and external auditors are described from pages 84 to 87 of this Annual Report. For the financial year ended 31 December 2019, the external auditors had attended two meetings with the GBAC. The first meeting in February 2019 was to report on the financial statements for the financial year ended 31 December 2018, and the second meeting in August 2019 was to present their findings on the limited review of Cagamas Berhad, the audit plan and the scope of audit for the financial year ended 31 December 2019. At one of the meetings, a session was held between the GBAC and the external auditors without the presence of management. The external auditors attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

Auditors' remuneration as well as non-audit fees paid are shown on page 202 of this Annual Report.

REPORT OF THE GROUP BOARD AUDIT COMMITTEE

1. MEMBERS

For the year of 2019, the members of the Group Board Audit Committee ("the Committee") were as follows:-

- (a) Datuk George Ratilal (Chairman)
- (b) Dato' Lee Kok Kwan
- (c) Wan Hanisah Binti Wan Ibrahim

Majority of the Committee members comprised of Independent Non-Executive Directors as per Cagamas Holdings Berhad's Board Charter. The Directors do not participate in the day-to-day running of the Group's business and are independent of management. The Directors do not hold shares in their personal capacity and are not influenced by any significant shareholder of the Group. Neither a group of Directors nor any individual Director who dominates the Committee's discussions or decision-making. The Directors provide independent views for the Committee's deliberations.

2. ATTENDANCE AT MEETINGS

The Committee held five meetings during the financial year ended 31 December 2019 with the President/Chief Executive Officer and the Senior Vice President of Internal Audit in attendance. Other senior officers attended the meetings by invitation. The record of attendance of meetings by the members is as follows:

Name of Committee Member	No. of Meetings Attended
Datuk George Ratilal	5/5
Dato' Lee Kok Kwan	4/5
Wan Hanisah Binti Wan Ibrahim	5/5

The Group's External Auditors, Messrs. PricewaterhouseCoopers PLT had attended two meetings during the year to report on the audit for financial year ended 31 December 2018 and to present their audit plan and scope of work for the Group for the year 2019.

3. COMPOSITION AND TERMS OF REFERENCE

Authority

- (a) The Committee shall have unlimited access to all information and documents relevant to its activities, to the Internal and External Auditors, and to management of the Companies within the Group.
- (b) The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise to attend meetings whenever it deems necessary.
- (c) The Committee is authorised by the Board to investigate any activity within its purview and members of the Committee shall direct all employees to co-operate as they may deem necessary.

Size and Composition

- (a) The Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall comprise a minimum of three members, a majority of whom shall be Independent Directors.
- (b) If for any reason the number of members is reduced to below three, the Board must fill the vacancies within three months.
- (c) The members of the Committee shall elect a Chairman from amongst their members who shall be an Independent Director.
- (d) At least one member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he is not a member of the MIA, he must have at least three years' working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountant Act, 1967; or

REPORT OF THE GROUP BOARD AUDIT COMMITTEE (CONTINUED)

- (iii) he must have a degree/masters/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance; or
 - (iv) he must have at least 7 years experience being a President/Chief Financial Officer of a corporation or having function of being primarily responsible for the management of the financial affairs of a corporation.
- (e) No member of the Committee shall have a relationship, which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of the Committee.

Meetings

- (a) Meetings will be held once a quarter or at a frequency to be decided by the Chairman or the Committee. Invitation shall be extended to the President/Chief Executive Officer to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations.

Quorum

- (a) A quorum shall consist of two members.

Secretary

- (a) The Secretary to the Committee shall be the Senior Vice President, Internal Audit.

Duties and Responsibilities

Financial Reporting

- (a) Review the consolidated annual financial statements of the Group for submission to the Board of Directors for approval, to ensure compliance with the disclosure requirements and the adjustments suggested by the External Auditors. These include:-
- Review of the auditors' report and qualifications (if any) which must be properly discussed and acted upon to address the auditors' concerns in future audits;

- Changes and adjustments in the presentation of financial statements;
 - Major changes in accounting policies and principles;
 - Compliance with accounting standards and other legal requirements;
 - Material fluctuations in statement of balances;
 - Significant variants in audit scope; and
 - Significant commitment or contingent liabilities.
- (b) Review the half yearly Condensed Interim Financial Statement for Cagamas Berhad and its subsidiaries (the Group) for submission to the Board of Directors for approval, to ensure compliance with disclosure requirements.

Internal Audit

- (a) Review the scope and results of Internal Audit procedures including:-
- Compliance with internal auditing standards, the Group's internal controls, policies and other legal requirements;
 - Adequacy of policies and procedures and internal controls established;
 - Co-ordination between the Internal and External Auditors;
 - Exercise independence and professionalism in carrying out internal auditing work;
 - Reporting results of the audit performed;
 - Recommending changes in accounting policies to the Board; and
 - Recommending and ensuring the implementation of appropriate remedial and corrective actions regularly.
- (b) Responsible for establishment of the Internal Audit functions which include:-
- Approval of the Internal Audit Charter;
 - Approval of the Internal Audit Plan;
 - Evaluate the performance and decide on the remuneration package of the Senior Vice President, Internal Audit in line with the Company's remuneration policy;

REPORT OF THE GROUP BOARD AUDIT COMMITTEE

(CONTINUED)

- Reviewing the adequacy of the scope, functions and resources of the Internal Audit Department or any restrictions encountered in the course of the audit work;
 - Approval of the appointment or termination of the Senior Vice President, Internal Audit;
 - Notification of resignation of Internal Audit staff and to provide opportunity for such staff to submit reasons for resigning;
 - Ensuring that the Internal Audit functions have appropriate standing within the Group;
 - Alignment of goals and objectives of the Internal Audit functions with the Group's overall goals; and
 - Place Internal Audit under the direct authority and supervision of the Committee.
- (c) Review the Internal Audit reports before submission to the Board of Directors of the respective Companies within the Cagamas Group and recommend to the Board of Cagamas Holdings Berhad for information or endorsement.
- (d) Ensure that appropriate and prompt remedial actions are taken by management on major control or procedures deficiencies identified.
- (e) Discuss matters arising from the previous year's audit, review with the External Auditors on the scope of their current year's audit plan, their evaluation of the accounts and internal controls systems, including their findings and recommended actions.
- (f) Review changes in statutory requirements and any significant audit problems that can be foreseen as a result of previous year's experience or because of new developments.
- (g) Evaluate and review the role of External Auditors from time to time.
- (h) Approve the provision of non-audit services by the External Auditors and evaluate whether there are any potential conflicts arising from such non-audit services.
- (i) Ensure that proper checks and balances are in place so that the provision of non-audit services does not interfere with the independent judgment of the External Auditors.
- (j) Meet with the External Auditors at least once a year without the presence of management to discuss any key concerns and to obtain feedback.

External Audit

- (a) Assess the objectivity, performance and independence of the External Auditors.
- (b) Discuss and review the external audit plan, the findings on the system of internal controls (including management's actions and the relevant audit reports).
- (c) Review the External Auditors engagement letter and management's response.
- (d) Recommend to the Board the appointment of External Auditors, the audit fee and any question of resignation or dismissal of the External Auditors.

Related Party Transaction

- (a) Review any significant related party transaction or conflict of interest situation that may arise within the Group.
- (b) Review any significant transactions, which are not a normal part of the Group's business.

Other Responsibility

- (a) To review the management's proposal for payment of dividend prior to submission to the Board for approval.
- (b) Perform any other functions as may be delegated by the Board from time to time.

REPORT OF THE GROUP BOARD AUDIT COMMITTEE

(CONTINUED)

4. SUMMARY OF ACTIVITIES

During the financial year, the Committee carried out its duties in accordance with its terms of reference. A summary of the main activities undertaken by the Committee is as follows:-

Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for Financial Year 2020 to ensure adequate scope and coverage of the audit activities of the Group and the resources requirements of the internal audit to carry out its functions;
- (b) Reviewed the internal audit reports, audit recommendations and management's responses to the audit findings and recommendations;
- (c) Reviewed the status report on management's efforts to rectify the outstanding audit issues to ensure that appropriate actions have been taken as per the audit recommendations; and
- (d) Provided independent evaluation on the performance of the Senior Vice President of Internal Audit.

External Audit

- (a) Reviewed audit plan and scope of work of the External Auditors for the year 2019;
- (b) Recommended the re-appointment of the External Auditors and their audit fees to the Board of Directors; and
- (c) Reviewed the results of the audit by the External Auditors and discussed the findings and other concerns of the External Auditors.

Financial Reporting

- (a) Reviewed the annual audited financial statements of the Group to ensure that the financial reporting and disclosure requirements are in compliance with accounting standards.

5. INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Department, which reports directly to the Committee and assists the Board in discharging its responsibilities to ensure that the Group maintains a sound and effective system of internal controls. The Internal Audit Department is independent of the activities or operations of other units. This enables the Internal Audit Department to provide the Committee with independent and objective reports on the state of internal controls, risk management and comments on the governance process within the Group.

The Internal Audit Department undertakes the internal audit functions of the Group in accordance with the approved Audit Charter and the Annual Audit Plan approved by the Committee. The Audit Plan is derived from the results of the systematic risk assessment process, whereby the risks are identified, prioritised and linked to the key processes and auditable areas. The risk assessment process also enables the Internal Audit Department to prioritise its resources and the areas to be audited.

The audits conducted during the financial year 2019 focused on the independent review of the risk management, operating effectiveness of internal controls, and regulatory requirements across the Group. The audit reports were submitted to the Committee for its deliberation. This enabled the Committee to execute its overseeing function by forming an opinion on the adequacy of measures undertaken by management.

The International Standard for the Professional Practices of Internal Auditing (Standards) issued by the Institute of Internal Auditors (IIA) is used where relevant as authoritative guides for internal auditing procedures.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY OF THE BOARD

The Board of Directors of Cagamas Holdings Berhad (the Board) affirms its overall responsibility in ensuring that the Cagamas Group of Companies (the Group) maintains a sound and effective system of internal controls that support the achievement of the Group's objectives. The system on internal controls covers, inter alia, risk management, financial, strategy, organisational, operational and compliance controls. However, the Board recognises that such a system is designed to manage and control the risks at acceptable levels rather than eliminate the risk of not adhering to the Group's policies and achieving business objectives. Therefore, the system provides reasonable, but not absolute assurance, against the occurrence of any material misstatement of financial information.

The role of management is to implement the Board's policies on risk and internal control by identifying and evaluating the risks faced and designing, operating and monitoring a suitable system of internal controls to mitigate and control these risks.

RISK MANAGEMENT

The Board Risk Committee (BRC) of Cagamas Berhad oversees the management of risks associated with the Group's business and operations. The BRC oversees the development of risk management strategies, policies, key internal processes and systems to assess, measure, manage, monitor and report risk exposures within the Group. The BRC reports directly to the Board of Cagamas Berhad which in turn keeps the Board informed of the decisions pertaining to risk reviews and related risk issues.

The BRC is supported by the Risk Management & Compliance Department of Cagamas Berhad (RMD) which provides risk management support and performs risk management reviews on the business and operations of Cagamas Berhad, the main operating entity as well as for the other entities within the Group. Result of the risk management review and other findings are reported to the Board as well as to the Boards of the respective subsidiaries. The Group's risk management principles are generally based on Bank Negara Malaysia guidelines and industry best practices.

KEY INTERNAL CONTROL PROCESSES

The Group's internal control system encompasses the following key processes:

1. Authority and Responsibility

- (a) An organisational structure, job descriptions and Key Results Areas (KRA) which clearly define lines of responsibility and accountability aligned to business and operational requirements.
- (b) Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, Management and staff.
- (c) Management has also set up the Management Executive Committee, Asset Liability Committee, IT Steering Committee, Safety & Health Committee and Crisis Management Committee to ensure effective management and supervision of the areas under the respective Committees' purview.

2. Planning, Monitoring and Reporting

- (a) The Annual Business Plan and Budget is developed, presented and approved by the Board before implementation. In addition, actual performances are reviewed against the targeted results on a quarterly basis allowing timely responses and corrective actions to be taken to mitigate risks. The result of such performance reviews is reported to the Board on a half-yearly basis. Where necessary, the Annual Business Plan and Budget are revised, taking into account any changes in business conditions.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

- (b) Regular reporting to the Board, the Board of Directors of companies within the Group and Board Committees. Reports on the financial position, status of loans and financings purchased, bonds and notes issued and interest rate swap transactions are provided to the Board at least once a quarter. Where necessary, other issues such as legal, accounting and other relevant matters are also reported to the Board.
- (c) Regular and comprehensive information is provided to Management covering financial and operational reports at least on a monthly basis.

3. Policies and Procedures

- (a) Clear, formalised and documented internal policies and procedures manuals are in place to ensure compliance with internal controls and relevant laws and regulations. Regular reviews are performed to ensure that documentation remains current and relevant.

4. Independent Review by Internal Audit Department

- (a) The Internal Audit Department provides reasonable assurance to the Board by conducting an independent review on the adequacy, effectiveness and integrity of the system of internal controls. It adopts a risk-based audit approach in accordance with the annual audit plan approved by the Group Board Audit Committee (GBAC). The results of audits are presented to the GBAC, which met five times during the financial year ended 31 December 2019.

- (b) The audit plan and audit reports are also submitted to the Board and the respective Board of Directors of the companies within the Group to inform of any weaknesses in the internal controls system. During the financial year, several weaknesses were highlighted, but none resulted in material loss, contingencies or uncertainties or impacted on reputational risk that would require disclosure in the Annual Report.

5. Performance Measurement and Staff Competency

- (a) Key Performance Indicators (KPIs), which are based on the Performance Scorecard approach, are used to track and measure staff performance.
- (b) There are proper guidelines for the hiring and termination of staff, formal training programs and upskilling certification by industry experts for staff, annual performance appraisal and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

6. Business Continuity Planning

- (a) A Business Continuity Plan, including a Disaster Recovery Plan is in place to ensure continuity of business operations.

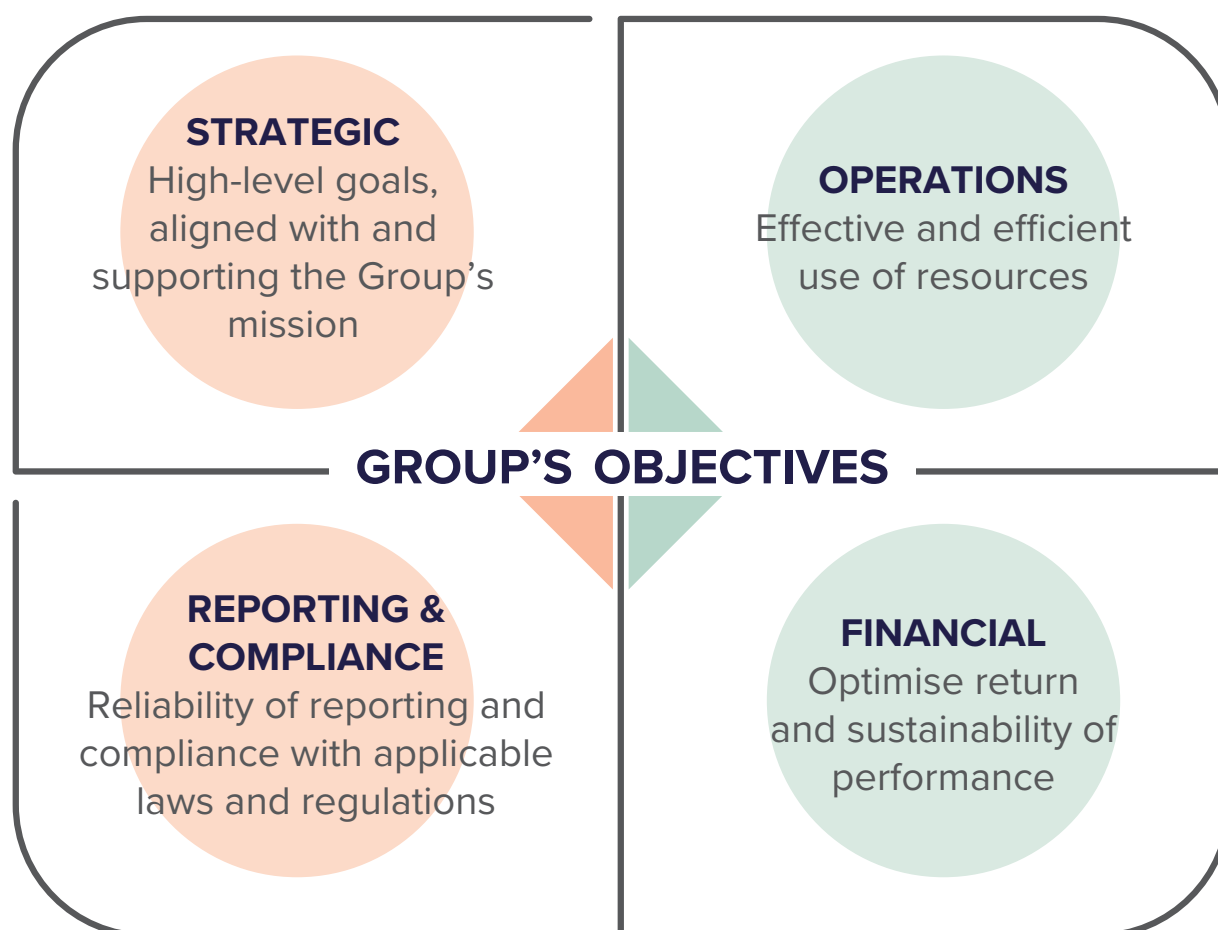
CONCLUSION

The system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements, is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

RISK MANAGEMENT

The Group's risk management approach is supported by a sound and robust Enterprise Risk Management Framework (Framework), which is continuously enhanced to remain relevant and resilient against the background of a versatile risk landscape and evolving industry practices. The Framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the achievement of the Group's business objectives. It provides the Board and the management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in business and the regulatory environment, the Group's strategies and functional activities throughout the year.

The Framework forms part of the Group's culture and is embedded into its business processes and practices. The Framework is targeted towards achieving the Group's objectives and is divided into four categories:



RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT GOVERNANCE

In line with the Framework, three lines of defence in managing risks are adopted within the Group. The following diagram summarises the responsibility and accountability of the various parties involved in the risk management governance of the Group.



RISK MANAGEMENT

(CONTINUED)

Management has identified and managed the following key risks that could prevent the Group from achieving its objectives:

Type of Risk	Definition and Management
Strategic Risk	<p>Strategic risk is the risk of not achieving the Group's corporate strategy and goals. This may be caused by internal factors such as deficiency in performance planning, execution and monitoring as well as external factors such as changes in the market environment.</p> <p>Strategic risk management is addressed by the Board's involvement in the setting of the Group's strategic goals. The Board is regularly updated on matters affecting corporate strategy implementation and corporate direction.</p>
Credit Risk	<p>Credit risk is defined as the potential financial loss arising from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the Group arises from Purchase with Recourse (PWR) and Purchase without Recourse (PWOR) business, mortgage guarantee programmes, investments and treasury hedging activities.</p> <p>The primary objective of credit risk management is to proactively manage credit risk and limits to ensure that all exposures to credit risks are kept within parameters approved by the Board. Investment activities are guided by internal credit policies and guidelines that are approved by the Board. Specific procedures for managing credit risk are determined at the business level based on the risk environment and business goals.</p>
Market Risk	<p>Market risk is defined as the potential loss arising from movements of market prices and rates. Within the Group, market risk exposure is limited to interest rate risk and foreign exchange risk as the Group does not engage in any equity or commodity trading activities.</p> <p>The Group manages market risk by imposing threshold limits and entering into derivative hedge contracts. The limits are set based on the Group's risk appetite and risk-return considerations. These limits are regularly reviewed and monitored. The Group has an Asset Liability Management System which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulations under different scenarios to assist in managing and monitoring the interest/profit rate risk.</p> <p>The Group also uses derivative instruments such as interest rate swaps, profit rate swaps, cross currency swaps and Islamic cross currency swaps to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rates.</p>
Liquidity Risk	<p>Liquidity risk arises when the Group does not have sufficient funds to meet its financial obligations as and when they fall due.</p> <p>The Group manages liquidity risk by adhering to a strict match-funding policy whereby all asset purchases are funded by bonds of closely matched size and duration and are self-sufficient in terms of cash flow. A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentrations of funding. The Group 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 markets.</p>

RISK MANAGEMENT (CONTINUED)

Type of Risk	Definition and Management
Operational Risk	<p>Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems, or from external events. Each business or support unit undertakes self-assessment of its own risk and control environment to identify, assess and manage its operational risks. The Group has established comprehensive internal controls, systems and procedures which are subject to regular reviews by both internal and external auditors.</p> <p>Exposure to operational risk also entails the management of the following risk categories:</p> <ul style="list-style-type: none"> • Technology Risk: Technology Risk management involves structured and consistent risk assessment pertaining to technology and cyber security risks. The Group has embedded sound governance and effective management of technology risk which encompass strong information technology (IT) security, reliability, resiliency and recoverability to address technology risk elements such as availability, accuracy, accessibility and agility. • Business Disruption Risk: The Group has a robust Business Continuity Management (BCM) program to minimise the impact and likelihood of any unexpected disruptions to its business operations through implementation of its BCM framework and policy, business continuity plans and regular BCM exercises. The Group has also identified enterprise-wide recovery strategies to expedite business and technology recovery and resumption during catastrophic events.
Reputational Risk	<p>The Group's reputation and image as perceived by clients, investors, regulators and the general public is of utmost importance to the continued growth and success of the Group's 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.</p> <p>Stringent screening of potential clients and the design of business practices in accordance with high standards and regulatory compliance have been incorporated to safeguard the Group's business reputation and image.</p>
Shariah Non-Compliance Risk	<p>The risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of regulatory bodies (SACs), standards on Shariah matters issued by Bank Negara Malaysia (BNM) or advice of the Shariah Advisors that are consistent with the rulings of the SACs.</p> <p>The Group consults and obtains endorsements/clearance from an independent Shariah Advisor for all its Islamic products and transactions to ensure compliance with relevant Shariah requirements. In addition, the Group obtains the approval of the Shariah Advisory Councils of BNM and Securities Commission of Malaysia (SC) for its Islamic products.</p> <p>Periodic Shariah Compliance Reviews and annual internal audits are performed to verify that Islamic operations conducted by the business units are in compliance with the decisions endorsed by the Shariah Advisor. Any incidences of Shariah non-compliance are reported to the Shariah Advisor, Group Board Audit Committee, BRC and Board.</p>

RISK MANAGEMENT

(CONTINUED)

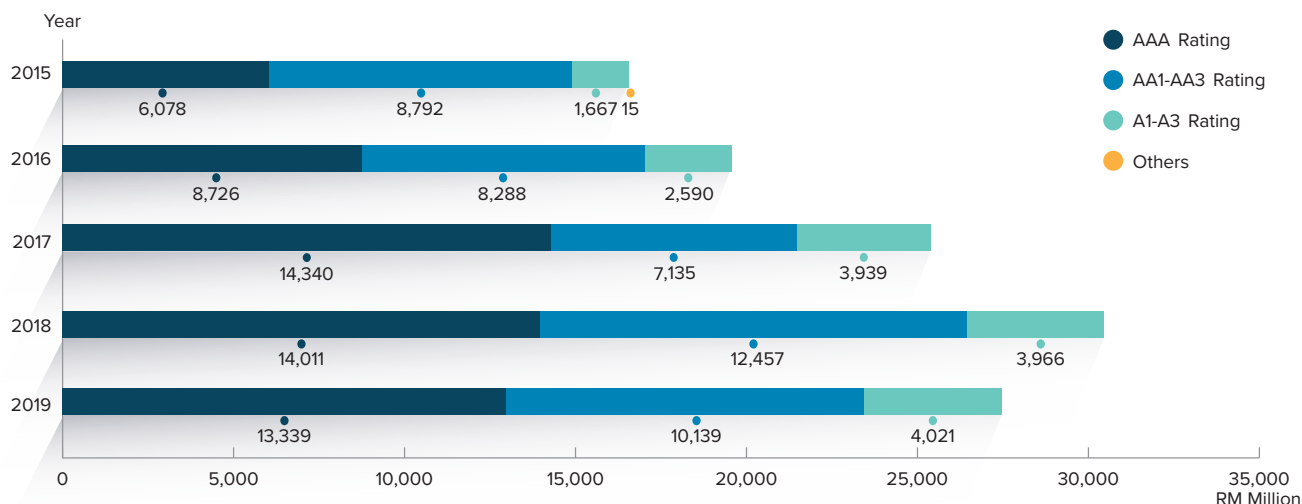
KEY HIGHLIGHTS

In light of the changing business backdrop, RMD had put in place the following initiatives during the year 2019 to strengthen risk resilience and to support the Group's objectives:

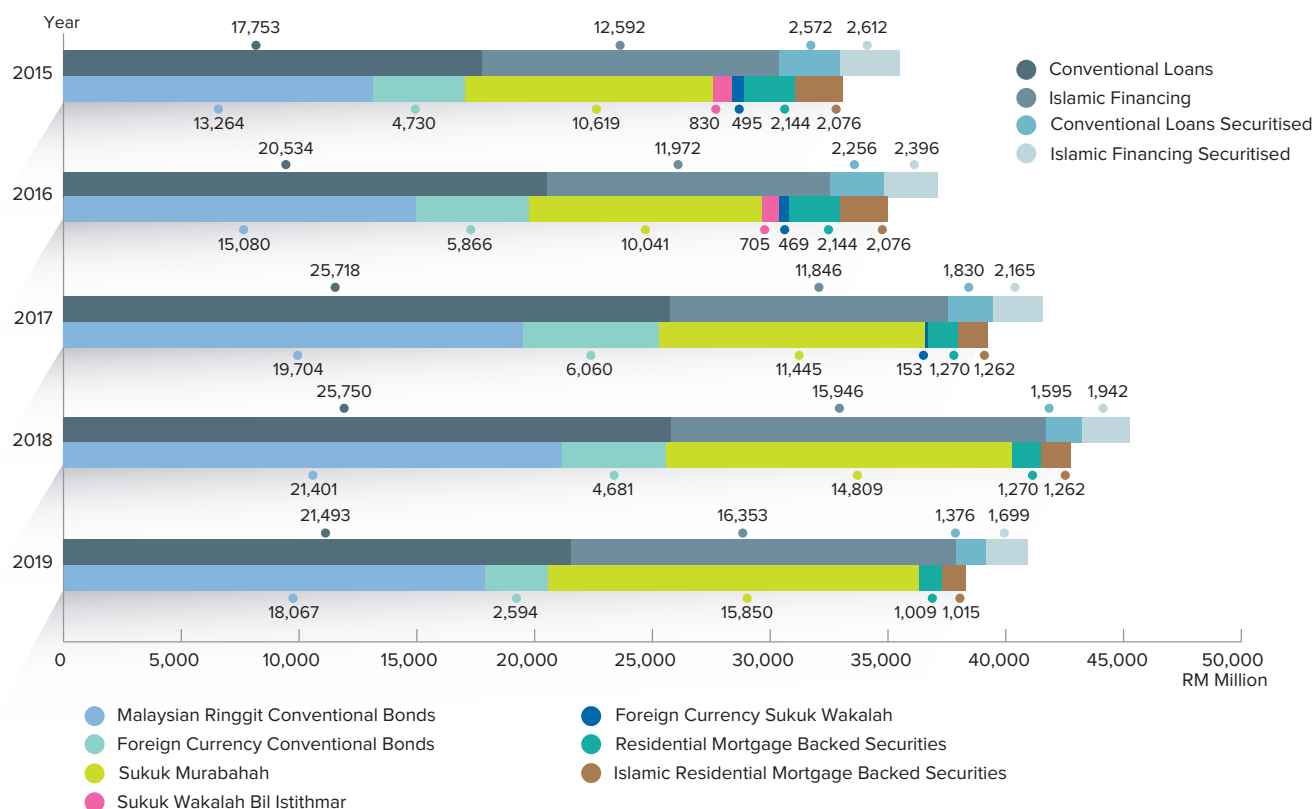
1. Strengthening risk culture to reinforce risk framework.
 - The Group believes that a strong risk culture is an essential building block for effective risk governance. In order to inculcate the right risk culture of employees at all levels of business and activities within the Group, employees are encouraged to undertake continuous learning and communicate issues on a timely basis.
 - Several risk and BCM workshops as well as awareness sessions by external risk experts were conducted for management and staff in order to elevate the awareness and knowledge on risk matters and BCM.
 - RMD engaged relevant stakeholders to review BNM's and SC's framework/policies and conducted impact assessment on gaps, if any, relevant to the Group, hence ensuring alignment with industry best practices. The frameworks/policies reviewed include SC's Guiding Principles on Business Continuity, BNM's Risk Management in Technology, BNM's Shariah Governance and Companies Amendment Act 2019.
2. Ensuring the Group's portfolios are aligned with the risk appetite and strategies.
 - The risk appetite is a critical component that enables the Board and management to communicate, understand and assess risks that the Group is willing to accept in pursuit of its strategies. The Risk Appetite Statement is reviewed on an annual basis taking into consideration, all material risks and future business activities as part of the annual Internal Capital Adequacy Assessment Process.
 - RMD had provided advisory input in Cagamas' justification for preferential treatment in the Net Stable Funding Ratio (NSFR) liquidity guidelines. The final NSFR guidelines accorded an improved Available Stable Funding (ASF) factor of 60% for funding from non-financial entities with a residual maturity of less than one year where previously the ASF factor was 50%.
 - RMD has continuously ensured that business initiatives are aligned with the risk appetite by providing independent assessment and risk input for new and additional credit limits as well as new business proposals.
3. Enhancing risk management governance, controls and processes.
 - Risk management policies, methodologies and processes were continuously enhanced to be in line with industry best practices and regulatory requirements. RMD had undertaken independent review of policies and processes in line with requirements of BNM's Credit Policy with no major gaps identified.
 - A newly developed Business Continuity Management (BCM) Framework and Policy was established to provide an effective and structured methodology to enhance business resilience and recovery capability to withstand any adverse events encountered by the Group.
 - As part of the continuous improvement process, the stress test approach was enhanced to incorporate a higher level of granularity whilst the Credit Concentration Risk computation was revamped to include Herfindahl Hirschman Index (HHI) and Population Stability Index (PSI) methodologies.
 - The Compliance Department was restructured to report directly to the Senior Vice President of Risk Management and Compliance Division in line with best practices to preserve the independence of the compliance function.
 - The Group will continue to capitalize on the new Loan Administration System for timely monitoring and reporting. The immediate availability of data for analysis will facilitate timely detection, resulting in the prompt resolution of issues.
 - Technological evolution requires constant adoption of new technology and cyber risk management strategies to address emerging cyber threats. As the Group embraces the advancement of technology in the day-to-day operations, the exposure to IT risk has also increased rapidly. Hence, the organisation strives to fortify its cyber defence and resilience through enhancement of its IT risk management framework, policy and controls.

STATISTICAL INFORMATION

COUNTERPARTIES EXPOSURE BY RATINGS (PWR)



COMPARISON BETWEEN OUTSTANDING CAGAMAS GROUP DEBT SECURITIES AND LOANS/FINANCING HELD



STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2019

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2005										
08.08.2005	15	5.270	07.08.2020	0.60					400	
12.12.2005	15	5.650	11.12.2020	0.95	385					
12.12.2005	20	5.920	12.12.2025	5.95	265					
2007										
29.05.2007	15	4.170	27.05.2022	2.41					320	
29.05.2007	20	4.340	28.05.2027	7.41					290	
22.08.2007	15	4.900	22.08.2022	2.64	250					
22.08.2007	20	5.080	20.08.2027	7.64	105					
2008										
08.08.2008	12	6.000	07.08.2020	0.60	65					
08.08.2008	20	6.500	08.08.2028	8.61	90					
08.08.2008	12	6.000	07.08.2020	0.60					235	
08.08.2008	15	6.350	08.08.2023	3.61					305	
08.08.2008	20	6.500	08.08.2028	8.61					370	
10.10.2008	12	5.900	09.10.2020	0.78	105					
10.10.2008	15	6.050	10.10.2023	3.78	140					
10.10.2008	20	6.250	10.10.2028	8.78	340					
10.10.2008	12	5.900	09.10.2020	0.78					25	
10.10.2008	15	6.050	10.10.2023	3.78					30	
10.10.2008	20	6.250	10.10.2028	8.78					35	
2009										
30.03.2009	12	5.370	30.03.2021	1.25	105					
30.03.2009	15	5.460	29.03.2024	4.25	150					
30.03.2009	20	5.690	30.03.2029	9.25	150					
30.03.2009	12	5.370	30.03.2021	1.25					115	
30.03.2009	15	5.460	29.03.2024	4.25					155	
30.03.2009	20	5.690	30.03.2029	9.25					80	
17.07.2009	12	5.380	19.07.2021	1.55	80					
17.07.2009	15	5.520	17.07.2024	4.55	100					
17.07.2009	20	5.750	17.07.2029	9.55	50					
17.07.2009	12	5.380	19.07.2021	1.55					60	
17.07.2009	15	5.520	17.07.2024	4.55					70	
17.07.2009	20	5.750	17.07.2029	9.55					55	
03.09.2009	12	5.120	03.09.2021	1.68	65					
03.09.2009	15	5.280	03.09.2024	4.68	90					

STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2019 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2009 (continued)										
26.11.2009	12	5.150	26.11.2021	1.91	60					
26.11.2009	15	5.270	26.11.2024	4.91	85					
26.11.2009	20	5.500	26.11.2029	9.91	45					
26.11.2009	12	5.150	26.11.2021	1.91					60	
26.11.2009	15	5.270	26.11.2024	4.91					80	
26.11.2009	20	5.500	26.11.2029	9.91					45	
2010										
03.09.2010	10	4.360	03.09.2020	0.68					10	
03.09.2010	12	4.480	02.09.2022	2.67					5	
03.09.2010	15	4.650	03.09.2025	5.68					5	
03.09.2010	10	4.360	03.09.2020	0.68	15					
03.09.2010	12	4.480	02.09.2022	2.67	10					
03.09.2010	15	4.650	03.09.2025	5.68	5					
2011										
07.04.2011	10	4.650	07.04.2021	1.27					5	
07.04.2011	12	4.760	07.04.2023	3.27					5	
07.04.2011	15	4.920	07.04.2026	6.27					10	
20.12.2011	10	4.150	20.12.2021	1.97	5					
20.12.2011	12	4.250	20.12.2023	3.97	10					
20.12.2011	15	4.410	18.12.2026	6.97	10					
20.12.2011	10	4.150	20.12.2021	1.97					5	
20.12.2011	12	4.250	20.12.2023	3.97					5	
20.12.2011	15	4.410	18.12.2026	6.97					10	
2012										
31.10.2012	10	3.910	31.10.2022	2.84	450					
31.10.2012	15	4.170	29.10.2027	7.83	20					
04.12.2012	10	3.900	02.12.2022	2.92	5					
04.12.2012	12	4.000	04.12.2024	4.93	5					
04.12.2012	15	4.140	03.12.2027	7.93	5					
04.12.2012	10	3.900	02.12.2022	2.92					20	
04.12.2012	12	4.000	04.12.2024	4.93					10	
04.12.2012	15	4.140	03.12.2027	7.93					15	

STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2019 (CONTINUED)

					Conventional				Islamic	
		Coupon Rate		Remaining			Residential			Residential
Date Issued	Tenure (Years)	(% per annum)	Maturity Date	Maturity (Years)	Medium Term Notes	Commercial Papers	Mortgage- backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Mortgage- backed Securities
					RM MILLION					
2013										
28.10.2013	7	4.150	28.10.2020	0.83					390	
28.10.2013	10	4.300	27.10.2023	3.82					645	
28.10.2013	12	4.550	28.10.2025	5.83					450	
28.10.2013	15	4.750	27.10.2028	8.83					675	
28.10.2013	20	5.000	28.10.2033	13.84					675	
18.11.2013	7	4.100	18.11.2020	0.88	310					
18.11.2013	10	4.300	17.11.2023	3.88	375					
18.11.2013	12	4.550	18.11.2025	5.89	410					
18.11.2013	15	4.750	17.11.2028	8.89	460					
20.12.2013	7	4.350	18.12.2020	0.97					20	
20.12.2013	10	4.600	20.12.2023	3.97					5	
2015										
25.11.2015	5	4.450	25.11.2020	0.90					500	
25.11.2015	5	4.450	25.11.2020	0.90	45					
25.11.2015	7	4.650	25.11.2022	2.90	20					
25.11.2015	10	4.850	25.11.2025	5.91	225					
25.11.2015	12	4.900	25.11.2027	7.91	250					
25.11.2015	20	5.070	26.11.2035	15.92	160					
21.12.2015	7	4.700	21.12.2022	2.98					435	
2017										
09.03.2017	5	4.150	09.03.2022	2.19	2,000					
26.04.2017	3	2.530	26.04.2020	0.32				1,544		
28.04.2017	5	4.250	28.04.2022	2.33					500	
28.04.2017	5	4.250	28.04.2022	2.33	225					
20.06.2017	5	4.110	20.06.2022	2.47					350	
06.07.2017	5	4.090	06.07.2022	2.52	1,000					
18.09.2017	3	5.900	09.10.2020	0.78					475	
18.09.2017	3	4.150	28.10.2020	0.83					525	
20.10.2017	3	4.360	03.09.2020	0.68	500					
20.10.2017	3	4.100	18.11.2020	0.88	500					
03.11.2017	3	4.000	03.11.2020	0.84	1,000					
03.11.2017	3	4.020	03.11.2020	0.84					50	
03.11.2017	5	4.230	03.11.2022	2.84					840	
13.12.2017	5	4.250	13.12.2022	2.95	1,500					
15.12.2017	3	4.080	15.12.2020	0.96	90					
29.12.2017	5	4.250	29.12.2022	3.00	300					

STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2019 (CONTINUED)

					Conventional				Islamic	
		Coupon Rate		Remaining			Residential			Residential
Date Issued	Tenure (Years)	(% per annum)	Maturity Date	Maturity (Years)	Medium Term Notes	Commercial Papers	Mortgage- backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Mortgage- backed Securities
					RM MILLION					
2018										
19.01.2018	2	3.950	20.01.2020	0.05	100					
19.01.2018	3	4.080	19.01.2021	1.05	120					
14.03.2018	2	4.100	16.03.2020	0.21	750					
23.03.2018	3	4.170	23.03.2021	1.23					525	
29.03.2018	3	4.170	29.03.2021	1.24					1,000	
20.04.2018	3	4.220	20.04.2021	1.30	400					
25.05.2018	5	4.500	25.05.2023	3.40					1,500	
12.07.2018	3	3.170	12.07.2021	1.53				160		
26.07.2018	2	3.100	26.07.2020	0.57				182		
26.07.2018	3	3.465	26.07.2021	1.57				114		
03.08.2018	2	2.520	03.08.2020	0.59				194		
07.09.2018	2	3.950	07.09.2020	0.69	50					
07.09.2018	3	4.050	07.09.2021	1.69	550					
08.10.2018	3	4.100	08.10.2021	1.77	800					
09.10.2018	3	4.080	08.10.2021	1.77					750	
19.10.2018	2	2.790	19.10.2020	0.80				481		
05.12.2018	3	4.120	03.12.2021	1.93					500	
2019										
16.01.2019	1	3.900	17.01.2020	0.05	95					
12.03.2019	3	4.040	11.03.2022	2.19					50	
20.03.2019	1	3.800	20.03.2020	0.22	35					
20.03.2019	2	3.900	22.03.2021	1.22	25					
20.03.2019	3	4.000	21.03.2022	2.22	40					
18.07.2019	1.1	3.950	07.09.2020	0.69	700					
22.07.2019	1	3.460	22.07.2020	0.56	100					
09.08.2019	1	3.400	10.08.2020	0.61	800					
09.08.2019	1	3.400	10.08.2020	0.61					25	
14.08.2019	3	3.500	12.08.2022	2.62					400	
18.10.2019	1	3.300	19.10.2020	0.80					50	
18.10.2019	3	3.450	18.10.2022	2.80					80	
18.10.2019	5	3.600	18.10.2024	4.80					370	
21.10.2019	1	3.300	21.10.2020	0.81	75					
21.10.2019	1.5	3.350	21.04.2021	1.31	25					
21.10.2019	0.25	3.330	20.01.2020	0.05		200				
22.11.2019	0.26	3.310	24.02.2020	0.15					305	
22.11.2019	0.92	3.300	21.10.2020	0.81	60					

STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2019 (CONTINUED)

					Conventional				Islamic	
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Medium Term Notes	Commercial Papers	Residential Mortgage-backed Securities	Foreign Currency Bonds	Sukuk Murabahah	Residential Mortgage-backed Securities
					RM MILLION					
2019 (continued)										
22.11.2019	1.4	3.350	21.04.2021	1.31	40					
25.11.2019	0.25	3.310	25.02.2020	0.15		300				
28.11.2019	1	3.300	30.11.2020	0.92					20	
28.11.2019	3	3.400	28.11.2022	2.91					30	
28.11.2019	5	3.550	28.11.2024	4.92					450	
12.12.2019	3	3.380	12.12.2022	2.95	300					
16.12.2019	3	3.380	16.12.2022	2.96					300	
16.12.2019	0.25	3.340	16.03.2020	0.21		500				
23.12.2019	0.50	3.250	23.06.2020	0.48		200				
23.12.2019	0.50	3.250	23.06.2020	0.48					600	
23.12.2019	1	3.290	23.12.2020	0.98					400	
TOTAL					16,695	1,200	1,005	2,674	15,715	1,010
					38,299					

STATISTICAL INFORMATION

(CONTINUED)

HOLDERS OF DEBT SECURITIES ISSUED BY CAGAMAS BERHAD GROUP

	2015		2016		2017		2018		2019	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Financial Institutions	9,333	32.32	10,384	33.71	16,794	45.75	21,451	53.33	20,573	56.71
Provident and Pension Funds	7,758	26.86	7,883	25.59	7,255	19.77	7,730	19.22	7,055	19.44
Non-Resident Investors	4,287	14.84	6,271	20.36	6,017	16.39	4,323	10.75	2,727	7.52
Insurance Companies	4,531	15.69	3,620	11.75	3,670	10.00	3,483	8.66	3,688	10.16
Asset Management and Trust Funds	2,236	7.74	2,080	6.75	2,166	5.90	2,552	6.34	1,886	5.20
Corporations	420	1.45	230	0.75	364	0.99	199	0.49	114	0.31
Government Linked Companies	314	1.10	337	1.09	441	1.20	488	1.21	241	0.66
Total	28,879	100	30,805	100	36,707	100	40,226	100	36,284	100

HOLDERS OF DEBT SECURITIES ISSUED BY CAGAMAS MBS BERHAD

	2015		2016		2017		2018		2019	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Insurance Companies	2,357	56.12	2,322	55.28	1,535	60.92	1,306	51.84	1,164	57.77
Financial Institutions	995	23.69	1,143	27.22	532	21.11	577	22.90	282	13.99
Provident and Pension Funds	539	12.83	470	11.19	305	12.10	305	12.08	255	12.66
Asset Management and Trust Funds	191	4.55	203	4.83	106	4.20	291	11.54	264	13.10
Corporations	80	1.90	25	0.60	20	0.79	15	0.59	25	1.24
Government Linked Companies	25	0.60	15	0.36	0	0.00	5	0.20	5	0.25
Individuals	5	0.12	15	0.36	15	0.60	15	0.60	15	0.74
Non-Resident Investors	8	0.19	7	0.16	7	0.28	6	0.25	5	0.25
Total	4,200	100	4,200	100	2,520	100	2,520	100	2,015	100

TOTAL DEBT SECURITIES OUTSTANDING IN THE MARKET

Instruments	% of Total Debt Securities Outstanding				
	2015	2016	2017	2018	2019
Malaysian Government Securities/Government Investment Issues	53.1	53.4	51.6	51.7	51.4
Corporate Bonds and Sukuk	33.1	31.8	32.0	31.1	31.7
Other Quasi-Government Securities, e.g., Multilateral Development Financial Institution	9.4	10.6	12.4	13.3	13.6
Cagamas Group Debt Securities	2.6	2.6	2.6	2.8	2.4
Khazanah Bonds and Sukuk	1.8	1.6	1.4	1.1	0.9
Total	100.0	100.0	100.0	100.0	100.0



HOUSING THE NATION

SERVING OUR COMMUNITIES

**By Offering a Broader Range
of Bonds and Sukuk**



SUBSIDIARY COMPANIES

MAIN OPERATING SUBSIDIARY

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia, was established in 1986 to promote homeownership and contribute towards nation development. It supports the growth of the capital markets, Islamic finance and other priority sectors through the issuance of innovative instruments. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.



SUBSIDIARY COMPANIES (CONTINUED)

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued RM327.9 billion (as at 31 December 2019) of bonds and sukuk, inclusive of issuances by its wholly owned subsidiaries, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad, that are guaranteed by Cagamas.

Cagamas' corporate bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA_{IS}/MARC-1_{IS} by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned a foreign currency long-term issuer rating of A3 by Moody's Investors Service Inc. that is in line with Malaysian sovereign ratings.

Cagamas Global P.L.C. was incorporated on 4 April 2014 in Labuan as a conventional fund raising vehicle to undertake the issuance of notes in foreign currency, whereas Cagamas Global Sukuk Berhad was incorporated on 5 May 2014 as an Islamic fund raising vehicle to undertake the issuance of sukuk in foreign currency.



PROFILE OF THE BOARD OF DIRECTORS



DATO' BAKARUDIN BIN ISHAK
Independent Non-Executive Chairman



Age
59 years



Date Appointed
26 March 2019



Nationality
Malaysian



Board Meetings
Attended **4/4**

Membership of Board Committee

Nil

Qualification

- Bachelor of Economics (Honours), University of Malaya

Working Experience/Other Directorships

Present

- Chairman, Cagamas Holdings Berhad
- Chairman, Cagamas SRP Berhad
- Director, Affin Islamic Bank 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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS

(CONTINUED)

Membership of Board Committee

Member, Board Staff Compensation and Organisation Committee
(Retired as Member w.e.f. 26 March 2019)

Qualification

- Masters in Business Administration, University of Oxford, UK
- Bachelor's degree in Economics (Honours), University of Malaya

Working Experience/Other Directorships

Present

- Deputy Governor, Bank Negara Malaysia
 - Member, Monetary Policy Committee
 - Member, Financial Stability Executive Committee
 - Member, Management Committee
 - Member, Financial Stability Committee
 - Member, Reserve Management Committee
 - Member, Risk Management Committee

Past

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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



DATUK SHAIK ABDUL RASHEED BIN ABDUL GHAFFOUR

Non-Independent Non-Executive Chairman
(Retired w.e.f. 26 March 2019)



Age
56 years



Date Appointed
1 January 2017



Nationality
Malaysian



Board Meetings
Attended **2/2**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



**DATO'
HALIPAH BINTI ESA**

Independent Non-Executive Director



Age
71 years



Date Appointed
27 March 2013



Nationality
Malaysian



Board Meetings
Attended **6/6**

Membership of Board Committee

Chairman, Board Staff Compensation and Organisation Committee

Qualification

- Certificate in Economic Management, IMF Institute, Washington
- Certificate in Economic Management, Kiel Institute for the World Economy, (IfW Kiel)
- Certificate in Advanced Management Programme, Adam Smith Institute, London
- Master of Economics degree, University of Malaya
- Bachelor of Arts (Honours) degree in Economics, University of Malaya

Working Experience/Other Directorships

Present

- Director, Malaysia Marine and Heavy Engineering Holdings Berhad
- Director, S P Setia Berhad
- Director, Putrajaya Holdings Sdn. Bhd.
- Chairman, Malaysia Maritime Academy Sdn. Bhd.
- Director, The Securities Industry Dispute Resolution Centre

Past

- Chairman, Pengurusan Aset Air Berhad
- Chairman, Cagamas SME Berhad
- Director, Petroliaam Nasional Berhad
- Director, Employees Provident Fund
- Director, Inland Revenue Board
- Director, Kumpulan Wang Persaraan (Diperbadankan) (KWAP)
- Director, FELDA
- Director, UDA Holdings Berhad
- Director, Bank Pertanian Malaysia
- Director, SEDC Terengganu
- Director, Malaysia-Thailand Joint Development Authority
- Director, NCB Holdings Berhad
- Director, MISC Berhad
- Director, KLCC Property Holdings Berhad
- Director, KLCC REIT Management Sdn. Bhd.
- Director, Malaysia Deposit Insurance Corporation
- Director, Perbadanan Putrajaya
- Director, Petronas Global Sukuk Ltd.
- Director, Northport Sdn. Bhd.
- Director General, Economic Planning Unit (EPU)
- Deputy Secretary General, Ministry of Finance
- Consultant to the World Bank and United Nations Development Programme

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

Membership of Board Committee

Member, Board Staff Compensation and Organisation Committee

Qualification

- Advance Management Program, Harvard Business School, United States
- Master of Science (Finance) degree, Cass Business School, City, University of London
- Bachelor of Science in Economics (Hons), Brunel University, United Kingdom

Working Experience/Other Directorships

Present

- Chairman, Manulife Insurance Berhad
- Chairman, Manulife Investment Management Services Berhad (formerly known as Manulife Asset Management Services Berhad)
- Chairman, Credit Guarantee Corporation Malaysia Berhad
- Chairman, Affin Bank Berhad
- Director, Sogo (KL) Department Store Sdn. Bhd.
- Member, Investment Panel, Kumpulan Wang Simpanan Pekerja

Past

- Sumitomo Mitsui Banking Corporation Malaysia Berhad
- Export-Import Bank of Malaysia Berhad
- Sogo (KL) Sdn. Bhd.
- President/Chief Executive Officer, The International Centre for Education in Islamic Finance (INCEIF)
- Deputy President/Executive Director, Maybank
- Chief Executive Officer, Aseambankers Berhad (now known as Maybank Investment Bank Berhad)
- Chief Representative, Kleinwort Benson Limited
- Senior General Manager, Island & Peninsular Berhad
- Corporate Finance Manager, Bumiputra Merchant Bankers Berhad

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



DATO'
MD AGIL BIN MOHD NATT

Independent Non-Executive Director



Age
69 years



Date Appointed
12 August 2011



Nationality
Malaysian



Board Meetings
Attended **6/6**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



**PHILIP
TAN PUAY KOON**
Independent Non-Executive Director



Age
63 years



Date Appointed
12 August 2011



Nationality
Malaysian



Board Meetings
Attended **6/6**

Membership of Board Committee

Chairman, Board Risk Committee

Qualification

- Honours degree in Business Studies majoring in Accounting and Finance, North-East London Polytechnic, United Kingdom

Working Experience/Other Directorships

Present

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

Past

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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS

(CONTINUED)

Membership of Board Committee

Member, Board Risk Committee

Qualification

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

Working Experience/Other Directorships

Present:

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

Past:

- Director, Cagamas Holdings Berhad
- Member, Panel Review Committee, Suruhanjaya Pencegahan Rasuah Malaysia
- Director, Kumpulan Wang Persaraan (Diperbadankan)
 - Member, Investment Committee
- Director, ERF Sdn. Bhd.
 - Member, Investment Committee
- Advisor to the Malaysian Accounting Standards Board
- Director General, Labuan Financial Services Authority (Labuan FSA)
- Director, Banking Supervision, Bank Negara Malaysia
- Director, Barakah Offshore Petroleum Berhad
- Director, Bank Simpanan Nasional
 - Permodalan BSN Berhad
 - Gibraltar BSN Life Berhad
 - Gibraltar BSN Holding Sdn. Bhd.
 - Metro Money Exchange Sdn. Bhd.

Declaration

The Director has no:


- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.




**DATUK
AZIZAN BIN HAJI ABD RAHMAN**

Independent Non-Executive Director

 Age
64 years

 Date Appointed
1 January 2019

 Nationality
Malaysian

 Board Meetings
Attended **6/6**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



DATO' WEE YIAW HIN
Independent Non-Executive Director



Age
61 years



Date Appointed
1 July 2016



Nationality
Malaysian



Board Meetings
Attended **6/6**

Membership of Board Committee

Member, Board Staff Compensation and Organisation Committee

Qualification

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

Working Experience/Other Directorships

Present

- Director, ENRA Group Berhad

Past

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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS

(CONTINUED)

Membership of Board Committee

Member, Board Risk Committee

Qualification

- Bachelor of Economics, Honours Class 1 Statistics, University of Malaya

Working Experience/Other Directorships

Present

- Director, HSBC Amanah Malaysia Berhad
- Senior Consultant, Information Technology and Project Management for STF Resources Sdn. Bhd. and its affiliates (Asian Institute of Chartered Bankers, Asian Banking School and Finance Accreditation Agency)

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
 - Deputy Director, in-charge of Payments, Investment and Treasury Management Systems, and Financial Market Systems including technology risk management
 - Manager, System Development and Project Management for Financial Accounting, Treasury and Financial Market Systems, and End User Computing Systems
 - IT System Analyst for Treasury, Accounting, Settlement and Clearing Systems

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



HO CHAI HUEY

Independent Non-Executive Director



Age
60 years



Date Appointed
1 February 2019



Nationality
Malaysian



Board Meetings
Attended **4/5**

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)



NAZRUL HISYAM BIN MOHD NOH

Non-Independent Non-Executive Director
(Retired as Director w.e.f. 26 March 2019)



Age
46 years



Date Appointed
1 January 2017



Nationality
Malaysian



Board Meetings
Attended **0/2**

Membership of Board Committee

Member, Board Risk Committee (Retired as Member w.e.f. 26 March 2019)

Qualification

- Masters of Arts, Economics, University of Cambridge
- Bachelor of Arts, Economics, University of Cambridge
- Chartered Banker, Asian Institute of Chartered Bankers

Working Experience/Other Directorships

Present

- Assistant Governor, Bank Negara Malaysia

Past

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

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.

PROFILE OF THE BOARD OF DIRECTORS (CONTINUED)

Membership of Board Committee

Nil

Qualification

- Bachelor of Economics (Honours), majoring in Business Administration, University of Malaya
- Summer School Programme, University of Cambridge

Working Experience/Other Directorships

Present

- President/Chief Executive Officer, Cagamas Berhad
- Chairman, Cagamas Global P.L.C.
- Chairman, Cagamas Global Sukuk Berhad
- Director, Cagamas MBS Berhad
- Director, Cagamas SRP Berhad
- Director, BNM Sukuk Berhad
- Chairman, Cagamas SME Berhad
- Chairman, Cagamas MGP Berhad
- Chairman, International Secondary Mortgage Market Association

Past

- Chairman, Asian Secondary Mortgage Market Association
- Director, Banking Supervision, Bank Negara Malaysia
- Director, Risk Management, Bank Negara Malaysia
- Director and Member, Board Audit Committee, Credit Guarantee Corporation Berhad
- Member, Small Debt Resolution Committee, established by Bank Negara Malaysia
- Expert, International Monetary Fund
- Consultant, Asian Development Bank

Declaration

The Director has no:

- Family relationship with any director of the Company.
- Conflict of interest with the Company and has never been charged for any offence.



**DATUK
CHUNG CHEE LEONG**
Non-Independent Executive Director

 Age
60 years

 Date Appointed
27 March 2013

 Nationality
Malaysian

 Board Meetings
Attended **6/6**

MANAGEMENT TEAM

The team has a balanced and diverse range of skills and experiences



DATUK CHUNG CHEE LEONG
President/Chief Executive Officer



AZIZI ALI
Senior Vice President
Business & Product Development



S. SHANMUGANATHAN
Senior Vice President
Operations & Services



DANG CHEONG MIN
Senior Vice President
Risk Management & Compliance



LEONG SEE MENG
Senior Vice President
Corporate Strategy & Communications



RIDZUAN SHAH ALLADIN
Senior Vice President
Human Capital & Administration

MANAGEMENT TEAM
(CONTINUED)

NORAZILLA MD TAHIR
Senior Vice President
Finance & Business Process



DELVIN CHONG
Senior Vice President
Treasury & Capital Markets



MALATHI MENON
Senior Vice President
Legal & General Counsel

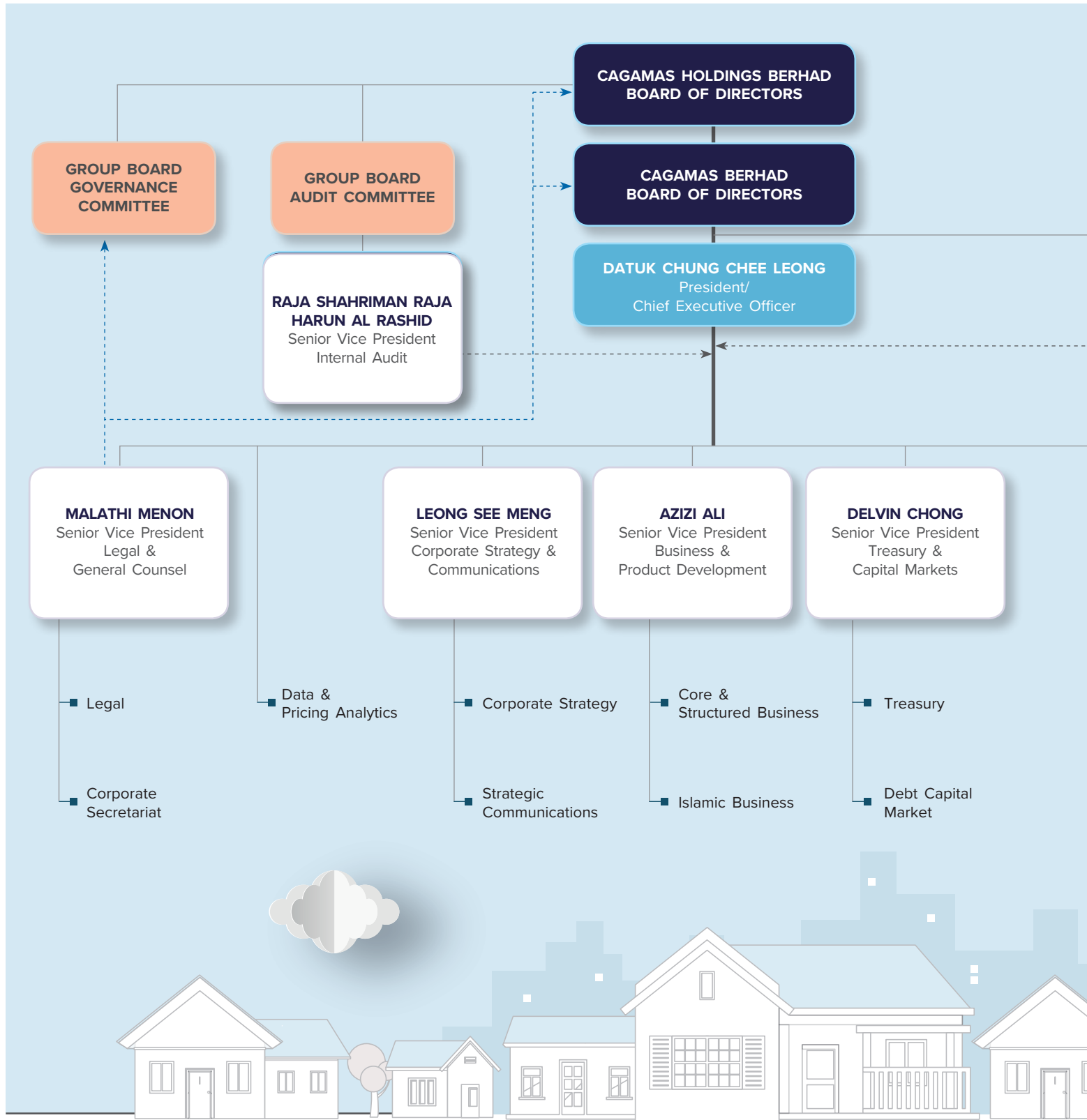


**Y.M. RAJA SHAHRIMAN RAJA
HARUN AL RASHID**
Senior Vice President
Internal Audit

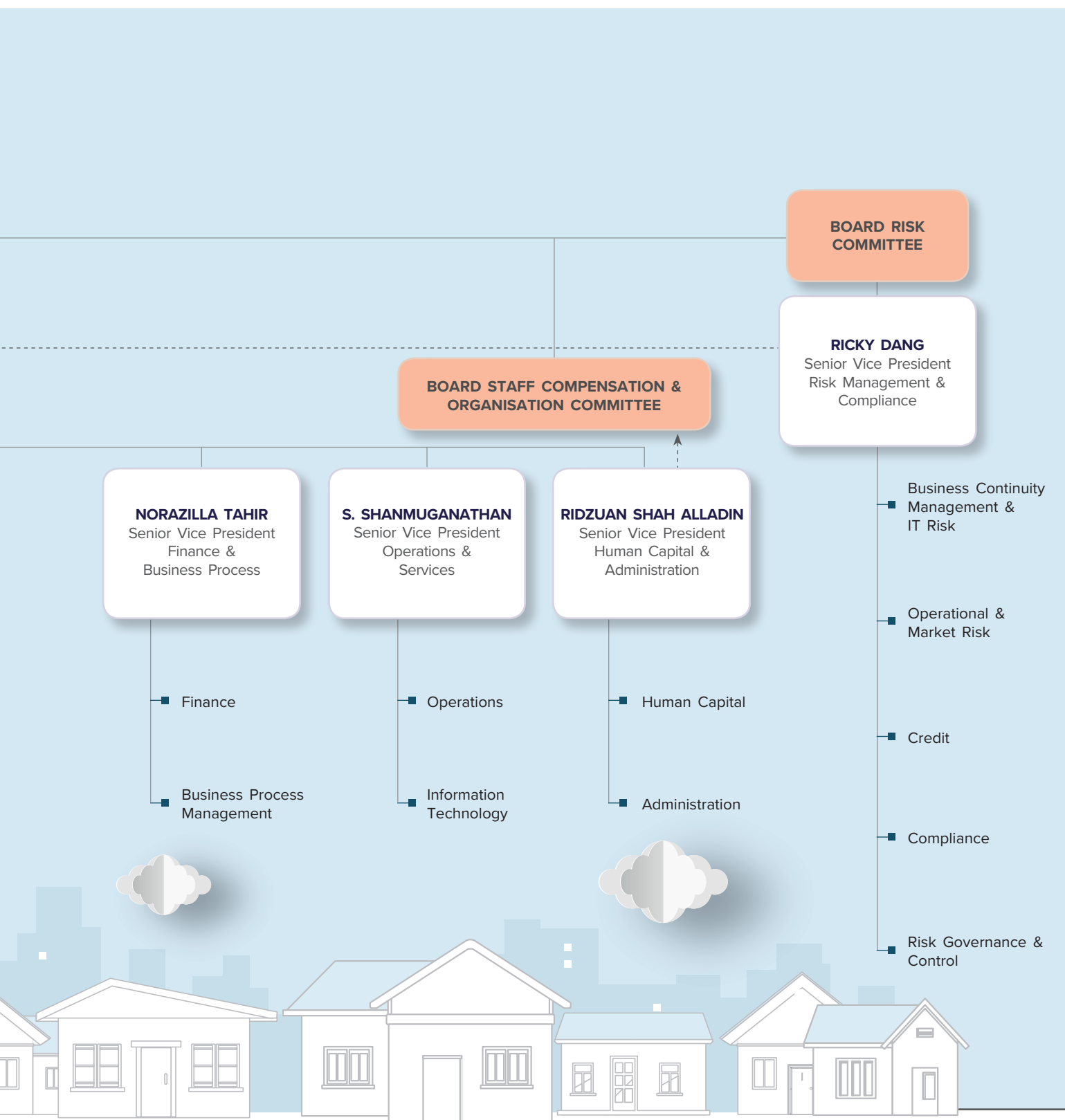


SARAH ABDUL AZIZ
Vice President, Head
Corporate Secretariat

ORGANISATION STRUCTURE



ORGANISATION STRUCTURE (CONTINUED)



OTHER SUBSIDIARY COMPANIES

CAGAMAS MBS BERHAD

Cagamas MBS Berhad was incorporated on 8 June 2004 for the purpose of undertaking the purchase of mortgage assets and Islamic mortgage assets from the Government and the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities to finance the purchases.

BNM SUKUK BERHAD

BNM Sukuk Berhad (BNM Sukuk) was incorporated on 18 January 2006 for the purpose of undertaking the issuances of Islamic investment securities namely Sukuk BNM Ijarah (SBI) and Sukuk BNM Murabahah (SBM) based on Shariah principles. The issuance of SBI is to finance the purchase of assets from Bank Negara Malaysia (BNM) and thereafter, the assets are leased to BNM for a specified period. The issuance of SBM is to enable BNM to manage liquidity via commodity trading under the principle of Murabahah.

BNM Sukuk has remained dormant since 1 September 2015.

CAGAMAS SME BERHAD

Cagamas SME Berhad (Cagamas SME) was incorporated on 17 February 2006 to undertake the purchase of Small and Medium Enterprise loans and structured product transactions via cash or synthetic securitisations or a combination of both, through the issuance of bonds to finance the purchase.

Cagamas SME has remained dormant since 10 October 2012.

CAGAMAS MGP BERHAD

Cagamas MGP Berhad (Cagamas MGP) was incorporated on 14 April 2008 to develop a mortgage guarantee business. Effective 20 December 2012, Cagamas MGP became a wholly owned subsidiary of Cagamas Holdings Berhad (Company) intended to complement the Company's other activities and developmental initiatives.

Cagamas MGP has remained dormant since 1 January 2014.

CAGAMAS SRP BERHAD

Cagamas SRP Berhad was incorporated on 7 January 2011 to undertake the guarantee of residential mortgages under the *Skim Rumah Pertamaku* – My First Home Scheme announced by the Government in the 2011 Malaysia Budget and the *Skim Perumahan Belia* – Youth Housing Scheme announced by the Government on 1 October 2015. The provision of guarantee under both schemes is based on the mortgage guarantee programme offered to financial institutions.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

DIRECTORS' REPORT

(CONTINUED)

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	410,932	30,074

DIVIDENDS

The dividends paid by the Group and the Company since 31 December 2018 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2019,		
On ordinary shares:		
– a dividend of 15 sen per share on 150,000,000 shares, paid on 1 April 2019	22,500	22,500
– a dividend of 5 sen per share on 150,000,000 shares, paid on 3 September 2019	7,500	7,500
	30,000	30,000
On redeemable preference shares:		
– final dividend paid in cash on 24 October 2019	111	–

The Directors now recommend the payment of a first interim dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2020, which is subject to approval of the members at the forthcoming Annual General Meeting of the Company.

The final dividend on redeemable preference shares ("RPS") was approved by the Board of Directors of its subsidiary, CMBS, on 3 September 2018 and paid in the current year. The Board of Directors of CMBS, do not recommend the payment of any further dividend on RPS or ordinary shares for the financial year ended 31 December 2019.

The RPS issued by CMBS of RM1 was fully redeemed and cancelled on 16 December 2019.

SHARE CAPITAL

There are no changes in the issued ordinary share or preference shares of the Group and the Company during the financial year.

DIRECTORS' REPORT

(CONTINUED)

RESERVES AND PROVISIONS

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

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") has assigned the corporate credit ratings of gA2/Stable/gP1, seaAAA/Stable/seaP1 and AAA/Stable/P1 to Global, ASEAN and National-scale rating to a subsidiary of the Group, Cagamas, respectively. In addition, RAM has also assigned Cagamas' bonds and sukuk issues rating at AAA/Stable and P1 respectively.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has assigned Cagamas' bonds and sukuk issues ratings at AAA/AAAs 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 is in line with Malaysian sovereign ratings.

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

RELATED PARTY TRANSACTIONS

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

During the financial year ended 31 December 2019, the Company and its subsidiary company, Cagamas, entered into a shared service arrangement. Under this arrangement, Cagamas sets out the scope of services performed for the Company in the normal course of business. The details and nature of the transaction are disclosed in Note 41 to the financial statements.

DIRECTORS

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

Dato' Bakarudin bin Ishak (appointed as Director on 1 January 2019 and Chairman w.e.f 20 September 2019)

Tan Sri Dato' Sri Tay Ah Lek

Datuk George Ratilal

Datuk Abdul Farid bin Alias

Dato' Lee Kok Kwan

Wan Hanisah binti Wan Ibrahim

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (appointed w.e.f 1 January 2019)

Datuk Siti Zauyah binti Md Desa (appointed w.e.f 1 December 2019)

Datuk Nik Mohd Hasyudeen bin Yusoff (resigned as Chairman and Director w.e.f 20 September 2019)

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Datuk George Ratilal retires by rotation at the forthcoming Annual General Meeting and does not offer himself for re-election.

DIRECTORS' REPORT

(CONTINUED)

DIRECTORS (CONTINUED)

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Wan Hanisah binti Wan Ibrahim retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Article 23.2 of the Company's Constitution, Datuk Siti Zaayah binti Md Desa who vacates her office at the forthcoming Annual General Meeting and being eligible, offers herself for re-election.

DIRECTORS' BENEFITS AND REMUNERATION

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

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

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

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

DIRECTORS' REPORT

(CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than disclosed in Note 42.

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

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

In the opinion of the Directors:

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

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2019

In financial year 2019, the Group achieved a profit of RM410.9 million as compared to RM416.5 million in 2018. Cagamas remains the key operating subsidiary which contributes 59% of total group profit for the financial year. The Group's total capital ratio ("TCR") stood at 44.0% (2018: 45.0%).

Cagamas recorded RM5.0 billion of purchases of loans/financings under PWR scheme (2018: RM12.1 billion) and no purchase of loans/financings under PWOR scheme (2018: Nil). Cagamas' net outstanding loans/financings declined by 9.4% to RM37.8 billion (2018: RM41.7 billion). As at the end of 2019, residential mortgage dominated Cagamas' portfolio at 98.6% (2018: 98.7%) and followed by hire purchase loans/financings at 1.4% (2018: 1.2%). There is no personal loans/financings outstanding as at financial year ended 31 December 2019 (2018: 0.1%). Cagamas's Islamic asset portfolio against conventional assets increased to a ratio of 43:57 (2018: 38:62), while PWR and PWOR loans/financings portfolios were at 70% and 30% respectively (2018: 71% and 29% respectively). The gross impaired loans/financings under the PWOR scheme stood at 0.72% (2018: 0.85%), while net impaired loans/financings is at 0.11% (2018: 0.43%).

As at the financial year end, CMBS achieved a pre-tax profit of RM198.3 million, compared with RM215.7 million in 2018. During the financial year, CMBS has redeemed RMBS/IRMBs totalling RM505.0 million out of the original total issuance of RM10.2 billion. The remaining RMBS/IRMBs are expected to mature in stages and fully redeemed by August 2027.

DIRECTORS' REPORT
(CONTINUED)**BUSINESS REVIEW FOR THE FINANCIAL YEAR 2019 (CONTINUED)**

During the financial year 31 December 2019, CMBS has distributed RM111,409 of dividend in RPS to its RPS holder. The distribution of dividend represents final distribution of discretionary bonus fee (in the form of dividend) to Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA) upon settlement of RMBS for pool 2004-1. The RPS has been fully redeemed and cancelled on 16 December 2019.

As at 31 December 2019, CSRP registered a pre-tax profit of RM17.7 million as compared to RM12.2 million in 2018. The total guarantee exposures that have been provided by the Company to the SRP and SPB schemes was RM706.5 million compared with RM361.1 million in 2018. The value and number of new loans and financing approved with guarantee cover for SRP and SPB have increased, mainly due to the criteria improvements/expansion of SRP and greater public awareness of the schemes through the participating financial institutions. Since the launch of SRP and SPB in year 2011 and 2015 respectively, the Company has provided guarantee for housing loans totaling RM6.9 billion enabling 33,236 individuals/households to own their first home.

SUBSIDIARIES

Details of subsidiaries are set out in Note 21 to the financial statements.

AUDITORS REMUNERATION

Details of the auditors' remuneration are set out in Note 38 of the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 29 April 2020.

Signed on behalf of the Board of Directors:



DATO' BAKARUDIN BIN ISHAK
CHAIRMAN



TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Cash and short-term funds	6	568,729	468,160	652	540
Deposits and placements with financial institutions	7	1,017,767	652,339	1,751	1,698
Derivative financial instruments	8	58,422	362,078	–	–
Financial asset at fair value through other comprehensive income (FVOCI)	9	3,570,619	3,867,328	–	–
Financial asset at fair value through profit or loss (FVTPL)	10	141,383	–	–	–
Amount due from counterparties	11	16,657,154	20,404,924	–	–
Islamic financing assets	12	10,842,232	10,029,953	–	–
Mortgage assets					
– Conventional	13	6,212,124	6,939,324	–	–
– Islamic	14	7,209,409	7,857,947	–	–
Hire purchase assets					
– Islamic	15	136	781	–	–
Other assets	16	7,171	6,589	–	–
Property and equipment	17	3,923	4,694	–	–
Intangible assets	18	21,380	22,849	–	–
Right-of-use asset	19	3,980	–	–	–
Deferred taxation	20	32,498	43,659	–	–
Tax recoverable		–	40,851	–	40
Investment in subsidiaries	21	–	–	4,181,628	4,181,628
Investment in structured entity	22	–*	–*	–*	–*
TOTAL ASSETS		46,346,927	50,701,476	4,184,031	4,183,906
LIABILITIES					
Unsecured bearer bonds and notes	23	20,661,027	26,082,391	–	–
Sukuk	24	15,849,883	14,808,472	–	–
Derivative financial instruments	8	152,309	154,614	–	–
RMBS	25	1,008,979	1,270,318	–	–
IRMBS	26	1,015,463	1,261,353	–	–
Deferred guarantee fee income		10,058	7,393	–	–
Deferred Wakalah fee income		35,723	21,776	–	–
Deferred taxation	20	613,691	622,800	3	4
Provision for taxation		21,024	9,943	–	–
Lease liability	27	4,791	–	–	–
Other liabilities	28	125,481	89,668	52	–
TOTAL LIABILITIES		39,498,429	44,328,728	55	4

* denotes RM2

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

STATEMENTS OF FINANCIAL POSITION**(CONTINUED)**

as at 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Share capital	29	150,000	150,000	150,000	150,000
Reserves	30	6,698,498	6,222,748	4,033,976	4,033,902
SHAREHOLDERS' FUNDS		6,848,498	6,372,748	4,183,976	4,183,902
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		46,346,927	50,701,476	4,184,031	4,183,906
NET TANGIBLE ASSETS PER SHARE (RM)	31	45.51	42.33	27.89	27.89

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

INCOME STATEMENTS

for the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	32	1,428,867	1,538,435	166	152
Interest expense	33	(1,011,581)	(1,097,446)	–	–
Income from Islamic operations	51	235,657	218,833	–	–
Non-interest (expense)/income	34	(43,596)	(66,657)	30,000	30,000
		609,347	593,165	30,166	30,152
Administration and general expenses		(25,587)	(29,312)	(53)	–
Personnel costs	35	(31,308)	(26,526)	–	–
OPERATING PROFIT		552,452	537,327	30,113	30,152
(Allowance)/Write-back of impairment losses	36	(18,298)	6,653	–	–
PROFIT BEFORE TAXATION AND ZAKAT	38	534,154	543,980	30,113	30,152
Zakat		(1,037)	(1,662)	–	–
Taxation	39	(122,185)	(125,852)	(39)	(36)
PROFIT FOR THE FINANCIAL YEAR*		410,932	416,466	30,074	30,116
EARNINGS PER SHARE (SEN)	31	273.95	277.64	20.05	20.08

* Profit for the financial year of the Group includes profit from CMBS of RM156,751,000 (2018: RM163,870,000) that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool.

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	410,932	416,466	30,074	30,116
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
– Net gain on fair value changes before taxation	68,357	6,627	–	–
– Deferred taxation	(16,406)	(1,589)	–	–
Cash flow hedge				
– Net gain/(loss) on cash flow hedge before taxation	56,550	(9,675)	–	–
– Deferred taxation	(13,572)	2,321	–	–
Other comprehensive income/(loss) for the financial year, net of taxation	94,929	(2,316)	–	–
Total comprehensive income for the financial year	505,861	414,150	30,074	30,116

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Issued ordinary shares of RM1 each	Non-distributable					Distributable		Total equity RM'000
		Share premium reserve RM'000	Reverse acquisition relief reserve RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	
Group									
Balance as at 1 January 2019	150,000	3,831,628	(3,831,628)	4,970	(35,711)	144,472	3,623,194	2,485,823	6,372,748
Profit for the financial year	-	-	-	-	-	-	254,181	156,751	410,932
Other comprehensive income	-	-	-	51,951	42,978	-	-	-	94,929
Total comprehensive income for the financial year	-	-	-	51,951	42,978	-	254,181	156,751	505,861
Transfer to retained profits	-	-	-	-	-	(34,693)	34,693	-	-
Discretionary dividend on RPS paid during the year	-	-	-	-	-	-	-	(111)	(111)
Redemption of RPS**	(-)	-	-	-	-	-	-	-	(-)
Dividends paid	-	-	-	-	-	-	(30,000)	-	(30,000)
Balance as at 31 December 2019	150,000	3,831,628	(3,831,628)	56,921	7,267	109,779	3,882,068	2,642,463	6,848,498

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

** Denotes the RPS issued by CMBS of RM1 which was fully redeemed and cancelled on 16 December 2019.

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

STATEMENTS OF CHANGES IN EQUITY

(CONTINUED)

for the financial year ended 31 December 2019

	Issued ordinary shares of RM1 each	Non-distributable					Distributable	
		Share premium reserve RM'000	Reverse acquisition relief reserve RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000
	Share capital RM'000							Total equity RM'000
Note								
Group								
Balance as at 1 January 2018	150,000	3,831,628	(3,831,628)	(67)	(28,358)	161,032	3,384,038	2,402,899
								6,069,544
Profit for the financial year	-	-	-	-	-	-	252,596	163,870
Other comprehensive income/(loss)	-	-	-	5,037	(7,353)	-	-	-
								416,466
								(2,316)
Total comprehensive income/(loss) for the financial year	-	-	-	5,037	(7,353)	-	252,596	163,870
Transfer to retained profits	-	-	-	-	-	(16,560)	16,560	-
Discretionary dividend on RPS paid during the year	40	-	-	-	-	-	-	(80,946)
Dividends paid	40	-	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2018	150,000	3,831,628	(3,831,628)	4,970	(35,711)	144,472	3,623,194	2,485,823
								6,372,748

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

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

STATEMENTS OF CHANGES IN EQUITY**(CONTINUED)**

for the financial year ended 31 December 2019

	Note	Issued ordinary shares of RM1 each	Non- distributable	Distributable	Total equity RM'000
		Share capital RM'000	Share premium relief reserve RM'000	Retained profits RM'000	
Company					
Balance as at 1 January 2019		150,000	3,831,628	202,274	4,183,902
Profit for the financial year		–	–	30,074	30,074
Total comprehensive income for the financial year		–	–	30,074	30,074
Dividends paid		–	–	(30,000)	(30,000)
Balance as at 31 December 2019	29&30	150,000	3,831,628	202,348	4,183,976
Balance as at 1 January 2018		150,000	3,831,628	202,158	4,183,786
Profit for the financial year		–	–	30,116	30,116
Total comprehensive income for the financial year		–	–	30,116	30,116
Dividends paid	40	–	–	(30,000)	(30,000)
Balance as at 31 December 2018	29&30	150,000	3,831,628	202,274	4,183,902

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES				
Profit for the financial year	410,932	416,466	30,074	30,116
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
– Financial asset at FVOCI	(12,474)	(20,321)	–	–
– Unsecured bonds and notes	(3,598)	2,414	–	–
– Sukuk	(13,149)	(17,641)	–	–
Accretion of discount on:				
– Mortgage assets - Conventional	(175,035)	(188,454)	–	–
– Mortgage assets - Islamic	(133,566)	(134,343)	–	–
– Hire purchase assets - Islamic	–	(1)	–	–
Interest income	(1,230,448)	(1,326,844)	(166)	(152)
Interest income - derivatives	(250,423)	(267,804)	–	–
Income from Islamic operations	(760,870)	(723,316)	–	–
Interest expense - bonds	948,756	1,030,201	–	–
Interest expense - derivatives	261,346	299,995	–	–
Interest expense - RMBS	62,825	67,245	–	–
Profit attributable to Sukuk holders	641,755	604,387	–	–
Profit attributable to derivatives	47,423	49,153	–	–
Profit attributable to IRMBS holders	51,004	56,859	–	–
Fee income/Wakalah fee income	(11,291)	(5,719)	–	–
Guarantee/Kafalah	43	–	–	–
Depreciation of property and equipment	1,828	1,421	–	–
Amortisation of intangible assets	3,563	2,897	–	–
Amortisation of right-of-use asset	936	–	–	–
Adjustment on lease liability	2,523	–	–	–
Gain on disposal of:				
– Property and equipment	(23)	(70)	–	–
– Financial asset at FVOCI	(7,636)	(3,553)	–	–
Allowance/(write-back) for impairment losses on:				
– Cash and short-term funds	105	–	–	–
– Financial assets at FVOCI	232	–	–	–
– Guarantee/Wakalah exposures	892	1,259	–	–
– Amount due from counterparties/Islamic financing assets	18	431	–	–
– Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets	17,051	(8,343)	–	–
Taxation	122,185	125,562	39	36
Zakat	1,037	1,662	–	–

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

STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating (loss)/profit before working capital changes	(24,059)	(36,457)	29,947	30,000
Increase in cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(316,818)	(371,133)	—	—
Decrease/(increase) in amount due from counterparties	3,785,374	(509,807)	—	—
Increase in Islamic financing assets	(813,711)	(4,460,445)	—	—
Decrease in mortgage assets:				
– Conventional	902,756	926,295	—	—
– Islamic	768,228	737,435	—	—
Decrease/(increase) in Islamic hire purchase assets	647	(93)	—	—
Increase in other assets	(8,374)	(283)	—	—
Decrease in derivatives	357,238	707,753	—	—
Decrease in deferred financing fees	2,353	1,412	—	—
Decrease in amount due to related company	970	71	—	—
Increase in other liabilities	38,064	26,138	52	—
Cash generated from/(utilised in) operations	4,692,668	(2,979,114)	29,999	30,000
Interest received	1,192,515	1,231,103	166	152
Interest received on derivatives	208,544	220,222	—	—
Fee income received	27,903	17,960	—	—
Profit received from Islamic assets	748,378	703,184	—	—
Profit received on derivatives	49,957	52,593	—	—
Interest paid	(884)	(236)	—	—
Interest paid on derivatives	(267,785)	(378,529)	—	—
Profit paid on derivatives	(48,042)	(650,638)	—	—
Guarantee/Kafalah paid	(57)	—	—	—
Payment of:				
– Zakat	(812)	(973)	—	—
– Taxation	(98,178)	(121,773)	—	(50)
Net cash generated from/(utilised in) operating activities	6,504,207	(1,906,201)	30,165	30,102

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

STATEMENTS OF CASH FLOWS**(CONTINUED)**

for the financial year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES				
Purchase of:				
– Financial asset at FVOCI	(3,573,581)	(3,040,427)	–	–
– Financial asset at FVTPL	(142,766)	–	–	–
– Property and equipment	(1,058)	(1,679)	–	–
– Intangible assets	(2,094)	(9,392)	–	–
Net proceed from sale/redemption of:				
– Financial asset at FVOCI	3,879,566	2,757,646	–	–
– Financial asset at FVTPL	–	142,211	–	–
Income received from:				
– Financial asset at FVOCI	90,209	96,181	–	–
– Financial asset at FVTPL	1,383	3,649	–	–
Proceeds from disposal of property and equipment	23	70	–	–
Net cash generated from/(utilised in) investing activities	251,682	(51,741)	–	–
FINANCING ACTIVITIES				
Proceeds from issuance of:				
– unsecured bonds and notes	6,247,983	9,737,359	–	–
– Sukuk	3,995,000	6,020,000	–	–
Redemption of:				
– unsecured bonds and notes	(11,613,748)	(9,458,758)	–	–
– Sukuk	(2,932,000)	(2,812,052)	–	–
– RMBS	(260,000)	–	–	–
– IRMBS	(245,000)	–	–	–
Interest paid on:				
– unsecured bonds and notes	(1,002,576)	(995,432)	–	–
– RMBS	(64,164)	(67,245)	–	–
Profit paid on:				
– Sukuk	(650,195)	(584,107)	–	–
– IRMBS	(51,894)	(56,859)	–	–
Dividends paid to:				
– shareholders	(30,000)	(30,000)	(30,000)	(30,000)
– RPS holder	(111)	(80,946)	–	–
Redemption of RPS*	(–)	–	–	–
Net cash (utilised in)/generated from financing activities	(6,606,705)	1,671,960	(30,000)	(30,000)

* denotes RM1

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

STATEMENTS OF CASH FLOWS**(CONTINUED)**

for the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net increase/(decrease) in cash and cash equivalents		149,184	(285,982)	165	102
Effect of foreign exchange translation		(5)	78	–	–
Cash and cash equivalents as at 1 January		633,441	919,345	2,238	2,136
Cash and cash equivalents as at 31 December		782,620	633,441	2,403	2,238

Analysis of cash and cash equivalents as at 31 December:

Cash and short-term funds	6	568,729	468,160	652	540
Deposits and placements with financial institutions	7	1,017,767	652,339	1,751	1,698
Less:					
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months		(803,876)	(487,058)	–	–
		782,260	633,441	2,403	2,238

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

STATEMENTS OF CASH FLOWS**(CONTINUED)**

for the financial year ended 31 December 2019

	Cash changes		Non-cash changes				
	Balance as at the beginning of financial year RM'000	Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Deferred financing fees RM'000	Accrued interest/ profits RM'000	Amortisation/ (accretion) RM'000	Balance as at the end of financial year RM'000
Group 2019							
Unsecured bonds and notes	26,082,391	(6,368,870)	(5)	2,353	948,756	(3,598)	20,661,027
Sukuk	14,808,472	412,805	–	–	641,755	(13,149)	15,849,883
RMBS	1,270,318	(324,164)	–	–	62,825	–	1,008,979
IRMBS	1,261,353	(296,894)	–	–	51,004	–	1,015,463
Total	43,422,534	(6,577,123)	(5)	2,353	1,704,340	(16,747)	38,535,352
2018							
Unsecured bonds and notes	25,764,940	(716,625)	78	1,383	1,030,201	2,414	26,082,391
Sukuk	11,597,878	2,623,819	–	29	604,387	(17,641)	14,808,472
RMBS	1,270,318	(67,245)	–	–	67,245	–	1,270,318
IRMBS	1,261,353	(56,859)	–	–	56,859	–	1,261,353
Total	39,894,489	1,783,090	78	1,412	1,758,692	(15,227)	43,422,534

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding.

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

The Islamic operations of the Group refer to:

- (a) the purchases of Islamic house financing assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets, from approved originators;
- (b) Islamic financial guarantee contracts from Skim Rumah Pertamaku and Skim Perumahan Belia;
- (c) issuance of Sukuk under Shariah principles; and
- (d) acquisition, investment in and trading of Islamic financial instruments.

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

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 to the financial statements.

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

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 'Leases'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

The Group has adopted MFRS 16 for the first time in the 2019 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 3.

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Group is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'.

In addition, the Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Interpretation 4.

Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

Financial year beginning on 1 January 2020

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group

Subsidiaries

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

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

In 2008, the restructuring of the Group involving a share swap of the Company with Cagamas has been accounted for as a reverse acquisition under MFRS 3 “Business Combination”.

Under reverse acquisition accounting, the Company recognised a share premium relief reserve to record the excess of investment fair value over share capital. In the consolidated financial statements, a reverse acquisition relief reserve is created to set off against the share premium relief reserve.

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

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 “Accounting for Acquisitions and Mergers”, the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122₂₀₀₄ “Business Combinations”;
- internal group reorganisations, as defined in MFRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
 - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
 - the minorities’ share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122₂₀₀₄ to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

2.3 Structured entity

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Amount due from counterparties and Islamic financing assets

Note 1 to the financial statements describes the principal activities of the Group 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 subsidiaries.

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

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

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

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

2.6 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.9 to the financial statements describe the Group's accounting policy on impairment of assets and Note 4 details out the critical accounting estimates and assumptions.

2.7 Property and equipment and depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment and depreciation (continued)

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

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets is reflected in Note 2.9.2 to the financial statements.

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

2.8 Financial assets

(a) Classification

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

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

(b) Recognition and de-recognition

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI"). There are no new financial assets with embedded derivatives for the financial year 2019 and 2018.

Debt instruments

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

(c) Measurement (continued)

Debt instruments (continued)

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

(i) Amortised cost

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

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through 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 (expense)/income.

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

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

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

Equity instruments

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

Changes in the fair value of financial asset at FVTPL are recognised in other gains/(losses) in the income statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets

2.9.1 Financial assets

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

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

- Amount due from counterparties and Islamic financing assets;
- Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets;
- Financial asset at FVOCI;
- Money market instruments; and
- Financial guarantee contracts

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

The measurement of ECL reflects:

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

Approach

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT 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' ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

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

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

Definition of default and credit impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

Financial instruments that are credit-impaired are assessed on individual basis.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

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

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

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

2.12 Income recognition on guarantee and Wakalah fees

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

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

2.13 Premium and discount on unsecured bearer bonds and notes/sukuk

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the deferred tax liability is settled.

2.15 Cash and cash equivalents

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

2.16 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.

2.17 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. The Group has determined that the Chief Executive Officer of a subsidiary company, Cagamas Berhad to be the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group to hedge the issuance of its bonds/sukuk from potential movements in interest rate, profit rate or foreign currency exposure. Further details of the derivatives financial instruments are disclosed in Note 8 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 exposure are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

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

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

The Group'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 documents its risk management objective and strategy for undertaking its hedge transactions.

The Group also documents 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 (expense)/income".

Amounts accumulated in equity are reclassified to income statements in the periods when the hedged item affects income statements. 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 (expense)/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 statement. 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 (expense)/income".

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Zakat

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2018: 2.5%) of the zakat base.

The zakat base of the Group 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.

2.21 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.

(b) Defined contributions plans

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

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

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

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

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.9.2 to the financial statements.

2.23 RMBS and IRMBS

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

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

2.24 Share capital

(a) *Classification*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share capital (continued)

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

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

2.25 Currency translations

(a) *Functional and presentation currency*

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

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

(b) *Foreign currency transactions and balances*

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

2.26 Contingent liabilities and contingent assets

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

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

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Financial guarantee contracts

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

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

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

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

2.29 Leases

(a) *Accounting policies applied from 1 January 2019*

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

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

Lease term

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

(a) *Accounting policies applied from 1 January 2019 (continued)*

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liabilities

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (continued)

(a) Accounting policies applied from 1 January 2019 (continued)

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

(b) Accounting policies applied until 31 December 2018

Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income statements on the straight-line basis over the lease period.

3 CHANGES IN ACCOUNTING POLICIES

Effects of adoption of MFRS 16 Leases

The Group has adopted MFRS 16 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

The adoption of MFRS 16 has resulted in the following financial effects to the statement of financial position of the Group.

	As at 31 Dec 2018 RM'000	Re- measurement RM'000	As at 1 Jan 2019 RM'000
Right-of-use asset	–	4,916	4,916
Lease liability	–	4,916	4,916

Right-of-use asset and lease liability comprise of rental of office buildings and is being amortised over the tenure of rental period. The average incremental borrowing rate applied to the lease liability on 1 January 2019 was 4.32% per annum.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effects of adoption of MFRS 16 Leases (continued)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018 to the lease liability recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments disclosed as at 31 Dec 2018	10,792
Adjustments as a result of extension and termination options	6,562
Discounted using lessee's incremental borrowing rate	(10,092)
Short term and low value leases recognised on a straight-line basis as expense	(2,346)
Lease liability recognised as at 1 Jan 2019	4,916

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Fair value of derivatives and financial asset at FVOCI

The estimates and assumptions considered most likely to have an impact on the Group's results and financial positions are those relating to the fair valuation of derivatives and unquoted financial asset at FVOCI for which valuation models are used. The Group has exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Securitisation and structured entities

The Group incorporates its structured entities primarily for the purpose of asset securitisation transactions. The Group does not consolidate its structured entities that it does not control. When assessing whether the Group has to consolidate a structured entity, the Group evaluates a range of factors to determine control, including whether it is exposed, or has rights, to variable returns from its involvement with the structured entity and has the ability to affect those returns through its power over the structured entity.

(e) Impairment of guarantee exposure and Wakalah exposure

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

(f) Adoption of MFRS 16 Leases

The Group uses an incremental borrowing rate on an average 5-year AAA rated bonds as at date of implementation. In determining the lease term, the Group has considered an extension option of contract with incremental rental. The assessment is reviewed if there is a change of circumstances occurs which affects the current assessment and that is within the control of the Group.

(g) Uncertainty in tax treatment

The Group applies the MFRS 9 special tax treatment for expected credit losses, accretion of discount and amortisation of premium in its tax computation for Year of Assessment 2019 and Year of Assessment 2018. The application of special tax treatment is subjected to approval from the Ministry of Finance. The Group has assessed the probability of the acceptance of the uncertain tax treatment and will reassess the estimate if the facts and circumstances on which the estimate was based change or as a result of new information that affects the estimate.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

5 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

5.1 Risk management structure

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

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

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

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

5.2 Credit risk management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.3 Market risk management

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

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

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

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

5.4 Liquidity risk management

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

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

- (a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group to meet the cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

5.5 Operational Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

5 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

5.5 Operational Risk Management (continued)

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

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

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

6 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balance with banks and other financial institutions	110,990	70,376	16	14
Money at call and deposits and placements maturing within one month	321,461	397,727	636	526
Mudharabah money at call and deposits and placements maturing within one month	136,383	57	–	–
	568,834	468,160	652	540
Less: Allowance for impairment losses	(105)	–	–	–
	568,729	468,160	652	540

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

6 CASH AND SHORT-TERM FUNDS (CONTINUED)

As at 31 December 2019, the gross carrying value of cash and short-term funds and the impairment allowance are within stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Stage 1				
At 1 January	—	—	—	—
Allowance during the year on new investment	105	—	—	—
At 31 December	105	—	—	—

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

7 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	1,017,767	652,339	1,751	1,698

As at 31 December 2019, 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 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

- (i) At inception, the Group will swap the proceeds from the foreign currency bonds/sukuk to the functional currency at the pre-agreed exchange rate with CCS/ICCS counterparty.
- (ii) In the interim, the Group will receive interest/profit payment in foreign currency from the CCS/ICCS counterparty and remit the same to the foreign currency bonds/sukuk holders for coupon payment. Simultaneously, the Group pays interest/profit to the CCS/ICCS counterparty in functional currency using instalment received from assets purchased.
- (iii) On maturity, the Group will pay principal in functional currency at the same pre-agreed exchange rate to the CCS/ICCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/sukuk which will then be used to redeem the bonds/sukuk. The Group's foreign currency exposures are from Hong Kong Dollar ("HKD"), US Dollar ("USD"), and Singapore Dollar ("SGD").

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 9 to achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) *Cash flow hedges*

The Group has designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of net derivative liabilities included within cash flow hedges as at 31 December 2019 is RM93.9 million (2018: net derivative assets of RM207.5 million).

(b) *Fair value hedges*

The Group does not designate any derivatives as fair value hedges.

(c) *Net investment hedges*

The Group does not designate any derivatives as net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivative financial instruments entered into by the Group.

	Group					
	2019			2018		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cashflow hedges:						
<u>IRS/IPRS</u>						
Maturing within						
one year	1,560,000	1,710	(5,603)	–	–	–
One to three years	1,645,000	7,265	(15,677)	2,660,000	856	(9,792)
Three to five years	110,000	–	(10,499)	655,000	–	(17,471)
More than five years	160,000	20,725	–	160,000	5,139	–
	3,475,000	29,700	(31,779)	3,475,000	5,995	(27,263)
<u>CCS</u>						
Maturing within						
one year	2,399,965	20,537	(120,530)	1,725,000	319,325	–
One to three years	273,687	8,185	–	2,673,652	36,758	(127,351)
	2,673,652	28,722	(120,530)	4,398,652	356,083	(127,351)
	6,148,652	58,422	(152,309)	7,873,652	362,078	(154,614)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group	
	2019 RM'000	2018 RM'000
<i>At fair value:</i>		
Malaysian government securities	313,731	179,675
Corporate bonds	487,826	771,992
Government investment issues	816,675	845,704
Sukuk	942,572	1,058,061
Quasi government Sukuk	1,009,815	1,011,896
	3,570,619	3,867,328
 The maturity structure of financial asset at FVOCI are as follows:		
Maturing within one year	836,087	849,272
One to three years	1,000,372	777,335
Three to five years	905,126	1,111,643
More than five years	829,266	1,129,078
	3,570,851	3,867,328
 Less:		
Allowance for impairment losses	(232)	–
	3,570,619	3,867,328

As at 31 December 2019, the gross carrying value of financial asset at FVOCI by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
2019		
By stage of allocation:		
Stage 1 (12-month ECL; non credit impaired)	3,525,607	232
Stage 3 (Lifetime ECL; credit impaired)	45,244	–
 At 31 December	3,570,851	232

As at 31 December 2019, stage 3 FVOCI assets relates to investments in KMCOB Capital Berhad ("KMCOB"). Scomi Energy Services Berhad ("SES") as the holding company of KMCOB via Scomi Oilfield Limited (Bermuda) has triggered PN17 of the Listing Requirements as made in its Bursa announcement on 31 October 2019. KMCOB is a Danajamin Guaranteed investment.

As at 31 December 2018, all financial asset at FVOCI balances were within stage 1 allocation (12-month ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

10 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group	
	2019 RM'000	2018 RM'000
Unit Trust	141,383	–

As at 31 December 2019, FVTPL assets relate to investments in unit trust maturing within one month.

11 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2019 RM'000	2018 RM'000
Relating to:		
Mortgage loans	16,114,190	19,875,905
Hire purchase and leasing debts	542,964	529,019
	16,657,154	20,404,924
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	7,491,961	6,004,319
One to three years	8,527,330	8,420,633
Three to five years	–	5,345,007
More than five years	637,922	635,032
	16,657,213	20,404,991
Less:		
Allowance for impairment losses	(59)	(67)
	16,657,154	20,404,924

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
Stage 1		
At 1 January	67	41
Allowance during the year on new assets purchased	22	28
Loans derecognised during the period due to maturity of assets	(18)	(38)
(Write-back)/allowance during the year due to changes in credit risk	(12)	36
At 31 December	59	67

12 ISLAMIC FINANCING ASSETS

	Group	
	2019 RM'000	2018 RM'000
Relating to:		
Islamic house financing	10,842,232	10,011,058
Islamic personal financing	–	18,895
	10,842,232	10,029,953

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	2,513,118	1,835,052
One to three years	5,823,131	4,269,044
Three to five years	2,506,636	3,926,484
	10,842,885	10,030,580
Less:		
Allowance for impairment losses	(653)	(627)
	10,842,232	10,029,953

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12 ISLAMIC FINANCING ASSETS (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
Stage 1		
At 1 January	627	222
Allowance during the year on new assets purchased	87	275
Financing derecognised during the period due to maturity of assets	(45)	–
(Write-back)/allowance during the year due to changes in credit risk	(16)	130
At 31 December	653	627

13 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2019 RM'000	2018 RM'000
Purchase without recourse ("PWOR")	6,212,124	6,939,324
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	1,189,583	1,223,236
One to three years	1,583,150	1,652,012
Three to five years	1,303,414	1,415,695
More than five years	2,931,508	3,604,386
	7,007,655	7,895,329
Less:		
Unaccreted discount	(739,521)	(914,556)
Net advance received	(12,121)	–
Allowance for impairment losses	(43,889)	(41,449)
	6,212,124	6,939,324

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	6,924,480	21,696
Stage 2 (Lifetime ECL; non credit impaired)	24,616	3,400
Stage 3 (Lifetime ECL; credit impaired)	58,559	18,793
At 31 December	7,007,655	43,889
Impairment allowance over gross carrying value (%)		0.63
2018		
Stage 1 (12-month ECL; non credit impaired)	7,783,682	9,755
Stage 2 (Lifetime ECL; non credit impaired)	17,731	1,713
Stage 3 (Lifetime ECL; credit impaired)	93,916	29,981
At 31 December	7,895,329	41,449
Impairment allowance over gross carrying value (%)		0.53

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	9,755	1,713	29,981	41,449
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	11,094	(3,306)	(7,788)	–
– Transfer to ECL non credit impaired (Stage 2)	(1,241)	1,660	(419)	–
– Transfer to ECL credit impaired (Stage 3)	(13,149)	(133)	13,282	–
Total transfer between stages	(3,296)	(1,779)	5,075	–
Loans derecognised during the period (other than write-offs)	(281)	(219)	(6,057)	(6,557)
Allowance/(write-back) during the year due to changes in credit risk	15,518	3,685	(10,151)	9,052
Amount written off	–	–	(55)	(55)
At 31 December	21,696	3,400	18,793	43,889
2018				
At 1 January	10,520	4,419	29,739	44,678
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	14,521	(1,624)	(12,897)	–
– Transfer to ECL non credit impaired (Stage 2)	(3,130)	4,372	(1,242)	–
– Transfer to ECL credit impaired (Stage 3)	(10,670)	(101)	10,771	–
Total transfer between stages	721	2,647	(3,368)	–
Loans derecognised during the period (other than write-offs)	(243)	(443)	(3,833)	(4,519)
(Write-back)/allowance during the year due to changes in credit risk	(1,243)	(4,910)	7,676	1,523
Amount written off	–	–	(233)	(233)
At 31 December	9,755	1,713	29,981	41,449

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC

	Group	
	2019 RM'000	2018 RM'000
PWOR	7,209,409	7,857,947
The maturity structure of mortgage assets – Islamic are as follows:		
Maturing within one year	1,029,702	1,017,812
One to three years	1,472,055	1,631,109
Three to five years	1,345,069	1,434,957
More than five years	4,169,236	4,688,826
	8,016,062	8,772,704
Less:		
Unaccreted discount	(745,095)	(878,661)
Net advance received	(11,020)	–
Allowance for impairment losses	(50,538)	(36,096)
	7,209,409	7,857,947

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	7,935,745	28,532
Stage 2 (Lifetime ECL; non credit impaired)	23,830	3,892
Stage 3 (Lifetime ECL; credit impaired)	56,487	18,114
At 31 December	8,016,062	50,538
Impairment allowance over gross carrying value (%)		0.63

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

The gross carrying value of Islamic mortgage assets by stage of allocation are as follows: (continued)

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2018		
Stage 1 (12-month ECL; non credit impaired)	8,685,531	10,946
Stage 2 (Lifetime ECL; non credit impaired)	12,076	1,119
Stage 3 (Lifetime ECL; credit impaired)	75,097	24,031
At 31 December	8,772,704	36,096
Impairment allowance over gross carrying value (%)		0.41

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	10,946	1,119	24,031	36,096
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	12,984	(3,806)	(9,178)	–
– Transfer to ECL non credit impaired (Stage 2)	(488)	916	(428)	–
– Transfer to ECL credit impaired (Stage 3)	(9,492)	(72)	9,564	–
Total transfer between stages	3,004	(2,962)	(42)	–
Financing derecognised during the period (other than write-offs)	(238)	(131)	(5,543)	(5,912)
Allowance/(write-back) during the year due to changes in credit risk	14,820	5,866	(332)	20,354
At 31 December	28,532	3,892	18,114	50,538

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14 MORTGAGE ASSETS – ISLAMIC (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows: (continued)

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2018				
At 1 January	11,611	5,175	24,686	41,472
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	11,458	(1,050)	(10,408)	–
– Transfer to ECL non credit impaired (Stage 2)	(4,103)	5,231	(1,128)	–
– Transfer to ECL credit impaired (Stage 3)	(9,735)	(54)	9,789	–
Total transfer between stages	(2,380)	4,127	(1,747)	–
Financing derecognised during the period (other than write-offs)	(214)	(368)	(2,837)	(3,419)
Allowance/(write-back) during the year due to changes in credit risk	1,929	(7,815)	3,964	(1,922)
Amount written off	–	–	(35)	(35)
At 31 December	10,946	1,119	24,031	36,096

15 HIRE PURCHASE ASSETS – ISLAMIC

	Group	
	2019 RM'000	2018 RM'000
PWOR	136	781
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	147	795
Less:		
Unaccreted discount	1	1
Allowance for impairment losses	(12)	(15)
	136	781

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	111	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	147	12
Impairment allowance over gross carrying value (%)		8.16
2018		
Stage 1 (12-month ECL; non credit impaired)	740	–
Stage 3 (Lifetime ECL; credit impaired)	55	15
At 31 December	795	15
Impairment allowance over gross carrying value (%)		1.89

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15 HIRE PURCHASE ASSETS – ISLAMIC (CONTINUED)

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

	Group		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
2019			
At 1 January	–	15	15
Financing derecognised during the period (other than write-offs)	–	(6)	(6)
Allowance during the year due to changes in credit risk	–	3	3
At 31 December	–	12	12
2018			
At 1 January	1	20	21
Financing derecognised during the period (other than write-offs)	(1)	(5)	(6)
At 31 December	–	15	15

16 OTHER ASSETS

	Group	
	2019 RM'000	2018 RM'000
Compensation receivable from originator on mortgage assets	469	763
Staff loans and financing	2,899	3,269
Deposits	931	906
Prepayments	2,713	1,500
Other receivables	159	151
	7,171	6,589

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17 PROPERTY AND EQUIPMENT

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group				
Cost				
As at 1 January 2019	9,242	4,659	593	14,494
Additions	837	22	199	1,058
Disposals	(262)	–	(89)	(351)
As at 31 December 2019	9,817	4,681	703	15,201
Accumulated depreciation				
As at 1 January 2019	(5,074)	(4,452)	(274)	(9,800)
Charge for the financial year	(1,608)	(128)	(92)	(1,828)
Disposals	261	–	89	350
As at 31 December 2019	(6,421)	(4,580)	(277)	(11,278)
Net book value as at 31 December 2019	3,396	101	426	3,923
Cost				
As at 1 January 2018	7,945	4,649	627	13,221
Additions	1,336	10	333	1,679
Disposals	(39)	–	(367)	(406)
As at 31 December 2018	9,242	4,659	593	14,494
Accumulated depreciation				
As at 1 January 2018	(4,160)	(3,999)	(625)	(8,784)
Charge for the financial year	(953)	(453)	(15)	(1,421)
Disposals	39	–	366	405
As at 31 December 2018	(5,074)	(4,452)	(274)	(9,800)
Net book value as at 31 December 2018	4,168	207	319	4,694

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18 INTANGIBLE ASSETS

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
Group					
Cost					
As at 1 January 2019	16,712	12,128	25,311	281	54,432
Additions	–	1,079	1,015	–	2,094
Transfer during the year	–	–	281	(281)	–
As at 31 December 2019	16,712	13,207	26,607	–	56,526
Accumulated amortisation					
As at 1 January 2019	(13,374)	(12,104)	(6,105)	–	(31,583)
Charge for the financial year	(564)	(51)	(2,948)	–	(3,563)
As at 31 December 2019	(13,938)	(12,155)	(9,053)	–	(35,146)
Net book value as at 31 December 2019	2,774	1,052	17,554	–	21,380
Cost					
As at 1 January 2018	16,712	12,082	5,832	10,414	45,040
Additions	–	46	9,065	281	9,392
Transfer during the year	–	–	10,414	(10,414)	–
As at 31 December 2018	16,712	12,128	25,311	281	54,432
Accumulated amortisation					
As at 1 January 2018	(12,809)	(12,065)	(3,812)	–	(28,686)
Charge for the financial year	(565)	(39)	(2,293)	–	(2,897)
As at 31 December 2018	(13,374)	(12,104)	(6,105)	–	(31,583)
Net book value as at 31 December 2018	3,338	24	19,206	281	22,849

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS pools. The remaining amortisation period of the intangible assets ranges from 1 to 8 years (2018: 2 to 9 years).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

19 RIGHT-OF-USE ASSET

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

	Group
	2019
	RM'000
Cost	
At 1 January 2019	–
Effect of adoption of MFRS 16	4,916
As restated	4,916
Addition	–
At 31 December 2019	4,916
Accumulated amortisation	
At 1 January 2019	–
Effect of adoption of MFRS 16	–
As restated	–
Charge for the period (Note 38)	(936)
At 31 December 2019	(936)
Net book value as at 31 December 2019	3,980

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20 DEFERRED TAXATION

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets (before offsetting)	32,498	43,659	–	–
Deferred tax liabilities (before offsetting)	(613,691)	(622,800)	(3)	(4)
Deferred tax liabilities	(581,193)	(579,141)	(3)	(4)

The movements of deferred tax are as follows:

As at 1 January	(579,141)	(526,303)	(4)	(3)
Recognised to income statement (Note 39)	27,926	(53,570)	1	–
Recognised to reserves	(29,978)	732	–	(1)
As at 31 December	(581,193)	(579,141)	(3)	(4)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20 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			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2019				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	15,067	–	(13,595)	1,472
Provisions	1,321	(237)	–	1,084
Revaluation reserves of financial asset at FVOCI	409	(409)	–	–
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	10	–	–	10
– ECL	19,848	(2,053)	–	17,795
– lease liability	–	1,150	–	1,150
– guarantee/Wakalah fees	7,004	3,983	–	10,987
	43,659	2,434	(13,595)	32,498
Deferred tax liabilities				
Net unrealised gains on revaluation of derivatives financial instrument under cash flow hedge accounting	(3,790)	–	23	(3,767)
Revaluation reserves of financial asset at FVOCI	(1,574)	–	(16,406)	(17,980)
Accelerated depreciation	(2,248)	1,011	–	(1,237)
Unaccreted discount on mortgage assets	(613,475)	26,975	–	(586,500)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(1,257)	(1,543)	–	(2,800)
– right-of-use asset	–	(951)	–	(951)
– ECL	(456)	–	–	(456)
	(622,800)	25,492	(16,383)	(613,691)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20 DEFERRED TAXATION (CONTINUED)

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

	Group		
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000
2018	As at 31 December RM'000		
Deferred tax assets			
Net unrealised losses on revaluation of derivatives financial instrument under cash flow hedge accounting	9,807	–	5,260
Provisions	308	1,013	–
Revaluation reserves of financial asset at FVOCI	322	410	(323)
Temporary difference relating to:			
– interest/profit receivables on deposit and placements	–	10	–
– ECL	(1,061)	20,909	–
– guarantee/Wakalah fees	4,064	2,940	–
	13,440	25,282	4,937
	13,440	25,282	4,937
Deferred tax liabilities			
Net unrealised gains on revaluation of derivatives financial instrument under cash flow hedge accounting	(851)	–	(2,939)
Revaluation reserves of financial asset at FVOCI	(308)	–	(1,266)
Accelerated depreciation	(1,275)	(973)	–
Unaccreted discount on mortgage assets	(536,003)	(77,472)	–
Temporary difference relating to:			
– interest/profit receivables on deposit and placements	(850)	(407)	–
– ECL	(456)	–	–
	(539,743)	(78,852)	(4,205)
	(539,743)	(78,852)	(4,205)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20 DEFERRED TAXATION (CONTINUED)

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

	Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2019				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(4)	1	—	(3)
2018				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(3)	—	(1)	(4)

21 INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	4,181,628	4,181,628

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

21 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	Principal activities	Country of incorporation	Direct and indirect interest in equity held by the Company	
			2019 %	2018 %
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.	Malaysia	100	100
CGP*	Undertake the issuance of bonds and notes in foreign currency. CGP is a wholly owned subsidiary of Cagamas.	Labuan	100	100
CGS*	Undertake the issuance of Sukuk in foreign currency. CGS is a wholly owned subsidiary of Cagamas.	Malaysia	100	100
CMBS	Purchases of mortgage assets and Islamic mortgage assets from LPPSA and issuance of RMBS and IRMBS to finance the purchases.	Malaysia	100	100
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to Skim Rumah Pertamaku (My First Home Scheme) ("SRP") and Skim Perumahan Belia (Youth Housing Scheme) ("SPB").	Malaysia	100	100
CMGP**	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.	Malaysia	100	100
CSME**	Purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase.	Malaysia	100	100

* indirect interest via investment in Cagamas

** both companies have remained dormant throughout the financial year

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22 INVESTMENT IN STRUCTURED ENTITY

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	—*	—*

* denotes RM2

The structured entity of the Company is as follows:

Name	Principal activities	Direct and indirect interest in equity held by the Company	
		2019 %	2018 %
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Syariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Syariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM.	100	100
The Company has remained dormant since 1 September 2015.			

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23 UNSECURED BEARER BONDS AND NOTES

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate note	2019	–	–	450,000	3.480 – 3.840
	2020	100,000	3.460	–	–
	Add:				
	Interest payable	667		1,391	
		100,667		451,391	
(b) Conventional commercial papers	2019	–	–	750,000	3.560 – 3.800
	2020	1,200,000	3.250 – 3.340	–	–
	Add:				
	Interest payable	3,213		2,929	
		1,203,213		752,929	
(c) Medium-term notes	2019	–	–	7,643,000	2.745 – 5.280
	2020	7,595,307	2.520 – 6.000	5,845,965	2.530 – 6.000
	2021	2,552,426	3.035 – 5.380	2,464,535	4.150 – 5.380
	2022	5,850,000	3.380 – 4.650	5,510,000	3.900 – 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 – 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 – 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 – 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 – 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 – 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 – 5.750
	2035	160,000	5.070	160,000	5.070
		19,172,733		24,638,500	
	Add:				
	Interest payable	181,850		235,762	
Unaccreted premium	3,475		8,417		
Less:					
Deferred financing fees	(836)		(3,189)		
Unamortised discount	(75)		(1,419)		
	19,357,147		24,878,071		
	20,661,027		26,082,391		

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group	
	2019 RM'000	2018 RM'000
Maturing within one year	9,083,664	9,084,032
One to three years	8,402,295	8,313,359
Three to five years	955,000	6,035,000
More than five years	2,220,068	2,650,000
	20,661,027	26,082,391

(a) Floating rate notes ("FRN")

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

(b) Commercial paper ("CP")

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

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

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

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas. The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2019 RM'000	2018 RM'000
HKD	352,201	353,648
USD	1,553,180	3,640,217
SGD	688,405	687,077
	2,593,786	4,680,942

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24 SUKUK

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2019	–	–	405,000	3.510 – 3.800
	2020	905,000	3.250 – 3.310	–	–
Add:					
Profit payable		1,587		1,358	
		906,587		406,358	
(b) Islamic medium-term notes	2019	–	–	1,612,000	3.750 – 5.280
	2020	2,725,000	3.290 – 6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.080 – 5.380	3,020,000	4.080 – 5.380
	2022	3,010,000	3.380 – 4.700	2,150,000	3.900 – 4.700
	2023	2,495,000	4.250 – 6.350	2,495,000	4.250 – 6.350
	2024	1,135,000	3.550 – 5.520	315,000	4.000 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 – 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
	2033	675,000	5.000	675,000	5.000
		14,810,000		14,247,000	
Add:					
Profit payable		125,728		134,397	
Unaccreted premium		7,568		20,717	
		14,943,296		14,402,114	
		15,849,883		14,808,472	

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24 SUKUK (CONTINUED)

The maturity structure of the Sukuk are as follows:

	Group	
	2019 RM'000	2018 RM'000
Maturing within one year	3,764,836	2,156,534
One to three years	6,030,000	5,266,938
Three to five years	3,630,000	4,645,000
More than five years	2,425,047	2,740,000
	15,849,883	14,808,472

(a) Islamic commercial papers ("ICP")

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

(b) Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")

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

(c) Variable Profit Rate Notes ("VRN")

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

Apart from Ringgit IMTNs and VRNs, Cagamas also issued IMTNs and VRNs in foreign currency ("Islamic EMTN"). Under the USD2.5 billion Multicurrency Sukuk Issuance Programme, CGS, may from time to time issue Islamic EMTN in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas. There are no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

25 RMBS

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
RMBS	2019	–	–	260,000	4.70
	2020	385,000	5.65	385,000	5.65
	2022	250,000	4.90	250,000	4.90
	2025	265,000	5.92	265,000	5.92
	2027	105,000	5.08	105,000	5.08
		1,005,000		1,265,000	
Add:					
Interest payable		3,979		5,318	
		1,008,979		1,270,318	

The maturity structure of the RMBS are as follows:

		Group	
		2019 RM'000	2018 RM'000
Maturing within one year		388,979	265,318
One to three years		250,000	385,000
Three to five years		–	250,000
More than five years		370,000	370,000
		1,008,979	1,270,318

The RMBS have the following features:

- (a) The subsidiary, CMBS has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.
- (b) The RMBS's interest is payable quarterly in arrears.
- (c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.
- (d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.
- (e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26 IRMBS

		Group			
		2019		2018	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
IRMBS	2019	–	–	245,000	4.02
	2020	400,000	5.27	400,000	5.27
	2022	320,000	4.17	320,000	4.17
	2027	290,000	4.34	290,000	4.34
		1,010,000		1,255,000	
Add:					
Profit attributable		5,463		6,353	
		1,015,463		1,261,353	

The maturity structure of the IRMBS are as follows:

		Group	
		2019 RM'000	2018 RM'000
Maturing within one year		405,463	251,353
One year to three years		320,000	400,000
Three years to five years		–	320,000
More than five years		290,000	290,000
		1,015,463	1,261,353

The IRMBS have the following features:

- The subsidiary, CMBS has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.
- The IRMBS's profit is distributable quarterly in arrears.
- The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.
- The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.
- The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

27 LEASE LIABILITY

	Group
	2019 RM'000
At 1 January 2019	–
Effect of adoption of MFRS 16	4,916
As restated	4,916
Lease liability interest charged	(125)
At 31 December 2019	4,791
The maturity structure of lease liability are as follows:	
Due within one year	208
Due in 2 to 5 years	4,583
Total present value of minimum lease payments	4,791

28 OTHER LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Provision for zakat	1,911	1,584
Amount due to GOM	90,625	54,893
Other payables and accruals	29,584	30,708
Expected credit loss on guarantee exposure	1,230	1,029
Expected credit loss on Wakalah exposure	2,131	1,440
Provision for Kafalah expenses	–	14
	125,481	89,668

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.1 Expected credit loss on guarantee exposure

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

	Unexpired financial guarantee exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	61,818	244
Stage 2 (Lifetime ECL; non credit impaired)	1,077	527
Stage 3 (Lifetime ECL; credit impaired)	459	459
At 31 December	63,354	1,230
Impairment allowance over unexpired financial guarantee exposure (%)		1.94
By stage of allocation:		
2018		
Stage 1 (12-month ECL; non credit impaired)	41,432	369
Stage 2 (Lifetime ECL; non credit impaired)	557	232
Stage 3 (Lifetime ECL; credit impaired)	428	428
At 31 December	42,417	1,029
Impairment allowance over unexpired financial guarantee exposure (%)		2.43

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.1 Expected credit loss on guarantee exposure (continued)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	369	232	428	1,029
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	267	(129)	(138)	–
– Transfer to ECL non credit impaired (Stage 2)	(18)	77	(59)	–
– Transfer to ECL credit impaired (Stage 3)	(8)	(55)	63	–
Total transfer between stages	241	(107)	(134)	–
Allowance during the year on new guarantee exposure	110	129	16	255
Guarantee amount derecognised during the period	(6)	(9)	(109)	(124)
(Write-back)/allowance during the year due to changes in credit risk	(470)	282	258	70
At 31 December	244	527	459	1,230
2018				
At 1 January	157	157	213	527
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	207	(111)	(96)	–
– Transfer to ECL non credit impaired (Stage 2)	(4)	4	–	–
– Transfer to ECL credit impaired (Stage 3)	(4)	(24)	28	–
Total transfer between stages	199	(131)	(68)	–
Allowance during the year on new guarantee exposure	191	126	82	399
Guarantee amount derecognised during the period	(2)	(29)	(48)	(79)
(Write-back)/allowance during the year due to changes in credit risk	(176)	109	249	182
At 31 December	369	232	428	1,029

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.2 Expected credit loss on Wakalah exposure

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

	Unexpired financial Wakalah exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-month ECL; non credit impaired)	184,558	715
Stage 2 (Lifetime ECL; non credit impaired)	2,096	965
Stage 3 (Lifetime ECL; credit impaired)	451	451
At 31 December	187,105	2,131
Impairment allowance over unexpired financial Wakalah exposure (%)		1.14
2018		
Stage 1 (12-month ECL; non credit impaired)	101,423	682
Stage 2 (Lifetime ECL; non credit impaired)	862	319
Stage 3 (Lifetime ECL; credit impaired)	439	439
At 31 December	102,724	1,440
Impairment allowance over unexpired financial Wakalah exposure (%)		1.40

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

28 OTHER LIABILITIES (CONTINUED)

28.2 Expected credit loss on Wakalah exposure (continued)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	682	319	439	1,440
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	272	(141)	(131)	–
– Transfer to ECL non credit impaired (Stage 2)	(34)	125	(91)	–
– Transfer to ECL credit impaired (Stage 3)	(5)	(23)	28	–
Total transfer between stages	233	(39)	(194)	–
Allowance during the year on new Wakalah exposure	387	364	96	847
Wakalah amount derecognised during the period	(9)	(19)	(72)	(100)
(Write-back)/allowance during the year due to changes in credit risk	(578)	340	182	(56)
At 31 December	715	965	451	2,131
2018				
At 1 January	325	157	201	683
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	193	(156)	(37)	–
– Transfer to ECL non credit impaired (Stage 2)	(9)	23	(14)	–
– Transfer to ECL credit impaired (Stage 3)	(3)	(6)	9	–
Total transfer between stages	181	(139)	(42)	–
Allowance during the year on new Wakalah exposure	355	151	98	604
Wakalah amount derecognised during the period	(2)	–	–	(2)
(Write-back)/allowance during the year due to changes in credit risk	(177)	150	182	155
At 31 December	682	319	439	1,440

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

29 SHARE CAPITAL

	Group and Company			
	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares issued				
As at 1 January/31 December	150,000	150,000	150,000	150,000

	Group	
	2019 RM'000	2018 RM'000
Redeemable preference shares:		
As at 1 January*	—	—
Redeemed during the year**	(—)	—
As at 31 December	—	—

* denotes RM1

** denotes RPS of RM1 which was fully redeemed and cancelled on 16 December 2019.

On 20 October 2017, CMBS allotted and issued 1 RPS of RM1 to CSRP, held in trust for LPPSA. The trust mechanism had been agreed under a Tripartite Trust Deed dated 19 October 2017 whereby CSRP will hold the RPS in trust for LPPSA to facilitate the distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon full settlement of RMBS for pool 2004-1.

The RPS issued by CMBS of RM1 was fully redeemed and cancelled on 16 December 2019.

30 RESERVES

(a) *Financial asset at FVOCI reserves*

This amount represents the unrealised fair value gains or losses on financial asset at FVOCI, net of taxation.

(b) *Cash flow hedge reserves*

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

(c) *Regulatory reserves*

The Group and the Company have adopted the BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group and the Company maintain, in aggregate, collective impairment provisions and regulatory reserves of 1.0% of total credit exposures, net of allowances for credit impaired exposures on loans/financing (2018: 1.2% of the total outstanding loans/financing, net of individual impairment provisions).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

31 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM6,827,118,000 of the Group and RM4,183,976,000 of the Company respectively (2018: RM6,349,899,000 of the Group and RM4,183,902,000 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 RM410,932,000 of the Group and RM30,074,000 of the Company respectively (2018: RM414,466,000 of the Group and RM30,116,000 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.

32 INTEREST INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due from counterparties	819,265	883,983	–	–
Mortgage assets	283,409	315,974	–	–
Compensation from mortgage assets	14	28	–	–
Hire purchase assets	–	2	–	–
Financial asset at FVOCI	123,983	117,395	–	–
Deposits and placements with financial institutions	21,919	22,813	166	152
	1,248,590	1,340,195	166	152
Accretion of discount less amortisation of premium (net)	180,277	198,240	–	–
	1,428,867	1,538,435	166	152

33 INTEREST EXPENSE

	Group	
	2019 RM'000	2018 RM'000
Floating rate notes	8,650	11,380
Medium-term notes	913,549	989,740
RMBS	62,825	67,245
Commercial paper	25,674	28,845
Deposit and placement from financial institution	883	236
	1,011,581	1,097,446

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

34 NON-INTEREST (EXPENSE)/INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net derivatives expense	(55,571)	(75,666)	–	–
Gain on disposal of financial assets at FVOCI	7,636	3,553	–	–
Income from financial asset at FVTPL	1,383	3,649	–	–
Gain on disposal of property and equipment (Note 38)	23	70	–	–
Guarantee fee income	3,214	2,065	–	–
Reclassification adjustments on on fair value gain on CCS, transfer from equity	(26,601)	(33,592)	–	–
Unrealised gain on foreign exchange	26,260	33,157	–	–
Dividend income	–	–	30,000	30,000
Other non-operating income	2,583	107	–	–
Interest lease liability (Note 38)	(2,523)	–	–	–
	(43,596)	(66,657)	30,000	30,000

35 PERSONNEL COSTS

	Group	
	2019 RM'000	2018 RM'000
Salary and allowances	15,391	13,669
Bonus	7,465	5,933
Overtime	66	58
EPF and SOCSO	4,026	3,313
Insurance	608	665
Others	3,752	2,888
	31,308	26,526

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

36 (ALLOWANCE)/WRITE-BACK OF IMPAIRMENT LOSSES

	Group	
	2019 RM'000	2018 RM'000
Cash and short-term funds	(105)	–
Financial asset at FVOCI	(232)	–
Amount due from counterparties	8	(26)
Islamic financing assets	(26)	(405)
Mortgage assets - Conventional	(2,440)	2,996
Mortgage assets - Islamic	(14,442)	5,341
Hire purchase assets - Islamic	3	6
Guarantee exposures	(201)	(502)
Wakalah exposures	(691)	(757)
Write off of Mortgage assets	(172)	–
	(18,298)	6,653
(Allowance)/write-back of impairment losses		

37 DIRECTORS' REMUNERATION

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

Non-Executive Directors

Dato' Bakarudin bin Ishak (appointed as Director on 1 January 2019 and Chairman w.e.f 20 September 2019)

Tan Sri Dato' Sri Tay Ah Lek

Datuk George Ratilal

Datuk Abdul Farid bin Alias

Dato' Lee Kok Kwan

Wan Hanisah binti Wan Ibrahim

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani (appointed w.e.f 1 January 2019)

Datuk Siti Zauyah binti Md Desa (appointed w.e.f 1 December 2019)

Datuk Nik Mohd Hasyudeen bin Yusoff (resigned as Chairman and Director w.e.f 20 September 2019)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' fees	1,216	900	576	420
Directors' other emoluments	2,021	1,937	204	185
	3,237	2,837	780	605

For the financial year ended 31 December 2019, a total of RM170,000 (2018: RM170,000) has been paid by the Group in relation to insurance premium paid for directors and officers of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

38 PROFIT BEFORE TAXATION AND ZAKAT

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration (Note 37)	3,237	2,837	—*	—*
Interest lease liability (Note 34)	2,523	—	—	—
Rental of premises	—	2,648	—	—
Hire of equipment	741	597	—	—
Auditors' remuneration:				
– Audit fees	432	454	—*	—*
– Non-audit fees	68	42	—*	—*
Depreciation of property and equipment	1,828	1,421	—	—
Amortisation of intangible assets	3,563	2,897	—	—
Amortisation of right-of-use asset (Note 19)	936	—	—	—
Servicers fees	3,044	2,918	—	—
Repairs and maintenance	6,982	5,896	—	—
Donations and sponsorship	115	152	—	—
Corporate expenses	892	756	—	—
Travelling expenses	476	915	—	—
Allowance/(write-back) of impairment losses	18,298	(6,653)	—	—
Gain on disposal of property and equipment (Note 34)	(23)	(70)	—	—

* Directors' remuneration of RM779,692 (2018: RM605,000) and auditor's remuneration of RM37,235 (2018: RM36,252) which include audit fee of RM31,500 and non-audit fee of RM5,735 respectively (2018: audit fees RM30,517 and non-audit fees of RM5,735 respectively) for the Company in the financial year were borne by Cagamas.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

39 TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	150,111	72,282	40	36
– Deferred taxation (Note 20)	(27,926)	53,570	(1)	–
	122,185	125,852	39	36
Current tax:				
– Current year	111,149	76,176	40	36
– Under/(over) provision in prior year	38,962	(3,894)	–	–
Deferred taxation:				
– (Reversal)/origination of temporary differences (Note 20)	(27,926)	53,570	(1)	–
	122,185	125,852	39	36

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

39 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	534,154	543,980	30,113	30,152
Tax calculated at Malaysian tax rate of 24% (2018: 24%)	128,197	130,555	7,227	7,236
Expenses not deductible for tax purposes	5,672	173	12	–
Income not subject to tax	–	–	(7,200)	(7,200)
Deductible tax losses from subsidiary utilised	(28)	(39)	–	–
Under/(over) provision in prior year	38,962	(3,894)	–	–
Deduction arising from zakat contribution	(393)	(234)	–	–
Different tax rate in Labuan	–	(1,062)	–	–
Reversal of temporary differences recognised in prior year	(50,207)	–	–	–
Loss not subject to tax	1	40	–	–
Others	(19)	313	–	–
	122,185	125,852	39	36

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

40 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2019		2018	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First interim dividend	15.00	22,500	15.00	22,500
Second interim dividend	5.00	7,500	5.00	7,500
	20.00	30,000	20.00	30,000

	Group	
	2019	2018
	Total amount RM'000	Total amount RM'000
On redeemable preference shares:		
Dividend paid in cash	111	80,946

The dividends on RPS for the financial year ended 31 December 2019 was approved by the Board of Directors of a subsidiary company, CMBS on 3 September 2018, and paid in the current financial year. This is shown as a reduction in the other reserves of the Group, as reflected in the statement of changes in equity in the current financial year.

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

The final dividend of RM111,409 is paid in the current financial year. The Board of Directors of CMBS do not recommend the payment of any further dividend on RPS or ordinary shares for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

41 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

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

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

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

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

(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 bonds and Sukuk are transacted with the shareholders of the Group. These transactions have been disclosed on the statement of financial position and income statements of the Group.

During the financial year, the Company and its subsidiary company, Cagamas, entered into a shared service arrangement. Under this arrangement, Cagamas sets out the scope of services performed for the Company in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

(b) Significant related party transactions and balances (continued)

The RPS issued by CMBS for the purpose of distribution of discretionary bonus fee for pool 2004-1 has been fully redeemed and cancelled on 16 December 2019. CSRP ceased to be a trustee of LPPSA when the Deed of Release of the Tripartite Trust Deed was signed on the same day.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other related party				
<u>(Income)/expenses</u>				
FAST* and RENTAS** charges	–	(18)	–	–
Director's fee and allowances	916	733	–	–
Servicers fees	3,044	2,978	–	–
<u>Amount due from/(to):</u>				
BNM current accounts	–	26	–	–
Reimbursement of operating expenses	–	8	–	–
Directors' fee and allowances	(65)	(65)	–	–
Servicers fees	(618)	(571)	–	–
Subsidiary				
<u>Expenses</u>				
Management fee	–	–	52	–
<u>Amount due to:</u>				
Management fee	–	–	(52)	–

* denotes Fully Automated System for Issuing and Tendering ("FAST")

** denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS")

The Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM7,430,703 (2018: RM6,256,353).

The total remuneration paid to the Directors is disclosed in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

(c) Transaction with the GOM and its related parties

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

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

42 CAPITAL COMMITMENT, LEASE COMMITMENT AND CONTINGENCY

(a) Capital Commitment

	Group	
	2019 RM'000	2018 RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for	2,783	1,380
Authorised but not contracted for	741	1,322
	3,524	2,702
<i>Analysed as follows:</i>		
Equipment and others	24	54
Computer hardware and software	3,500	2,648
	3,524	2,702

(b) Lease Commitment

The Group have lease commitments in respect of rented premise and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments are as follows:

	Group	
	2019 RM'000	2018 RM'000
Maturing within one year	–	4,550
One to three years	–	6,242
	–	10,792

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

42 CAPITAL COMMITMENT, LEASE COMMITMENT AND CONTINGENCY (CONTINUED)

(c) Contingency

As at the end of the financial year, the Group's guarantee exposure to the SRP and SPB schemes for guarantee and Wakalah contracts amounted to RM165,257,798 (2018: RM90,377,047) and RM85,200,959 (2018: RM54,763,838) respectively.

Included above are contingent liabilities relating to possible claims against the Group that may arise from defaults in the repayment of principal and interest of some of the loans covered under the guarantee and Wakalah contracts. The contingent liabilities that estimated arising from the guarantee and Wakalah are RM534,193 (2018: RM361,313) and RM576,937 (2018: RM351,308). However, no provision is made as at year end as a reliable estimate of the provision cannot be made.

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 takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

The following table summarises the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest/profit rate movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

The tables also represent a static position which provides an indication of the potential impact on the Group's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-statement of financial position items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group's shareholders' funds, unsecured bearer bonds and notes or Sukuk or money market borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2019						
Financial assets						
Cash and short-term funds	457,844	–	–	–	110,885	568,729 ^{^1}
Deposits and placements with financial institutions	1,017,767	–	–	–	–	1,017,767
Financial asset at FVOCI	836,088	1,000,379	905,118	829,266	(232)	3,570,619 ^{^2}
Financial asset at FVTPL	141,383	–	–	–	–	141,383
Amount due from counterparties	7,491,962	8,527,330	–	637,921	(59)	16,657,154 ^{^3}
Islamic financing assets	2,513,118	5,823,131	2,506,636	–	(653)	10,842,232 ^{^4}
Mortgage assets:						
– Conventional	1,189,583	1,583,150	1,303,414	2,931,508	(795,531)	6,212,124 ^{^5}
– Islamic	1,029,702	1,472,055	1,345,069	4,169,236	(806,653)	7,209,409 ^{^6}
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	– ^{^7}
– Islamic	147	–	–	–	(11)	136 ^{^8}
Other assets	22,854	16,004	492	22,506	65,518	127,374
	14,700,450	18,422,049	6,060,729	8,590,437	(1,426,738)	46,346,927
Financial liabilities						
Unsecured bearer bonds and notes	9,083,664	8,402,295	955,000	2,220,068	–	20,661,027
Sukuk	3,764,836	6,030,000	3,630,000	2,425,047	–	15,849,883
RMBS	388,979	250,000	–	370,000	–	1,008,979
IRMBS	405,463	320,000	–	290,000	–	1,015,463
Deferred guarantee fees	–	–	–	–	10,058	10,058
Deferred Wakalah fees	–	–	–	–	35,723	35,723
Other liabilities	126,133	15,677	10,499	–	764,987	917,296
	13,769,075	15,017,972	4,595,499	5,305,115	810,768	39,498,429
Interest/profit sensitivity gap	931,375	3,404,077	1,465,230	3,285,322		
Cumulative gap	931,375	4,335,452	5,800,682	9,086,004		

^{^1} Includes impairment losses on cash and short-term funds of RM105,306.

^{^2} Includes impairment losses on financial asset at FVOCI of RM232,539.

^{^3} Includes impairment losses on amount due from counterparties of RM59,047.

^{^4} Includes impairment losses on Islamic financing asset of RM653,198.

^{^5} Includes impairment losses on mortgage assets of RM43,888,580.

^{^6} Includes impairment losses on Islamic mortgage assets of RM50,537,865.

^{^7} Includes impairment losses on hire purchase assets of RM2,059.

^{^8} Includes impairment losses on Islamic hire purchase assets of RM12,461.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Group						
2018						
Financial assets						
Cash and short-term funds	397,798	–	–	–	70,362	468,160
Deposits and placements with financial institutions	627,870	24,469	–	–	–	652,339
Financial asset at FVOCI	849,272	777,335	1,111,643	1,129,078	–	3,867,328
Amount due from counterparties	6,004,319	8,420,632	5,345,008	635,032	(67)	20,404,924 ^{A1}
Islamic financing assets	1,835,052	4,269,044	3,926,484	–	(627)	10,029,953 ^{A2}
Mortgage assets:						
– Conventional	1,223,236	1,652,012	1,415,695	3,604,386	(956,005)	6,939,324 ^{A3}
– Islamic	1,017,812	1,631,110	1,434,957	4,688,826	(914,758)	7,857,947 ^{A4}
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	— ^{A5}
– Islamic	795	–	–	–	(14)	781 ^{A6}
Other assets	356,716	1,699	795	6,900	114,610	480,720
	<u>12,312,872</u>	<u>16,776,301</u>	<u>13,234,582</u>	<u>10,064,222</u>	<u>(1,686,501)</u>	<u>50,701,476</u>
Financial liabilities						
Unsecured bearer bonds and notes	9,084,032	8,313,359	6,035,000	2,650,000	–	26,082,391
Sukuk	2,156,534	5,266,938	4,645,000	2,740,000	–	14,808,472
RMBS	265,318	385,000	250,000	370,000	–	1,270,318
IRMBS	251,353	400,000	320,000	290,000	–	1,261,353
Deferred guarantee fees	–	–	–	–	7,393	7,393
Deferred Wakalah fees	–	–	–	–	21,776	21,776
Other liabilities	127,352	9,792	17,471	–	722,410	877,025
	<u>11,884,589</u>	<u>14,375,089</u>	<u>11,267,471</u>	<u>6,050,000</u>	<u>751,579</u>	<u>44,328,728</u>
Interest/profit sensitivity gap	<u>428,283</u>	<u>2,401,212</u>	<u>1,967,111</u>	<u>4,014,222</u>		
Cumulative gap	<u>428,283</u>	<u>2,829,495</u>	<u>4,796,606</u>	<u>8,810,828</u>		

^{A1} Includes impairment losses on amount due from counterparties of RM66,581.

^{A2} Includes impairment losses on Islamic financing asset of RM627,130.

^{A3} Includes impairment losses on mortgage assets of RM41,449,125.

^{A4} Includes impairment losses on Islamic mortgage assets of RM36,095,998.

^{A5} Includes impairment losses on hire purchase assets of RM2,059.

^{A6} Includes impairment losses on Islamic hire purchase assets of RM14,937.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

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

	Group			
	+100 basis		-100 basis	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserves	(107,801)	(117,347)	115,006	124,365
Derivative financial instruments	(36)	113	36	(114)
PWR (floating rate)	(9,977)	(7,033)	10,144	7,193
Unsecured bonds and notes (floating rate)	647	731	(657)	(740)
Taxation effects on the above at tax rate of 24%	28,120	29,649	(29,887)	(31,369)
Effect on shareholder's funds	(89,047)	(93,887)	94,642	99,335
As percentage of shareholder's funds	(1.3%)	(1.4%)	1.4%	1.5%

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 INTEREST/PROFIT RATE RISK (CONTINUED)

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

	Group			
	+100 basis		-100 basis	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<i>Impact to income statements:</i>				
Net interest income	5,404	3,691	(5,398)	(3,685)
Taxation effects at the rate of 24%	(1,297)	(886)	1,296	884
Effect on net interest income	4,107	2,805	(4,102)	(2,801)
As percentage of profit after tax	1.1%	0.7%	(1.1%)	(0.7%)

44 CREDIT RISK

44.1 Credit risk concentration

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

	On-statement of financial position											Off-statement of financial position	
	Cash and short-term funds	Deposits and placements with financial institutions	Derivatives financial instruments	Financial asset at FVOCI	Financial asset at FVTPL	Amount due from counter parties	Islamic financing assets	Mortgage assets- Conventional	Mortgage assets- Islamic	Hire purchase assets- Islamic	Other assets	Financial guarantee	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
Group													
2019													
Government bodies	-	-	-	1,293,934	-	-	-	-	-	-	469	-	1,294,403
Financial institutions:													
– Commercial banks	474,611	1,017,767	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	-	28,304,915
– Investment banks	94,118	-	-	-	-	-	-	-	-	-	-	-	94,118
– Development	-	-	-	148,826	-	-	361,267	-	-	-	-	-	510,093
Communication, electricity, gas and water	-	-	-	303,593	-	-	-	-	-	-	-	-	303,593
Transportation	-	-	-	831,862	-	-	-	-	-	-	-	-	831,862
Leasing	-	-	-	-	-	542,965	-	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	-	6,212,124	7,209,409	136	-	250,459	13,672,128
Construction	-	-	-	149,154	-	-	-	-	-	-	-	-	149,154
Related company	-	-	-	31,955	-	-	-	-	-	-	-	-	31,955
Corporate	-	-	-	322,041	141,383	-	-	-	-	-	-	-	463,424
Others	-	-	-	330,293	-	-	-	-	-	-	6,702	-	336,995
Total	568,729	1,017,767	58,422	3,570,619	141,383	16,657,154	10,842,232	6,212,124	7,209,409	136	7,171	250,459	46,535,605

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44 CREDIT RISK (CONTINUED)

44.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution (continued)

Off- statement of financial position	On-statement of financial position											
	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	Financial asset at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Financial guarantee RM'000	Total RM'000
Group 2018	-	-	-	1,179,710	-	-	-	-	-	774	-	1,180,484
	425,918	652,339	362,078	410,229	19,875,677	10,029,953	-	-	-	-	-	31,756,194
	42,242	-	-	-	-	-	-	-	-	-	-	42,242
	-	-	-	237,972	-	-	-	-	-	-	-	237,972
	-	-	-	176,729	-	-	-	-	-	-	-	176,729
	-	-	-	852,990	-	-	-	-	-	-	-	852,990
	-	-	-	-	529,247	-	-	-	-	-	-	529,247
	-	-	-	-	-	-	6,939,324	7,857,947	781	-	145,141	14,943,193
	-	-	-	234,187	-	-	-	-	-	-	-	234,187
	-	-	-	21,346	-	-	-	-	-	-	-	21,346
	-	-	-	223,161	-	-	-	-	-	-	-	223,161
	-	-	-	531,004	-	-	-	-	-	5,815	-	536,819
	468,160	652,339	362,078	3,867,328	20,404,924	10,029,953	6,939,324	7,857,947	781	6,589	145,141	50,734,564

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(CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

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

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

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

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

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Group							
2019							
Amount due from counterparties	16,657,213	–	16,657,213	59	16,657,154	–	–
Islamic financing assets	10,842,885	–	10,842,885	653	10,842,232	–	–
Mortgage assets:							
– Conventional	6,197,454	58,559	6,256,013	43,889	6,212,124	58,559	75
– Islamic	7,203,460	56,487	7,259,947	50,538	7,209,409	56,487	89
Hire purchase assets:							
– Conventional	–	2	2	2	–	2	100
– Islamic	112	36	148	12	136	36	33
	40,901,124	115,084	41,016,208	95,153	40,921,055	115,084	

* these assets have been provided for under collective assessment.

NOTES TO THE FINANCIAL STATEMENTS

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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)

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired* RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Group							
2018							
Amount due from counterparties	20,404,991	–	20,404,991	67	20,404,924	–	–
Islamic financing assets	10,030,580	–	10,030,580	627	10,029,953	–	–
Mortgage assets:							
– Conventional	6,886,857	93,916	6,980,773	41,449	6,939,324	93,916	44
– Islamic	7,818,945	75,098	7,894,043	36,096	7,857,947	75,098	48
Hire purchase assets:							
– Conventional	–	2	2	2	–	2	100
– Islamic	741	55	796	15	781	55	27
	<u>45,142,114</u>	<u>169,071</u>	<u>45,311,185</u>	<u>78,256</u>	<u>45,232,929</u>	<u>169,071</u>	

* these assets have been provided for under collective assessment.

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

	Group			
	2019		2018	
	Strong RM'000	Total RM'000	Strong RM'000	Total RM'000
Amount due from counterparties	16,657,213	16,657,213	20,404,991	20,404,991
Islamic financing assets	10,842,885	10,842,885	10,030,580	10,030,580
Mortgage assets:				
– Conventional	6,197,454	6,197,454	6,886,857	6,886,857
– Islamic	7,203,460	7,203,460	7,818,945	7,818,945
Hire purchase assets:				
– Islamic	112	112	741	741
	<u>40,901,124</u>	<u>40,901,124</u>	<u>45,142,114</u>	<u>45,142,114</u>

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

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

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

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

	Group				
	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
2019					
Mortgage assets:					
– Conventional	6,081	3,446	2,086	46,946	58,559
– Islamic	8,185	4,033	2,503	41,766	56,487
Hire purchase assets:					
– Conventional	–	–	–	2	2
– Islamic	–	–	–	36	36
	14,266	7,479	4,589	88,750	115,084
2018					
Mortgage assets:					
– Conventional	7,982	3,977	4,289	77,668	93,916
– Islamic	5,695	3,880	2,174	63,349	75,098
Hire purchase assets:					
– Conventional	–	–	–	2	2
– Islamic	–	–	–	55	55
	13,677	7,857	6,463	141,074	169,071

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

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

The impairment allowance on such loans is calculated basis 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.

For the financial year ended 31 December 2019, the Group has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

	Group			
	As at 1 January RM'000	Allowance/ (write-back) made RM'000	Allowance written-off to principal balance outstanding RM'000	As at 31 December RM'000
2019				
Amount due from counterparties	67	(8)	–	59
Islamic financing assets	627	26	–	653
Mortgage assets:				
– Conventional	41,449	2,495	(55)	43,889
– Islamic	36,096	14,442	–	50,538
Hire purchase assets:				
– Conventional	2	–	–	2
– Islamic	15	(3)	–	12
	78,256	16,952	(55)	95,153
2018				
Amount due from counterparties	41	26	–	67
Islamic financing assets	222	405	–	627
Mortgage assets:				
– Conventional	44,678	(2,996)	(233)	41,449
– Islamic	41,472	(5,341)	(35)	36,096
Hire purchase assets:				
– Conventional	2	–	–	2
– Islamic	21	(6)	–	15
	86,436	(7,912)	(268)	78,256

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2019						
Financial asset at FVOCI						
– Stage 1	1,191,263	1,905,441	428,903	–	3,525,607	232
– Stage 3	–	45,244	–	–	45,244	–
	1,191,263	1,950,685	428,903	–	3,570,851	232
Amount due from counterparties						
– Stage 1	–	11,070,691	5,586,522	–	16,657,213	59
Islamic financing assets						
– Stage 1	–	2,268,430	8,574,455	–	10,842,885	653
Mortgage assets						
– Stage 1	–	–	–	6,924,480	6,924,480	21,696
– Stage 2	–	–	–	24,616	24,616	3,401
– Stage 3	–	–	–	58,559	58,559	18,792
	–	–	–	7,007,655	7,007,655	43,889
Islamic mortgage assets						
– Stage 1	–	–	–	7,935,745	7,935,745	28,532
– Stage 2	–	–	–	23,830	23,830	3,892
– Stage 3	–	–	–	56,487	56,487	18,114
	–	–	–	8,016,062	8,016,062	50,538
Hire purchase assets						
– Stage 3	–	–	–	2	2	2

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

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

	Group				
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000
					Impairment allowance RM'000
2019					
Islamic hire purchase assets					
– Stage 1	–	–	–	111	111
– Stage 3	–	–	–	36	36
	–	–	–	147	147
					12
Guarantee exposure					
– Stage 1	–	–	–	61,818	61,818
– Stage 2	–	–	–	1,078	1,078
– Stage 3	–	–	–	458	458
	–	–	–	63,354	63,354
					1,230
Wakalah exposure					
– Stage 1	–	–	–	184,558	184,558
– Stage 2	–	–	–	2,096	2,096
– Stage 3	–	–	–	451	451
	–	–	–	187,105	187,105
					2,131

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2018						
Financial asset at FVOCI						
– Stage 1	1,901,854	1,481,311	484,163	–	3,867,328	–
Amount due from counterparties						
– Stage 1	–	12,093,144	8,311,847	–	20,404,991	67
Islamic financing assets						
– Stage 1	–	1,918,267	8,112,313	–	10,030,580	627
Mortgage assets						
– Stage 1	–	–	–	7,783,682	7,783,682	9,755
– Stage 2	–	–	–	17,731	17,731	1,713
– Stage 3	–	–	–	93,916	93,916	29,981
	–	–	–	7,895,329	7,895,329	41,449
Islamic mortgage assets						
– Stage 1	–	–	–	8,686,530	8,686,530	10,946
– Stage 2	–	–	–	12,076	12,076	1,119
– Stage 3	–	–	–	75,098	75,098	24,031
	–	–	–	8,773,704	8,773,704	36,096
Hire purchase assets						
– Stage 3	–	–	–	2	2	2

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.3 Credit quality (continued)

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

	Group					
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	No rating RM'000	Total RM'000	Impairment allowance RM'000
2018						
Islamic hire purchase assets						
– Stage 1	–	–	–	740	740	1
– Stage 3	–	–	–	55	55	14
	–	–	–	795	795	15
Guarantee exposure						
– Stage 1	–	–	–	41,432	41,432	369
– Stage 2	–	–	–	557	557	232
– Stage 3	–	–	–	428	428	428
	–	–	–	42,417	42,417	1,029
Wakalah exposure						
– Stage 1	–	–	–	101,423	101,423	682
– Stage 2	–	–	–	862	862	319
– Stage 3	–	–	–	439	439	439
	–	–	–	102,724	102,724	1,440

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 CREDIT RISK (CONTINUED)

43.4 Offsetting financial instruments

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

	Group				
	Gross amount of recognised financial assets set off in the statement of financial position RM'000	Gross amount of recognised financial liabilities in the statement of financial position RM'000	Net amount of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position	
				Financial instrument RM'000	Cash collateral placed RM'000
					Net amount RM'000
2019					
Derivatives financial liabilities	(152,309)	–	(152,309)	–	–
					(152,309)
2018					
Derivatives financial liabilities	(154,614)	–	(154,614)	–	–
					(154,614)

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.2 Liquidity pool

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

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	Financial asset at FVTPL RM'000	Financial asset at FVOCI RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Amount due from counter- parties RM'000	Islamic financing assets RM'000	Other available liquidity RM'000	Total RM'000
Group										
2019	1,586,496	58,422	141,383	3,570,619	6,212,124	7,209,409	16,657,154	10,842,232	4,629	46,282,468
2018	1,120,499	362,078	–	3,867,328	6,939,324	7,857,947	20,404,924	10,029,953	4,098	50,586,151

45.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis, which does not result in a significantly different analysis.

	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
2019						
Financial liabilities						
Unsecured bearer bonds and notes	2,568	394,605	8,517,651	9,357,295	4,482,422	22,754,541
Sukuk	–	–	3,637,521	9,660,000	5,017,007	18,314,528
RMBS	–	13,863	426,387	355,424	400,316	1,195,990
IRMBS	–	11,894	429,945	390,195	321,379	1,153,413
Unexpired financial guarantee contracts	250,459	–	–	–	–	250,459
Other liabilities	122,582	1,777	1,122	–	–	125,481
	375,609	422,139	13,012,626	19,762,914	10,221,124	43,794,412
Assets held for managing liquidity risk	1,018,902	1,984,845	11,103,251	24,227,353	8,822,480	47,156,831

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.3 Contractual maturity of financial liabilities (continued)

	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
2018						
Financial liabilities						
Unsecured bearer bonds and notes	8,810	538,482	8,316,995	14,348,653	5,647,895	28,860,835
Sukuk	–	–	2,020,779	9,911,938	5,709,035	17,641,752
RMBS	–	16,744	307,420	774,594	421,396	1,520,154
IRMBS	–	14,234	282,660	819,414	333,999	1,450,307
Unexpired financial guarantee contracts	145,141	–	–	–	–	145,141
Other liabilities	85,130	1,584	2,954	–	–	89,668
	239,081	571,044	10,930,808	25,854,599	12,112,325	49,707,857
Assets held for managing liquidity risk	1,397,266	2,374,503	7,529,444	29,613,666	10,525,223	51,440,102

45.4 Derivative liabilities

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

The following table analyses the subsidiary's derivative 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.

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(CONTINUED)

45 LIQUIDITY RISK (CONTINUED)

45.4 Derivative liabilities (continued)

	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
2019						
Derivatives held for hedging						
– IRS/IPRS	–	(5,320)	(283)	(26,176)	–	(31,779)
– CCS/ICCS	–	–	(120,530)	–	–	(120,530)
2018						
Derivatives held for hedging						
– IRS/IPRS	–	–	–	(27,263)	–	(27,263)
– CCS/ICCS	–	–	–	(127,351)	–	(127,351)

46 FOREIGN EXCHANGE RISK

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

The Group hedges 100% of its foreign currency denominated unsecured bonds and notes and Sukuk. The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure by entering into derivative contracts.

46.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	USD RM'000	SGD RM'000
2019			
Derivatives financial instruments	355,910	1,550,156	694,748
Unsecured bonds and notes	352,201	1,553,180	688,405
2018			
Derivatives financial instruments	359,858	3,594,430	697,796
Unsecured bonds and notes	353,648	3,640,217	687,077

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

46 FOREIGN EXCHANGE RISK (CONTINUED)

46.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarises in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS/ICCS.

	Group			
	2019		2018	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
HKD	28	–	44	–
USD	(25)	–	(362)	–
SGD	45	1	76	5
	48	1	(242)	5

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

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

NOTES TO THE FINANCIAL STATEMENTS

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47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
Assets				
Financial asset at FVOCI	–	3,570,619	–	3,570,619
Financial asset at FVTPL	–	141,383	–	141,383
Derivative financial instruments	–	58,422	–	58,422
Liabilities				
Derivative financial instruments	–	152,309	–	152,309
2018				
Assets				
Financial asset at FVOCI	–	3,867,328	–	3,867,328
Derivative financial instruments	–	362,078	–	362,078
Liabilities				
Derivative financial instruments	–	154,614	–	154,614

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(a) *Cash and short-term funds and deposits and placements with licensed financial institutions*

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

(b) *Other financial assets*

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

(c) *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 financial instruments approximated their carrying values in the statement of financial position except for the following:

	Group			
	2019		2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	16,657,154	16,928,121	20,404,924	20,425,021
Islamic financing assets	10,842,232	10,913,242	10,029,953	10,015,154
Mortgage assets:				
– Conventional	6,212,124	7,020,513	6,939,324	7,433,318
– Islamic	7,209,409	8,333,868	7,857,947	8,616,682
Hire purchase assets:				
– Islamic	136	250	781	822
	40,921,055	43,195,994	45,232,929	46,490,997

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group			
	2019		2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial liabilities				
Unsecured bearer bonds and notes	20,661,027	21,352,182	26,082,391	26,526,636
Sukuk	15,849,883	16,494,980	14,808,472	15,208,248
RMBS	1,008,979	1,062,015	1,270,318	1,314,893
IRMBS	1,015,463	1,031,281	1,261,353	1,284,377
	38,535,352	39,940,458	43,422,534	44,334,154

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 re-pricing date of the floating rate assets is not greater than 6 months.

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets market yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

The fair value of the unsecured bearer bonds and notes, Sukuk, RMBS and IRMBS are derived at using the present value of future cash flows discounted based on the coupon rate at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

48 SEGMENT REPORTING

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

(a) *PWR*

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

(b) *PWOR*

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

(c) *Mortgage guarantee*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

	Group			
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2019				
External revenue	1,313,343	1,029,738	19,109	2,362,190
External interest/profit expense	(1,058,954)	(645,386)	–	(1,704,340)
Profit from operations	164,724	351,744	17,686	534,154
Zakat	(673)	(253)	(111)	(1,037)
Taxation	(50,927)	(67,390)	(3,868)	(122,185)
Profit after taxation and zakat by segment	113,124	284,101	13,707	410,932
Segment assets	29,626,582	16,405,998	314,347	46,346,927
Segment liabilities	26,293,550	13,151,452	53,427	39,498,429
Other information:				
Capital expenditure	2,291	861	–	3,152
Depreciation and amortisation	4,599	1,728	–	6,327

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

48 SEGMENT REPORTING (CONTINUED)

	Group			
	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Total RM'000
2018				
External revenue	1,321,385	1,033,698	16,048	2,371,131
External interest/profit expense	(1,068,285)	(633,548)	–	(1,701,833)
Profit from operations	141,366	390,395	12,219	543,980
Zakat	(1,156)	(428)	(78)	(1,662)
Taxation	(35,274)	(87,186)	(3,392)	(125,852)
Profit after taxation and zakat by segment	104,936	302,781	8,749	416,466
Segment assets	32,797,346	17,595,640	278,856	50,671,842
Segment liabilities	30,630,144	13,664,379	34,205	44,328,728
Other information:				
Capital expenditure	8,104	2,967	–	11,071
Depreciation and amortisation	3,161	1,157	–	4,318

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

49 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2019					
ASSETS					
Cash and short-term funds	341,961	169,186	57,582	–	568,729
Deposits and placements with financial institutions	1,751	972,240	43,776	–	1,017,767
Derivative financial instruments	58,422	–	–	–	58,422
Financial asset at FVOCI	2,308,565	1,060,464	201,590	–	3,570,619
Financial asset at FVTPL	141,383	–	–	–	141,383
Amounts due from counterparties	16,657,154	–	–	–	16,657,154
Islamic financing assets	10,842,232	–	–	–	10,842,232
Mortgage assets:					
– Conventional	4,836,313	1,375,811	–	–	6,212,124
– Islamic	5,510,428	1,698,981	–	–	7,209,409
Hire purchase assets:					
– Islamic	136	–	–	–	136
Amount due from a related company	1,420	–	–	(1,420)	–
Other assets	8,027	–	–	(856)	7,171
Property and equipment	3,923	–	–	–	3,923
Intangible assets	21,380	–	–	–	21,380
Right-of-use asset	3,980	–	–	–	3,980
Deferred taxation	–	3,184	11,397	17,917	32,498
Investment in subsidiaries	4,181,628	–	–	(4,181,628)	–
TOTAL ASSETS	44,918,703	5,279,866	314,345	(4,165,987)	46,346,927
LIABILITIES					
Unsecured bearer bonds and notes	20,661,027	–	–	–	20,661,027
Sukuk	15,849,883	–	–	–	15,849,883
Derivative financial instruments	152,309	–	–	–	152,309
RMBS	–	1,008,979	–	–	1,008,979
IRMBS	–	1,015,463	–	–	1,015,463
Deferred guarantee fee income	–	–	10,058	–	10,058
Deferred Wakalah fee income	–	–	35,723	–	35,723
Deferred taxation	563	594,150	1,061	17,917	613,691
Provision for taxation	18,170	716	2,138	–	21,024
Lease liability	4,791	–	–	–	4,791
Other liabilities	121,742	1,605	4,445	(2,311)	125,481
TOTAL LIABILITIES	36,808,485	2,620,913	53,425	15,606	39,498,429

* Total assets of CMGP and CSME comprise cash of RM1,645 and nil respectively. Total liabilities of CMGP and CSME were RM1,287 and nil respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

ASSETS AND LIABILITIES (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2018					
ASSETS					
Cash and short-term funds	187,340	237,144	43,676	–	468,160
Deposits and placements with financial institutions	1,698	626,172	24,469	–	652,339
Derivative financial instruments	362,078	–	–	–	362,078
Financial asset at FVOCI	2,476,285	1,187,981	203,062	–	3,867,328
Amounts due from counterparties	20,404,924	–	–	–	20,404,924
Islamic financing assets	10,029,953	–	–	–	10,029,953
Mortgage assets:					
– Conventional	5,344,710	1,594,614	–	–	6,939,324
– Islamic	5,915,527	1,942,420	–	–	7,857,947
Hire purchase assets:					
– Islamic	781	–	–	–	781
Amount due from a related company	294	–	–	(294)	–
Other assets	7,357	–	7	(775)	6,589
Property and equipment	4,694	–	–	–	4,694
Intangible assets	22,849	–	–	–	22,849
Deferred taxation	29,635	6,390	7,634	–	43,659
Tax recoverable	40,851	–	–	–	40,851
Investment in subsidiaries	4,181,628	–	–	(4,181,628)	–
TOTAL ASSETS	49,010,604	5,594,721	278,848	(4,182,697)	50,701,476
LIABILITIES					
Unsecured bearer bonds and notes	26,082,391	–	–	–	26,082,391
Sukuk	14,808,472	–	–	–	14,808,472
Derivative financial instruments	154,614	–	–	–	154,614
RMBS	–	1,270,318	–	–	1,270,318
IRMBS	–	1,261,353	–	–	1,261,353
Deferred guarantee fee income	–	–	7,393	–	7,393
Deferred Wakalah fee income	–	–	21,776	–	21,776
Deferred taxation	56,987	565,665	148	–	622,800
Provision for taxation	–	8,344	1,599	–	9,943
Other liabilities	86,997	492	3,284	(1,105)	89,668
TOTAL LIABILITIES	41,189,461	3,106,172	34,200	(1,105)	44,328,728

* Total assets of CMGP and CSME comprise cash of RM7,997 and nil respectively. Total liabilities of CMGP and CSME were RM4,899 and nil respectively.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

INCOME STATEMENTS

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2019					
Interest income	1,248,883	170,314	9,670	–	1,428,867
Interest expense	(948,756)	(62,825)	–	–	(1,011,581)
Income from Islamic operations	133,658	95,047	9,439	(2,487)	235,657
Non-interest (expense)/income	(11,357)	–	3,214	(35,453)	(43,596)
	422,428	202,536	22,323	(37,940)	609,347
Administration and general expenses	(24,986)	(4,806)	(3,735)	7,940	(25,587)
Personnel costs	(31,308)	–	–	–	(31,308)
OPERATING PROFIT	366,134	197,730	18,588	(30,000)	552,452
(Allowance)/write-back for impairment losses	(18,026)	627	(899)	–	(18,298)
PROFIT BEFORE TAXATION AND ZAKAT	348,108	198,357	17,689	(30,000)	534,154
Zakat	(926)	–	(111)	–	(1,037)
Taxation	(76,711)	(41,606)	(3,868)	–	(122,185)
PROFIT FOR THE FINANCIAL YEAR	270,471	156,751	13,710	(30,000)	410,932

* CMGP and CSME's loss for the financial year were RM2,746 and nil respectively

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

INCOME STATEMENTS (CONTINUED)

	The Company, Cagamas, CMGP and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2018					
Interest income	1,348,910	180,057	9,468	—	1,538,435
Interest expense	(1,030,201)	(67,245)	—	—	(1,097,446)
Income from Islamic operations	110,949	105,526	4,515	—	220,990
Non-interest (expense)/income	(32,390)	—	2,065	(36,332)	(66,657)
	397,268	218,338	16,048	(36,332)	595,322
Administration and general expenses	(30,715)	(4,522)	(2,564)	6,332	(31,469)
Personnel costs	(26,526)	—	—	—	(26,526)
OPERATING PROFIT	340,027	213,816	13,484	(30,000)	537,327
Write-back/(allowance) for impairment losses	6,068	1,844	(1,259)	—	6,653
PROFIT BEFORE TAXATION AND ZAKAT	346,095	215,660	12,225	(30,000)	543,980
Zakat	(1,584)	—	(78)	—	(1,662)
Taxation	(70,671)	(51,790)	(3,391)	—	(125,852)
PROFIT FOR THE FINANCIAL YEAR	273,840	163,870	8,756	(30,000)	416,466

* CMGP and CSME's loss for the financial year were RM6,530 and nil respectively

50 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:

- To align with industry best practices and benchmark set by the regulators;
- To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and
- To maintain a strong capital base to support the development of its business.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

50 CAPITAL ADEQUACY (CONTINUED)

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

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

The regulatory capital comprises of two tiers:

- (a) Tier I capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and
- (b) Tier II capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common equity Tier I ("CET I") and Tier I capital ratios refer to the ratio of total Tier I capital to risk-weighted assets. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

50.1 Regulatory capital

	Group	
	2019 %	2018 %
<u>Before deducting interim dividend*</u>		
CET I capital ratio	42.7	43.4
Tier I capital ratio	42.7	43.4
Total capital ratio	44.0	45.0
<u>After deducting interim dividend*</u>		
CET I capital ratio	42.5	43.3
Tier I capital ratio	42.5	43.3
Total capital ratio	43.8	44.8

* refers to proposed interim dividends which are to be declared after the financial year

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

50 CAPITAL ADEQUACY (CONTINUED)

50.1 Regulatory capital (continued)

	Group	
	2019 RM'000	2018 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Issued share capital	150,000	150,000
Retained profits	6,634,310	6,253,489
	6,784,310	6,403,489
Financial asset at FVOCI reserves	(56,921)	(4,970)
Deferred tax assets	(32,498)	(43,659)
Less: Regulatory reserves*	(109,779)	(144,472)
Total CET I/Tier I capital	6,585,112	6,210,388
Tier II capital		
Allowance for impairment losses	95,153	78,256
Add: Regulatory reserves*	109,779	144,472
Total Tier II capital	204,932	222,728
Total capital	6,790,044	6,433,116
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	14,252,495	13,115,681
Operational risk	1,181,945	1,187,334
Total risk-weighted assets	15,434,440	14,303,015

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

50 CAPITAL ADEQUACY (CONTINUED)

50.2 Proforma regulatory capital excluding CMBS

	Group	
	2019** %	2018** %
<u>Before deducting interim dividend*</u>		
CET I capital ratio	30.0	29.7
Tier I capital ratio	30.0	29.7
Total capital ratio	31.4	31.3
<u>After deducting interim dividend*</u>		
CET I capital ratio	29.8	29.5
Tier I capital ratio	29.8	29.5
Total capital ratio	31.2	31.1
	Group	
	2019** RM'000	2018** RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Issued share capital	150,000	150,000
Retained profits	3,991,847	3,767,666
	4,141,847	3,917,666
Financial asset at FVOCI reserves	(40,431)	2,244
Deferred tax assets	(29,314)	(37,269)
Less: Regulatory reserves***	(109,779)	(144,472)
Total CET I/Tier I capital	3,962,323	3,738,169
Tier II capital		
Allowance for impairment losses	70,803	53,182
Add: Regulatory reserves***	109,779	144,472
Total Tier II capital	180,582	197,654
Total capital	4,142,905	3,935,823
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	12,419,144	11,808,730
Operational risk	785,020	767,699
Total risk-weighted assets	13,204,164	12,576,429

* refers to proposed interim dividends which are to be declared after the financial year

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

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group	
	Note	2019 RM'000	2018 RM'000
ASSETS			
Cash and short-term funds	(a)	136,940	44,456
Deposits and placements with financial institutions	(b)	777,057	589,518
Financial asset at FVOCI	(c)	617,783	601,699
Derivative financial instruments		1,711	–
Financing assets	(d)	10,842,232	9,493,458
Mortgage assets	(e)	7,206,514	7,854,370
Hire purchase assets	(f)	132	287
Tax recoverable		–	18,153
Deferred taxation		9,112	15,637
Other assets and prepayments		288,602	289,105
TOTAL ASSETS		19,880,083	18,906,683
LIABILITIES			
Sukuk	(g)	15,849,883	14,808,472
IRMBS	(h)	1,015,463	1,261,353
Derivative financial instruments		4,369	3,924
Deferred taxation		293,073	280,304
Deferred Wakalah fees		35,723	21,776
Provision for taxation		8,391	6,129
Other liabilities	(i)	13,669	12,190
TOTAL LIABILITIES		17,220,571	16,394,148
ISLAMIC OPERATIONS' FUNDS		2,659,512	2,512,535
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		19,880,083	18,906,683

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019 RM'000	2018 RM'000
Total income attributable		933,323	885,332
Income attributable to the Sukuk holders	(j)	(692,759)	(661,246)
Non-profit expense		(4,907)	(5,253)
Total net income attributable	(k)	235,657	218,833
Administration and general expenses		(365)	(5,004)
(Allowance)/write-back for impairment losses		(15,328)	4,221
PROFIT BEFORE TAXATION AND ZAKAT		219,964	218,050
Zakat		(1,037)	(1,662)
Taxation		(77,008)	(52,403)
PROFIT FOR THE FINANCIAL YEAR		141,919	163,985

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 RM'000	2018 RM'000
Profit for the financial year	141,919	163,985
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Financial asset at FVOCI		
– Net gain on fair value changes before taxation	5,891	141
– Deferred taxation	(1,415)	(33)
Cash flow hedge		
– Net gain on cash flow hedge before taxation	766	1,730
– Deferred taxation	(184)	(415)
Other comprehensive income for the financial year, net of taxation	5,058	1,423
Total comprehensive income for the financial year	146,977	165,408

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Non-distributable				Distributable	
	Allocated capital funds RM'000	Financial asset at FVOCI reserves RM'000	Cashflow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2019	294,159	447	(2,739)	76,013	2,144,655	2,512,535
Profit for the financial year	–	–	–	–	141,919	141,919
Other comprehensive income	–	4,476	582	–	–	5,058
Total comprehensive income for the financial year	–	4,476	582	–	141,919	149,977
Transfer to retained profits	–	–	–	(17,452)	17,452	–
Balance as at 31 December 2019	294,159	4,923	(2,157)	58,561	2,304,026	2,659,512
Balance as at 1 January 2018	294,159	339	(4,054)	83,655	1,973,028	2,347,127
Profit for the financial year	–	–	–	–	163,985	163,985
Other comprehensive income	–	108	1,315	–	–	1,423
Total comprehensive income for the financial year	–	108	1,315	–	163,985	165,408
Transfer to retained profits	–	–	–	(7,642)	7,642	–
Balance as at 31 December 2018	294,159	447	(2,739)	76,013	2,144,655	2,512,535

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES		
Profit for the financial year	141,919	163,985
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on:		
– Financial asset at FVOCI	(5,094)	(10,745)
– Hire purchase assets	–	(1)
– Mortgage assets	(133,551)	(134,343)
– Sukuk	(13,149)	(17,641)
Income from operations	(760,880)	(723,316)
Income from derivatives	(46,307)	(47,221)
Profit attributable to:		
– Sukuk holders	641,755	604,387
– IRMBS holders	51,004	56,859
– derivatives	47,423	49,153
Gain on disposal of financial asset at FVOCI	(22)	(10)
Allowance/(write-back) for impairment losses on:		
– Cash and short-term funds	105	–
– Financial asset at FVOCI	25	–
– Financing assets	67	364
– Wakalah exposure	692	757
– Mortgage and hire purchase assets	14,439	(5,342)
Kafalah	5	–
Wakalah fee income	(8,039)	(3,653)
Taxation	88,440	52,239
Zakat	1,037	1,662
Operating profit/(loss) before working capital changes	19,869	(12,866)
Increase in cash and short-term funds and deposits and placements with bank and other financial institution with original maturity more than three months	(117,415)	(332,977)
Increase in financing assets	(1,354,168)	(3,927,912)
Decrease in mortgage assets	767,527	736,253
Decrease/(increase) in hire purchase assets	158	(102)
Increase in other assets and prepayments	(786,316)	(98)
Decrease in deferred financing fee	–	29
(Decrease)/increase in derivatives	(3,532)	590,600
Increase/(decrease) in other liabilities	1,082	(3,796)
Cash utilised in operating activities	(1,472,795)	(2,950,819)
Profit received from assets	1,553,911	703,184
Profit received from derivatives	49,957	52,593
Wakalah fee received	21,986	13,582
Profit paid on derivatives	(48,042)	(650,638)
Payment of:		
– Taxation	(50,330)	(50,835)
– Zakat	(812)	(973)
Net cash generated from/(utilised) in operations	53,875	(2,883,956)

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Note	Group	
	2019 RM'000	2018 RM'000
INVESTING ACTIVITIES		
Purchase of financial asset at FVOCI	(1,199,567)	(2,501,574)
Net proceeds from sale/redemption of financial asset at FVOCI	1,181,385	2,805,515
Income received from financial asset at FVOCI	11,004	13,321
Net cash (utilised in)/generated from investing activities	(7,178)	317,262
FINANCING ACTIVITIES		
Proceeds from issuance of Sukuk	3,995,000	6,020,000
Redemption of Sukuk	(2,932,000)	(2,812,053)
Redemption of IRMBS	(245,000)	—
Profit paid to Sukuk holders	(650,195)	(584,107)
Profit paid to IRMBS holders	(51,894)	(56,859)
Net cash generated from financing activities	115,911	2,566,981
Net increase in cash and cash equivalents	162,608	287
Effect of foreign exchange translation	—	—
Cash and cash equivalents as at 1 January	201,640	201,353
Cash and cash equivalents as at 31 December	364,248	201,640
Analysis of cash and cash equivalents:		
Cash and short-term funds	(a) 136,940	44,456
Deposits and placements with financial institutions	(b) 777,057	589,518
Less:		
Cash and short-term funds and deposits and placements with bank and other financial institution with original maturity more than three months	(549,749)	(432,334)
	364,248	201,640

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Cash changes		Non-cash changes			
	Balance as at the beginning of financial year RM'000	Net cash flows from financing activities RM'000	Effect of foreign exchange translation RM'000	Deferred financing fees RM'000	Accrued profits RM'000	Amortisation/ (accretion) RM'000	Balance as at the end of financial year RM'000
Group							
2019							
Sukuk	14,808,472	412,805	–	–	641,755	(13,149)	15,849,883
IRMBS	1,261,353	(296,894)	–	–	51,004	–	1,015,463
Total	16,069,825	115,911	–	–	692,759	(13,149)	16,856,346
2018							
Sukuk	11,597,878	2,623,819	–	29	604,387	(17,641)	14,808,472
IRMBS	1,261,353	(56,859)	–	–	56,859	–	1,261,353
Total	12,859,231	2,566,960	–	29	661,246	(17,641)	16,069,825

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

	Group	
	2019 RM'000	2018 RM'000
(a) <i>Cash and short-term funds</i>		
Cash and bank balances with bank and other financial institutions	661	197
Mudharabah money at call and deposit placements maturing within one month	136,384	44,259
Less:		
Allowance for impairment losses	(105)	–
	136,940	44,456

As at 31 December 2019, the gross carrying value of cash and short-term funds and the impairment allowance are within stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2019 RM'000	2018 RM'000
Stage 1		
At 1 January	–	–
Allowance during the year on new investments	105	–
At 31 December	105	–

There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

(b) *Deposits and placements with financial institutions*

	Group	
	2019 RM'000	2018 RM'000
Licensed banks	777,057	589,518

As at 31 December 2019, the gross carrying value of deposits and placements with financial institution are within stage 1 allocation (12-months ECL). There is no ECL made for this category as at 31 December 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	2018 RM'000
(c) <i>Financial asset at FVOCI</i>		
<i>At fair value:</i>		
Government investment issues	229,850	157,397
Quasi government Sukuk	173,525	303,986
Sukuk	214,408	140,316
	617,783	601,699

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

Maturing within one year	437,444	279,520
One to three years	81,270	199,394
Three to five years	67,077	112,761
More than five years	32,024	10,024

Less:

Allowance for impairment losses	(32)	–
	617,783	601,699

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	617,815	32

As at 31 December 2018, all financial asset at FVOCI balances were within stage 1 allocation (12-months ECL). There was no ECL made for this category of asset as at 31 December 2018 as the impact was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	2018 RM'000
(d) <i>Financing assets</i>		
House financing	10,842,232	9,474,562
Personal financing	–	18,896
	10,842,232	9,493,458
The maturity structure of financing assets are as follows:		
Maturing within one year	2,513,118	1,298,515
One to three years	5,823,131	4,269,044
Three to five years	2,506,636	3,926,485
	10,842,885	9,494,044
Less:		
Allowance for impairment losses	(653)	(586)
	10,842,232	9,493,458

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

	Group	
	2019 RM'000	2018 RM'000
Stage 1		
At 1 January	586	222
Allowance during the year on new assets purchased	87	234
Financing derecognised during the period due to maturity of assets	(4)	–
(Write-back)/allowance during the year due to changes in credit risk	(16)	130
At 31 December	653	586

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2019 RM'000	2018 RM'000
(e) <i>Mortgage assets</i>		
PWOR	7,206,514	7,854,370
The maturity structure of mortgage assets are as follows:		
Maturing within one year	1,029,302	1,016,941
One to three years	1,472,206	1,629,676
Three to five years	1,345,342	1,434,230
More than five years	4,169,923	4,688,274
	8,016,773	8,769,121
Less:		
Unaccreted discount	(748,709)	(878,662)
Net advance received	(11,019)	–
Allowance for impairment losses	(50,531)	(36,089)
	7,206,514	7,854,370

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	7,936,456	28,518
Stage 2 (Lifetime ECL; non credit impaired)	23,830	3,892
Stage 3 (Lifetime ECL; credit impaired)	56,487	18,121
At 31 December	8,016,773	50,531
Impairment allowance over gross carrying value (%)		0.63

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) *Mortgage assets (continued)*

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2018		
Stage 1 (12-months ECL; non credit impaired)	8,681,947	10,939
Stage 2 (Lifetime ECL; non credit impaired)	12,076	1,119
Stage 3 (Lifetime ECL; credit impaired)	75,098	24,031
At 31 December	8,769,121	36,089
Impairment allowance over gross carrying value (%)		0.41

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	10,939	1,119	24,031	36,089
Transfer between stages:				
Transfer to 12 months ECL (Stage1)	12,984	(3,806)	(9,178)	–
Transfer to ECL non credit impaired (Stage 2)	(488)	916	(428)	–
Transfer to ECL credit impaired (Stage 3)	(9,492)	(72)	9,564	–
Total transfer between stages	3,004	(2,962)	(42)	–
Financing derecognised during the period (other than write-offs)	(238)	(131)	(5,543)	(5,912)
Allowance/(write-back) during the year due to changes in credit risk	14,813	5,866	(325)	20,354
At 31 December	28,518	3,892	18,121	50,531

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2018				
At 1 January	11,602	5,175	24,687	41,464
Transfer between stages:				
– Transfer to 12 months ECL (Stage1)	11,458	(1,050)	(10,408)	–
– Transfer to ECL not credit impaired (Stage 2)	(4,103)	5,231	(1,128)	–
– Transfer to ECL credit impaired (Stage 3)	(9,735)	(54)	9,789	–
Total transfer between stages	(2,380)	4,127	(1,747)	–
Financing derecognised during the period (other than write-offs)	(214)	(368)	(2,837)	(3,419)
Allowance/(write-back) during the year due to changes in credit risk	1,931	(7,815)	3,963	(1,921)
Amount written off	–	–	(35)	(35)
At 31 December	10,939	1,119	24,031	36,089

	Group	
	2019 RM'000	2018 RM'000
(f) <i>Hire purchase</i>		
PWOR	132	287
The maturity structure of hire purchase assets are as follows:		
On demand	143	–
Maturing within one year	–	301
	143	301
Less:		
Allowance for impairment losses	(11)	(14)
	132	287

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase (continued)*

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	107	–
Stage 3 (Lifetime ECL; credit impaired)	36	11
At 31 December	143	11
Impairment allowance over gross carrying value (%)		7.7
2018		
Stage 1 (12-months ECL; non credit impaired)	246	–
Stage 3 (Lifetime ECL; credit impaired)	55	14
At 31 December	301	14
Impairment allowance over gross carrying value (%)		4.7

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(f) *Hire purchase (continued)*

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	–	–	14	14
Financing derecognised during the period (other than write-offs)	–	–	(10)	(10)
Allowance during the year due to changes in credit risk	–	–	7	7
At 31 December	–	–	11	11
2018				
At 1 January	1	–	18	19
Financing derecognised during the period (other than write-offs)	(1)	–	(4)	(5)
At 31 December	–	–	14	14

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) *Sukuk*

	Group	
	2019 RM'000	2018 RM'000
Medium-term notes	15,849,883	14,808,472

The maturity structures of Sukuk are as follows:

Maturing within one year	3,764,836	2,156,534
One to three years	6,030,000	5,266,938
Three to five years	3,630,000	4,645,000
More than five years	2,425,047	2,740,000
	15,849,883	14,808,472

(h) *IRMBS*

IRMBS	1,015,463	1,261,353
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The maturity structures of the IRMBS are as follows:

Maturing within one year	405,463	251,353
One to three years	320,000	400,000
Three to five years	–	320,000
More than five years	290,000	290,000
	1,015,463	1,261,353

(i) *Other liabilities*

Zakat	1,911	1,584
Other payables	9,627	9,166
Expected credit loss on Wakalah exposure	2,131	1,440
	13,669	12,190

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(i) *Other liabilities (continued)*

Expected credit loss on Wakalah exposure

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

	Unexpired financial Wakalah Exposure RM'000	Impairment allowance RM'000
By stage of allocation:		
2019		
Stage 1 (12-months ECL; non credit impaired)	184,558	715
Stage 2 (Lifetime ECL; non credit impaired)	2,096	965
Stage 3 (Lifetime ECL; credit impaired)	451	451
At 31 December	187,105	2,131
Impairment allowance over unexpired financial Wakalah exposure (%)		1.14
2018		
Stage 1 (12-months ECL; non credit impaired)	101,423	682
Stage 2 (Lifetime ECL; non credit impaired)	862	319
Stage 3 (Lifetime ECL; credit impaired)	439	439
At 31 December	102,724	1,440
Impairment allowance over unexpired financial Wakalah exposure (%)		1.40

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(i) *Other liabilities (continued)*

Expected credit loss on Wakalah exposure (continued)

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

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
At 1 January	682	319	439	1,440
Transfer between stages:				
– Transfer to 12 months ECL (Stage 1)	272	(141)	(131)	–
– Transfer to ECL non credit impaired (Stage 2)	(34)	125	(91)	–
– Transfer to ECL credit impaired (Stage 3)	(5)	(23)	28	–
Total transfer between stages	233	(39)	(194)	–
Allowance during the year on new Wakalah fee	387	364	96	847
Wakalah amount derecognised during the period (Write-back)/allowance during the year due to changes in credit risk	(9)	(19)	(72)	(100)
	(578)	340	182	(56)
At 31 December	715	965	451	2,131
2018				
At 1 January	325	157	201	683
Transfer between stages:				
– Transfer to 12 months ECL (Stage 1)	193	(156)	(37)	–
– Transfer to ECL not credit impaired (Stage 2)	(9)	23	(14)	–
– Transfer to ECL credit impaired (Stage 3)	(3)	(6)	9	–
Total transfer between stages	181	(139)	(42)	–
Allowance during the year on new Wakalah fee	355	151	98	604
Wakalah amount derecognised during the period (Write-back)/allowance during the year due to changes in credit risk	(2)	–	–	(2)
	(177)	150	182	155
At 31 December	682	319	439	1,440

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(j) *Income attributable to the Sukuk holders*

	Group	
	2019 RM'000	2018 RM'000
Mortgage assets	299,691	339,193
Financing assets	393,068	321,839
Hire purchase assets	–	214
	692,759	661,246
Income attributable to the Sukuk holders analysed by concept:		
Bai Al-Dayn	641,755	604,387
Musyarakah	51,004	56,859
	692,759	661,246

(k) *Total net income attributable*

Income from:		
Mortgage assets	161,052	147,262
Hire purchase assets	–	30
Financing assets	17,798	18,726
Financial asset at FVOCI	27,922	38,992
Deposits and placements with financial institutions	25,758	15,423
Wakalah fee	8,039	3,653
Kafalah expenses	(5)	–
Non-profit expense	(4,907)	(5,253)
	235,657	218,833

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(k) *Total net income attributable (continued)*

Total net income attributable analysed by concept are as follows:

	Group	
	2019 RM'000	2018 RM'000
Bai Al-Dayn	173,943	160,766
Mudharabah	11,390	11,409
Bai Bithaman Ajil	–	2,650
Murabahah	31,526	29,830
Musarakah	5,842	5,575
Wadiah Yad Dhamanah	348	1,527
Wakalah	9,984	6,018
Ijarah	624	210
Qard Al-Hassan	2,000	848
	235,657	218,833

(l) *Capital adequacy*

	Group	
	2019 %	2018 %
<u>Regulatory capital</u>		
<u>Before deducting interim dividend*</u>		
CET I capital ratio	33.3	37.9
Tier I capital ratio	33.3	37.9
Total capital ratio	34.7	39.7
<u>After deducting interim dividend*</u>		
CET I capital ratio	33.3	37.9
Tier I capital ratio	33.3	37.9
Total capital ratio	34.7	39.7

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

Regulatory capital (continued)

	Group	
	2019 RM'000	2018 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I capital		
Allocated capital fund	294,159	294,159
Other reserves	2,362,587	2,220,668
	2,656,746	2,514,827
Financial asset at FVOCI reserves	2,215	201
Deferred tax assets	(9,112)	(15,637)
Less: Regulatory reserves**	(58,561)	(76,013)
Total CET I/Tier I capital	2,591,288	2,423,378
Tier II capital		
Allowance for impairment losses	51,203	36,738
Add: Regulatory reserves**	58,561	76,013
Total Tier II capital	109,764	112,751
Total capital	2,701,052	2,536,129

* refers to proposed interim dividends which are to be declared after the financial year

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(I) *Capital adequacy (continued)*

Regulatory capital (continued)

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

	Group	
	2019 RM'000	2018 RM'000
Credit risk	7,345,862	5,956,712
Operational risk	427,606	430,281
Total risk-weighted assets	7,773,468	6,386,993

Proforma regulatory excluding CMBS

	Group	
	2019** %	2018** %
<u>Before deducting interim dividend*</u>		
CET I capital ratio	19.9	21.8
Tier I capital ratio	19.9	21.8
Total capital ratio	21.4	23.6
<u>After deducting interim dividend*</u>		
CET I capital ratio	19.9	21.8
Tier I capital ratio	19.9	21.8
Total capital ratio	21.4	23.6

* refers to proposed interim dividends which are to be declared after the financial year

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

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

Proforma regulatory excluding CMBS (continued)

	Group	
	2019** RM'000	2018** RM'000
Components of CET I, Tier I and Tier II capital		
CET I/Tier I capital		
Allocated capital funds	294,159	294,159
Other reserves	1,066,318	996,077
	1,360,477	1,290,236
Financial asset at FVOCI reserves	1,758	218
Deferred tax assets	(9,112)	(12,673)
Less: Regulatory reserves ***	(58,561)	(76,013)
Total CET I/Tier I capital	1,294,562	1,201,768
Tier II capital		
Allowance for impairment losses	35,749	24,903
Add: Regulatory reserves***	58,561	76,013
Total Tier II capital	94,310	100,916
Total capital	1,388,872	1,302,684
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	6,254,722	5,266,756
Operational risk	245,477	244,577
Total risk-weighted assets	6,500,199	5,511,333

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(m) *Shariah advisor*

The Group consults an independent Shariah advisor on an ad-hoc basis for all the Islamic products to ensure compliance with Islamic principles. In addition, the Group are required to obtain the approval of the Shariah Council of the regulatory bodies for the Islamic products.

52 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2020.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of The Companies Act 2016

We, Dato' Bakarudin bin Ishak and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 128 to 265 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2019 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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



DATO' BAKARUDIN BIN ISHAK
CHAIRMAN



TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION

Pursuant to Section 251(1) of The Companies Act 2016

I, Datuk Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 128 to 265 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.



DATUK CHUNG CHEE LEONG

Subscribed and solemnly declared by the abovenamed Datuk Chung Chee Leong at Kuala Lumpur in Malaysia on 29 April 2020.

Before me,
COMMISSIONER FOR OATHS



No. 43, Kompleks Emporium
Mekan Sek 62, Jalan Sultan
46200 Petaling Jaya, Selangor

INDEPENDENT AUDITORS' REPORT

To the Members of Cagamas Holdings Berhad
(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cagamas Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 128 to 265.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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, which we obtained prior to the date of this auditors' report, and the 2019 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

To the Members of Cagamas Holdings Berhad
(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT**(CONTINUED)**

To the Members of Cagamas Holdings Berhad
(Incorporated in Malaysia) (Registration No. 200701004048 (762047-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**Auditors' responsibilities for the audit of the financial statements (Continued)**

- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
CHARTERED ACCOUNTANTS



ONG CHING CHUAN
02907/11/2021 J
CHARTERED ACCOUNTANT

Kuala Lumpur
29 April 2020

PILLAR 3 DISCLOSURE

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PILLAR 3 DISCLOSURE

1.0 OVERVIEW

The Pillar 3 Disclosure is part of Bank Negara Malaysia's (BNM) requirements under its Risk-Weighted Capital Adequacy Framework (RWCAF) which consists of 3 Pillars:

- Pillar 1** Sets out the minimum capital requirements for credit, market and operational risks.
- Pillar 2** Aims to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times.
- Pillar 3** Aims to promote transparency through enhanced disclosure on risk management practices and capital adequacy.

From the regulatory standpoint, Cagamas Berhad (including its subsidiaries) (collectively referred to herein as Cagamas) is not required to comply with BNM's RWCAF Basel II Pillar 3 requirements but has chosen to adopt the disclosure requirement as a matter of best practice. The organisation's Pillar 3 disclosure is governed by the approved Disclosure Policy on Risk-Weighted Capital Adequacy Framework (Basel II Pillar 3) which documents the content, materiality, frequency of disclosure and internal controls over the disclosure process.

In determining the capital requirement for credit risk, Cagamas has adopted the Advanced Internal Rating Based (AIRB) Approach for the Purchase Without Recourse (PWOR) portfolio and Standardised Approach for Purchase With Recourse (PWR) portfolio and investments.

For market risk, the Standardised Approach is adopted whilst the risk-weighted capital requirement for operational risk is based on the Basic Indicator Approach which is the average of a percentage fixed by BNM of positive annual gross income over the previous three years.

Under BNM's RWCAF Basel II Pillar 3 requirements, the information disclosed herein is not required to be audited by external auditors. However, the disclosure has been reviewed and verified by internal auditors and approved by the Board of Directors. The Pillar 3 disclosure will be published annually together with the annual report which is available on Cagamas' website, www.cagamas.com.my.

2.0 SCOPE OF APPLICATION

The basis for consolidation is described in Note 2 to the financial statements. There are no capital deficiencies in any of the subsidiary companies of the Group during the year.

For the purpose of this Pillar 3 disclosure, the scope shall be restricted to the subsidiary which is material in relation to the Group's assets i.e., Cagamas Berhad and its subsidiaries only (i.e., "Cagamas"). The disclosure published is for the year ended 31 December 2019 and is based on the consolidated financial statements of Cagamas Berhad. Information on other subsidiaries of the Group is available in the notes to the financial statements.

PILLAR 3 DISCLOSURE

(CONTINUED)

3.0 CAPITAL MANAGEMENT

Cagamas' capital management is guided by its Capital Management Framework which sets out the minimum policies and procedures required to be put in place to ensure adequate capital is maintained to support the development of its businesses.

The framework aims to ensure that capital requirements are reviewed over a minimum 3-year period, consistent with the organisation's risk profile and business plan and also to maintain an adequate capital level at all times. This involves the following key initiatives:

- Focus on measuring return on capital employed in evaluating business proposals that require incorporating Cagamas' unique developmental role in the debt capital market and as a liquidity provider;
- Continuous monitoring of the robustness of its capital position and the efficient use of capital through the 3-year capital plan;
- Implementation of the Internal Capital Adequacy Assessment Process (ICAAP) as well as ensuring that capital requirements under stressed scenarios are taken into account in capital planning.

The capital management strategy is dynamic and forward-looking, incorporates the capital needs of existing and new businesses and takes into account the business environment that impacts the needs and values of the organisation.

The strategy requires the proactive management of Cagamas' capital structure to be effective whilst maintaining a strong and robust capital position aligned with the risk profile and supporting business growth. This involves ongoing review and monitoring of the level and quality of capital by the Board of Directors, assessed based on the following key objectives:

- Maintaining a high level of financial strength, correlated to the overall risk profile and risk appetite;
- Preserving financial flexibility for funding internal growth;
- Be able to withstand capital demands under market shocks and stress conditions;
- Maintaining strong external credit ratings; and
- Satisfying the expectations of the various stakeholders, counterparties, debt obligors, rating agencies and shareholders.

The capital adequacy requirements are computed in accordance with BNM's Capital Adequacy Framework (Capital Component) and Capital Adequacy Framework (Basel II – Risk Weighted Assets) which sets out the general requirements concerning regulatory capital adequacy, components of eligible regulatory capital and requirements for computing risk-weighted assets (RWA).

3.1 Capital Adequacy Ratios

The following table details the capital adequacy ratios for Cagamas:

	2019	2018
<i>Before deducting the proposed final dividend</i>		
CET1 Capital Ratio	29.3%	28.3%
Total Capital Ratio	30.7%	29.9%
<i>After deducting the proposed final dividend</i>		
CET1 Capital Ratio	29.1%	28.1%
Total Capital Ratio	30.5%	29.7%

PILLAR 3 DISCLOSURE

(CONTINUED)

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.2 Capital Structure

The following table details the capital structure for Cagamas:

	2019 RM'000	2018 RM'000
<i>CET I/Tier I Capital</i>		
Issued capital	150,000	150,000
Retained profits	3,731,398	3,520,998
Financial assets at FVOCI reserves	16,909	878
Less: Deferred tax assets	(17,451)	(29,179)
Less: Regulatory reserves	(109,779)	(144,472)
	3,771,077	3,498,225
<i>Tier II Capital</i>		
Allowance for impairment losses	71,037	53,182
Add: Regulatory reserves	109,779	144,472
	3,951,893	3,695,879

3.3 Minimum Regulatory Capital Requirement

The following table presents the minimum capital requirements to support Cagamas' RWA:

Exposure Class	2019 RM'000	2018 RM'000
Risk-weighted assets		
i) Credit Risk	12,197,228	11,672,578
ii) Operational Risk	694,875	685,542
Total Risk-Weighted Assets	12,892,103	12,358,120
Minimum capital requirement at 10.5% (2018: 8.0%)		
i) Credit Risk	1,280,709	933,806
ii) Operational Risk	72,962	54,843
Total	1,353,671	988,649

PILLAR 3 DISCLOSURE

(CONTINUED)

4.0 RISK MANAGEMENT

The Group takes a holistic and enterprise-wide view in managing risk across the subsidiaries with regular evaluation of risks.

4.1 Enterprise Risk Management (ERM) Framework

ERM forms part of the Group's culture and is embedded into business, operations and decision-making processes and practices. The ERM Framework is geared towards achieving the Group's objectives in the four categories below:

- Strategic – high-level goals, aligned with and supporting its mission
- Operations – effective and efficient use of its resources
- Financial – optimise return and sustainability of performance
- Reporting & Compliance – reliability of reporting and compliance with applicable laws and regulations

In line with the ERM, three lines of defence in managing risks are adopted within the Group. Business units, being the first line of defence have the primary responsibility of identifying, mitigating and managing risks within their lines of business. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.

An independent Risk Management and Compliance Division (RMD) plays the role of the second line of defence by providing specialised resources to proactively manage risks. This includes the assessment of risk exposures and the coordination of risk management on an enterprise-wide basis. RMD is also responsible for ensuring that risk policies are implemented accordingly.

The Internal Audit Department (IAD) being the third line of defence is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with internal risk policies.

PILLAR 3 DISCLOSURE

(CONTINUED)

4.0 RISK MANAGEMENT (CONTINUED)

4.2 Risk Governance Structure

<div>Board of Directors (BOD or “the Board”)</div> <div><ul style="list-style-type: none">• Sets the overall strategic direction for the Group;• Provides oversight to ensure that management has appropriate risk management systems and practices to manage risks associated with the Group’s operations and activities;• Sets the risk appetite and tolerance levels that are consistent with the Group’s overall business objectives and desired risk profile;• Reviews and approves all significant risk management policies and risk exposures.</div>		
<div>Board Risk Committee (BRC)</div> <div>Assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group’s risks. The BRC is supported by management committees which address key risks identified.</div>		
<div>Management Executive Committee (MEC)</div> <div>Undertake the oversight function for overall risk limits, aligning them to the risk appetite set by the Board.</div>	<div>Asset Liability Committee (ALCO)</div> <div>Undertake the oversight function for liquidity management and capital allocation, aligning them to the risk appetite set by the Board.</div>	
<div>Management</div> <div>Responsible for the implementation of policies laid down by the Board and ensuring there are adequate and effective operational procedures, internal controls and systems to support these policies.</div>		
<div>First Line of Defence</div> <div>Business and Support Function</div> <div>Primary responsibility of identifying, mitigating and managing risks within their lines of business. They also ensure that their day-to-day activities are carried out within established risk policies, procedures and limits.</div>	<div>Second Line of Defence</div> <div>Risk Management & Compliance Division</div> <div>Monitoring and reporting of risk exposures independently and coordinating the management of risks on an enterprise-wide basis. It is independent of other departments involved in risk taking activities and reports directly to the BRC.</div>	<div>Third Line of Defence</div> <div>Internal Audit Department</div> <div>Responsible for independently reviewing the adequacy and effectiveness of risk management processes, system of internal controls and compliance with internal policies.</div>

Note: The External Auditor conducts independent review in order to obtain reasonable assurance that the Group’s financial statements are free from material misstatement.

PILLAR 3 DISCLOSURE

(CONTINUED)

4.0 RISK MANAGEMENT (CONTINUED)

4.3 Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP primarily involves a comprehensive assessment of all material risks that Cagamas is exposed to, including assessing the adequacy of the capital in relation to its risks and setting capital targets that are commensurate with its risk profile and operating environment, taking into consideration Cagamas' business strategy and risk appetite. The following are the main components in the organisation's ICAAP:

Risk Appetite

Risk appetite is the acceptable risk tolerance for each material risk category and other related parameters in achieving business objectives. It does not seek to prevent risk taking. Instead, it ensures that the risks undertaken are aligned to chosen business strategies.

Material Risk Assessment & Quantification

This component requires analysis of all risks that occur in business activities and recognition of the risks that Cagamas can be exposed to in the future. These include quantifiable and non-quantifiable risks. Risks are aggregated in order to determine the overall risk under the ICAAP, including impact assessment of stress on the internal Total Capital Ratio target.

Stress Testing

Rigorous and forward-looking stress testing is an integral part of ICAAP, enabling assessment of the impact to capital adequacy arising from adverse events or changes in market conditions. Further stress testing would enable Cagamas to assess the vulnerability of its statement of financial position and resilience of financial plans to extreme but plausible stress events.

To ensure effectiveness of stress test results, a range of scenarios is considered which includes at least an adverse economic scenario that is severe but plausible, such as a severe economic downturn and/or a system-wide shock to liquidity. The stress test would be conducted company-wide covering all relevant risk areas and material entities. Results of the stress test are deliberated by the MEC and reported to the BRC and the Board.

Capital Management

Measurement of the available capital and capital instruments is detailed out in the Capital Management Framework. The components considered as available capital are reviewed or enhanced as and when required to ensure its relevance.

Independent Review

An independent review of ICAAP is performed to review the processes or systems for assessing the various risks that Cagamas is exposed to and for relating the risks to capital levels. The scope includes review of the appropriateness of the ICAAP, the identification of material risks, the reasonableness of stress testing scenarios, the integrity, verifiability and completeness of data inputs and the assumptions used.

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK

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 arises from PWR and PWOR business, investments and treasury hedging activities. Cagamas seeks to take credit risk that meets the underwriting standards while ensuring that the risk taken is commensurate with the return.

Credit Risk Management Oversight and Organisation

The MEC is the management committee responsible for the organisation's overall credit risk exposure, taking a proactive view of risks and positioning the credit portfolio. MEC, which is chaired by the CEO, also reviews the credit risk management framework, the credit profile of material portfolios, and aligns credit risk management with business strategy.

Business Units undertake thorough credit assessment prior to submission to the Credit Risk Section of the RMD. The Credit Risk Section will independently assess the credit risk of the counterparty taking into consideration the financial strength and business profile prior to recommendation to the MEC. The Credit Risk Section is also responsible for formulating and developing credit risk policies and procedures for identifying, measuring, monitoring and reporting credit risk. Credit limits are approved by the MEC within the risk appetite set by the Board.

Regular risk reporting which includes quality of portfolio, changes in counterparties' rating and concentration risk exposures is made to the BRC and the Board for their oversight.

Credit Risk Management Approach

Credit risk management includes the establishment of credit risk policies and procedure manuals wherein the credit processes, controls, approval authority, risk rating/scoring and review are documented. These standards cover credit origination, measurement and documentation as well as problem recognition, classification and remedial actions.

Cagamas manages its credit risk via a thorough assessment of the counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financings to be purchased. There is an internal rating system in place, which sets out the maximum credit limit permissible for each category of rating.

Credit limits are reviewed periodically and are determined based on the combination of external ratings, internal credit assessment and business requirements. Financing activities are also guided by internal credit policies, procedure manuals and the Risk Appetite Framework approved by the Board.

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

Key areas of credit exposures:

(a) Purchase With Recourse (PWR)

Under the PWR scheme, Cagamas takes on counterparty risk i.e., credit risk of the selling institutions given the latter's undertaking to repurchase or replace ineligible loans. Reviews on counterparties are conducted at least once a year with updated information. There are strict limits on counterparty exposures based on rating and internal credit assessment. In addition, concentration risk under PWR is managed and monitored via concentration limits established based on the type of counterparty and the type of assets.

(b) Purchase Without Recourse (PWOR)

As for the PWOR scheme, Cagamas absorbs all the credit risk of the loans and financing acquired wherein purchases are restricted to the approved sellers and assets. Purchase of these loans is managed via adherence to stringent eligibility criteria and due diligence on a sample of the portfolio prior to the purchase. To further mitigate credit risks, PWOR purchases may include loans with an automated salary deduction feature. These portfolios are monitored via concentration limits based on property types and location.

(c) Investment and Derivatives Activities

The management of credit risk arising from the investment of surplus funds is primarily via the setting of counterparty credit limits. These credit limits are established following an assessment of the counterparty's creditworthiness and is subject to the credit policy on investment which stipulates the minimum investment grade for debt securities and the maximum tenure. The policy is subject to regular review. Credit exposures are also controlled through independent monitoring and reporting of excesses and breaches against approved limits and risk mitigation thresholds.

Cagamas' exposures to Interest Rate Swaps (IRS), Islamic Profit Rate Swaps (IPRS), Cross Currency Swaps (CCS) and Islamic Cross Currency Swaps (ICCS) are for hedging purposes only.

5.1 Credit Risk Mitigation

Credit limits are assigned on the basis of the counterparty's credit standing, source of repayment, debt servicing ability and business requirements.

Under the PWR scheme, Cagamas accepts guarantee from the parent company of corporate and institutional counterparties to mitigate credit risk subject to internal guidelines and policy. Credit exposure which is secured by a guarantee from an eligible guarantor, is weighted according to the risk weight appropriate to the guarantor. In accordance with BNM's RWCAF guidelines, this guarantee shall not be considered again for credit risk mitigation purposes as the rating has already taken into account the guarantee provided by the parent of the counterparty.

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.1 Credit Risk Mitigation (continued)

The following table presents the minimum regulatory capital requirement for credit risk:

	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at at 10.5% (2018: 8.0%) RM'000
2019				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Banks	1,483,669	1,483,669	—	—
Banks, Development Financial Institutions & Multilateral Development Banks	27,535,704	27,535,704	6,659,760	699,275
Corporates & Leasing Companies	1,329,689	1,329,689	371,083	38,963
Mortgage Assets	10,263,642	10,263,642	4,761,754	499,984
Hire Purchase Assets	101	101	46	5
Other Assets	38,730	38,730	38,730	4,067
Defaulted Exposures	83,135	83,135	329,910	34,641
Total	40,734,670	40,734,670	12,161,283	1,276,935
Off-balance sheet exposure:				
Derivative Financial Instruments	179,724	179,724	35,945	3,774
Total Credit Exposures	40,914,394	40,914,394	12,197,228	1,280,709
2018				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Banks	1,384,619	1,384,619	—	—
Banks, Development Financial Institutions & Multilateral Development Banks	30,879,026	30,879,026	7,304,430	584,354
Corporates & Leasing Companies	1,197,322	1,197,322	315,687	25,255
Mortgage Assets	11,152,743	11,152,743	3,414,251	273,140
Hire Purchase Assets	728	728	201	16
Other Assets	75,070	75,070	75,070	6,006
Defaulted Exposures	107,548	107,548	428,795	34,304
Total	44,797,056	44,797,056	11,538,434	923,075
Off-balance sheet exposure:				
Derivative Financial Instruments	670,721	670,721	134,144	10,731
Total Credit Exposures	45,467,777	45,467,777	11,672,578	933,806

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures

Cagamas' counterparties are mainly the Government of Malaysia (GOM), financial institutions, development financial institutions and corporate companies in Malaysia. The following tables present the analysis of credit exposure of financial assets before the effect of credit risk mitigation by:

(a) Industrial analysis based on industrial distribution:

2019	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	-	-	1,069,398	-	-	-	-	-	-	469	1,069,867
Financial institutions:											
- Commercial banks	247,189	58,422	158,961	-	16,114,189	10,480,965	-	-	-	-	27,059,726
- Investment banks	94,118	-	-	-	-	-	-	-	-	-	94,118
- Development banks	-	-	91,848	-	-	361,267	-	-	-	-	453,115
Communications, electricity, gas and water	-	-	179,509	-	-	-	-	-	-	-	179,509
Transportation	-	-	384,292	-	-	-	-	-	-	-	384,292
Leasing	-	-	-	-	542,965	-	-	-	-	-	542,965
Consumers	-	-	-	-	-	-	4,836,313	5,510,428	136	-	10,346,877
Corporates	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	8,978	176,756
Total	341,307	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	9,447	40,705,387

PILLAR 3 DISCLOSURE
(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures

(a) Industrial analysis based on industrial distribution (continued):

	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	Financial assets at FVOCI RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
2018										
Government bodies	-	-	952,666	-	-	-	-	-	773	953,439
Financial institutions:										
- Commercial banks	144,550	362,078	364,632	19,875,677	10,029,953	-	-	-	-	30,776,890
- Investment banks	42,242	-	-	-	-	-	-	-	-	42,242
- Development banks	-	-	151,135	-	-	-	-	-	-	151,135
Communications, electricity, gas and water	-	-	100,565	-	-	-	-	-	-	100,565
Transportation	-	-	365,378	-	-	-	-	-	-	365,378
Leasing	-	-	-	529,247	-	-	-	-	-	529,247
Consumers	-	-	-	-	-	5,344,710	5,915,527	781	-	11,261,018
Corporates	-	-	192,685	-	-	-	-	-	-	192,685
Construction	-	-	76,090	-	-	-	-	-	-	76,090
Others	-	-	273,134	-	-	-	-	-	6,878	280,012
Total	186,792	362,078	2,476,285	20,404,924	10,029,953	5,344,710	5,915,527	781	7,651	44,728,701

(b) Geographical location analysis is not applicable because all credit exposures comprise domestic exposures.

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(c) Maturity analysis based on the residual contractual maturity

2019	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ non-profit bearing RM'000	Total RM'000
On-balance sheet exposure:						
Cash and short-term funds	230,501	–	–	–	110,806	341,307 ^{^1}
Financial assets at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565 ^{^2}
Financial assets at FVTPL	141,383	–	–	–	–	141,383
Amount due from counterparties	7,491,962	8,527,330	–	637,921	(59)	16,657,154 ^{^3}
Islamic financing assets	2,513,118	5,823,131	2,506,636	–	(653)	10,842,232 ^{^4}
Mortgage assets:						
– Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313 ^{^5}
– Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428 ^{^6}
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	– ^{^7}
– Islamic	147	–	–	–	(11)	136 ^{^8}
Other assets	22,854	16,004	492	22,506	35,296	97,152
Total on-balance sheet exposure	12,598,892	16,986,211	4,845,954	7,427,580	(1,123,967)	40,734,670
Off-balance sheet exposure:						
IRS/IPRS	4,860	29,165	3,300	44,725	–	82,050
CCS/ICCS	73,068	24,606	–	–	–	97,674
Total	12,676,820	17,039,982	4,849,254	7,472,305	(1,123,967)	40,914,394

^{^1} Includes impairment losses on cash and short-term funds of RM105,036.

^{^2} Includes impairment losses on financial assets at FVOCI of RM127,815.

^{^3} Includes impairment losses on amount due from counterparties of RM59,047.

^{^4} Includes impairment losses on Islamic financing assets of RM653,198.

^{^5} Includes impairment losses on conventional mortgage assets of RM34,992,500.

^{^6} Includes impairment losses on Islamic mortgage assets of RM35,084,485.

^{^7} Includes impairment losses on conventional hire purchase assets of RM2,059.

^{^8} Includes impairment losses on Islamic hire purchase assets of RM12,461.

PILLAR 3 DISCLOSURE
(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(c) Maturity analysis based on the residual contractual maturity (continued)

	Within one year RM'000	One to three years RM'000	Three to five years RM'000	More than five years RM'000	Non-interest/ non-profit bearing RM'000	Total RM'000
2018						
On-balance sheet exposure:						
Cash and short-term funds	116,537	–	–	–	70,255	186,792
Financial assets at FVOCI	518,227	475,208	676,771	806,079	–	2,476,285
Amount due from counterparties	6,004,319	8,420,632	5,345,008	635,032	(67)	20,404,924 ^{^1}
Islamic financing assets	1,835,052	4,269,044	3,926,484	–	(627)	10,029,953 ^{^2}
Mortgage assets:						
– Conventional	893,068	1,150,650	1,007,432	3,013,592	(720,032)	5,344,710 ^{^3}
– Islamic	732,631	986,926	944,979	3,979,811	(728,820)	5,915,527 ^{^4}
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	– ^{^5}
– Islamic	795	–	–	–	(14)	781 ^{^6}
Other assets	356,716	1,699	795	6,900	71,974	438,084
Total on-balance sheet exposure	10,457,347	15,304,159	11,901,469	8,441,414	(1,307,333)	44,797,056
Off-balance sheet exposure:						
IRS/IPRS	–	38,456	20,750	30,739	–	89,945
CCS/ICCS	375,388	205,388	–	–	–	580,776
Total	10,832,735	15,548,003	11,922,219	8,472,153	(1,307,333)	45,467,777

^{^1} Includes impairment losses on amount due to counterparties of RM66,581.

^{^2} Includes impairment losses on Islamic financing assets of RM627,130.

^{^3} Includes impairment losses on conventional mortgage assets of RM28,210,459.

^{^4} Includes impairment losses on Islamic mortgage assets of RM24,261,116.

^{^5} Includes impairment losses on conventional hire purchase assets of RM2,059.

^{^6} Includes impairment losses on Islamic hire purchase assets of RM14,937.

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.3 Off-Balance Sheet Exposure and Counterparty Credit Risk (CCR)

CCR on derivative financial instruments is the risk that a counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to or on maturity date of the contract and Cagamas, at the relevant time has a claim on the counterparty. Derivative financial instruments restricted to interest rate and foreign exchange related contracts are entered into solely for hedging purposes.

Off-Balance Sheet Exposures	Principal Amount RM'000	Positive Fair Value of Derivatives Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2019				
Derivative Financial Instruments	6,148,652	58,422	179,724	35,945
IRS/IPRS				
– Less than 1 year	1,560,000	1,710	4,861	972
– 1 year to less than 5 years	1,755,000	7,265	32,465	6,493
– 5 years and above	160,000	20,725	44,725	8,945
CCS/ICCS				
– Less than 1 year	2,399,965	20,537	73,067	14,614
– 1 year to less than 5 years	273,687	8,185	24,606	4,921
2018				
Derivative Financial Instruments	7,873,652	362,078	670,721	134,144
IRS/IPRS				
– 1 year to less than 5 years	3,315,000	856	59,206	11,841
– 5 years and above	160,000	5,139	30,739	6,148
CCS/ICCS				
– Less than 1 year	1,725,000	319,325	375,387	75,077
– 1 year to less than 5 years	2,673,652	36,758	205,389	41,078

5.4 Credit Rating

5.4.1 Assignment of risk-weights under the Standardised Approach

Under the Standardised Approach, the credit rating assigned by the credit rating agencies is used in the calculation of credit risk-weighted assets for PWR, investment, IRS and CCS assets in accordance with BNM RWCAF. Rating agencies or External Credit Assessment Institutions ("ECAI") recognised by BNM are as follows:

- (i) Standard & Poor's Rating Services (S&P);
- (ii) Moody's Investors Service (Moody's);
- (iii) Fitch Ratings (Fitch);
- (iv) RAM Rating Services Berhad (RAM);
- (v) Malaysian Rating Corporation Berhad (MARC); and
- (vi) Rating & Investment Information, Inc (R&I).

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

5.4.1 Assignment of risk-weights under the Standardised Approach (continued)

In accordance with BNM's RWCAF, where the exposure is rated by more than one external rating agency, risk-weight shall be determined based on the second highest rating. For Cagamas, if exposure is denominated in local currency and where the exposure is rated by more than one external rating agency, risk weight is determined based on the second highest local rating. The counterparty shall be deemed as unrated when an exposure is not rated by the rating agency whilst the exposure which is secured by an explicit guarantee issued by an eligible or rated guarantor, rating similar to that of the guarantor is assigned. For the purpose of internal rating, the lowest rating is adopted in cases where the counterparty is rated by more than one external rating agency.

The following table presents the credit exposures of Cagamas after the effect of credit risk mitigation by risk-weights:

Risk Weights	Sovereign & Central Banks RM'000	FI & DFI* RM'000	Corporates & Leasing Companies RM'000	Other Assets RM'000	Total Risk- Weighted Assets RM'000
2019					
0%	1,483,669	—	—	1	—
10%	—	—	—	—	—
20%	—	23,873,365	979,205	—	4,970,514
50%	—	3,842,063	350,484	—	2,096,275
100%	—	—	—	38,729	38,729
Total	1,483,669	27,715,428	1,329,689	38,730	7,105,518
Average Risk Weights	0.0%	24.2%	27.9%	100.0%	23.2%
2018					
0%	1,384,619	—	—	—	—
10%	—	—	—	—	—
20%	—	27,787,664	943,246	—	5,746,090
50%	—	3,762,083	254,076	—	2,008,171
100%	—	—	—	75,070	75,070
Total	1,384,619	31,549,747	1,197,322	75,070	7,829,331
Average Risk Weights	0.0%	23.6%	26.4%	100.0%	22.9%

* FI – Financial Institutions

DFI – Development Financial Institutions

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

5.4.1 Assignment of risk weights under the Standardised Approach (continued)

The following table is a summary of the risk weight mapping matrix and the allocation of risk weights under the Standardised Approach:

Exposure class:	Rating of Counterparties by Approved ECAs				
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
R&I Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated

<i>On and Off-balance sheet exposure</i>	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Sovereign/Central Banks [#]	1,483,669	—	—	—	—
FI and DFI	23,873,365	3,842,063	—	—	—
Corporates and Leasing Companies	979,205	350,484	—	—	—
Other Assets	—	—	—	—	38,730
Total	26,336,239	4,192,547	—	—	38,730
2018					
Sovereign/Central Banks [#]	1,384,619	—	—	—	—
FI and DFI	27,787,664	3,762,083	—	—	—
Corporates and Leasing Companies	943,246	254,076	—	—	—
Other Assets	—	—	—	—	75,070
Total	30,115,529	4,016,159	—	—	75,070

[#] Under BNM RWCAF, exposures to and/or guaranteed by the Federal Government of Malaysia are accorded a preferential sovereign risk weight of 0%.

PILLAR 3 DISCLOSURE
(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.4 Credit Rating (continued)

5.4.2 Assignment of risk-weights under the Advanced Internal Rating Based (AIRB) Approach

Cagamas adopts the AIRB approach for its PWOR exposure which primarily consists of mortgage loans and hire purchase loans using 3 key parameters i.e. PD, LGD and Exposure at Default (EAD) to quantify credit risk.

The risk estimates are developed based on internal historical data wherein study on the historical behaviour of the portfolio forms the basis for the computation of PD and LGD. EAD is the exposure when default occurs.

Disclosure on exposure by PD range:-

	EAD RM'000	LGD %	Exposure Weighted Average RW %	RWA RM'000
2019				
<u>Mortgage assets</u>				
PD range: up to 0.5%	—	—	—	—
>0.5% to 3%	11,480,796	32.08%	40.95%	4,701,371
>3% to <100%	36,013	32.08%	167.67%	60,383
100%	83,097	32.08%	396.84%	329,759
<u>Hire purchase assets</u>				
PD range: up to 0.5%	—	—	—	—
>0.5% to 3%	112	32.08%	40.95%	46
>3% to <100%	—	—	—	—
100%	38	32.08%	396.84%	151
Total	11,600,056			5,091,710
2018				
<u>Mortgage assets</u>				
PD range: up to 0.5%	—	—	—	—
>0.5% to 3%	12,601,597	32.08%	27.09%	3,414,251
>3% to <100%	—	—	—	—
100%	107,491	32.08%	398.71%	428,576
<u>Hire purchase assets</u>				
PD range: up to 0.5%	—	—	—	—
>0.5% to 3%	743	32.08%	27.09%	201
>3% to <100%	—	—	—	—
100%	55	32.08%	398.71%	219
Total	12,709,886			3,843,247

PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans

Refer to Note 2 of the Financial Statements for the accounting policies and accounting estimates on impairment assessment for loans, advances and financing. This credit impairment policy is applicable to the Group.

(a) The following table is a summary of the impairment allowance by economic purposes:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2019					
Purchase of mortgage assets	37,290,826	83,097	37,373,923	70,760	37,303,163
Purchase of motor vehicles/equipment	543,105	38	543,143	43	543,100
	37,833,931	83,135	37,917,066	70,803	37,846,263
2018					
Purchase of mortgage assets	41,092,628	107,491	41,200,119	53,142	41,146,977
Purchase of motor vehicles/equipment	530,011	57	530,068	40	530,028
Personal use	18,890	–	18,890	–	18,890
	41,641,529	107,548	41,749,077	53,182	41,695,895

PILLAR 3 DISCLOSURE
(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.5 Past Due and Impaired Loans (continued)

(b) The following table is a summary of the impairment allowance by product-type:

	Neither more than 90 days past due nor individually impaired RM'000	More than 90 days past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000
2019					
Amount due from counterparties (inclusive hire purchase assets)	16,657,213	–	16,657,213	59	16,657,154
Islamic financing assets	10,842,885	–	10,842,885	653	10,842,232
Mortgage assets					
– Conventional	4,826,374	44,932	4,871,306	34,993	4,836,313
– Islamic	5,507,347	38,165	5,545,512	35,084	5,510,428
Hire purchase assets					
– Conventional	–	2	2	2	–
– Islamic	112	36	148	12	136
	37,833,931	83,135	37,917,066	70,803	37,846,263
2018					
Amount due from counterparties (inclusive hire purchase assets)	20,404,991	–	20,404,991	67	20,404,924
Islamic financing assets	10,030,580	–	10,030,580	627	10,029,953
Mortgage assets					
– Conventional	5,312,311	60,609	5,372,920	28,210	5,344,710
– Islamic	5,892,906	46,882	5,939,788	24,261	5,915,527
Hire purchase assets					
– Conventional	–	2	2	2	–
– Islamic	741	55	796	15	781
	41,641,529	107,548	41,749,077	53,182	41,695,895

PILLAR 3 DISCLOSURE

(CONTINUED)

6.0 MARKET & LIQUIDITY RISK

Market risk is the potential loss arising from adverse movement of market prices and rates. Market risk exposure is limited to interest rate and foreign exchange as Cagamas is not engaged in any equity or commodity trading activities. There is also no exposure to interest rate and foreign exchange risk arising from trading activities as it is prohibited.

Liquidity risk arises when funds are insufficient to meet financial obligations when they fall due.

Market and Liquidity Risk Management Oversight and Organisation

The ALCO is the management committee responsible for the management of market and liquidity risk activities including the setting of risk limits. The ALCO, which is chaired by the CEO, reviews Cagamas' market and liquidity risk policies, funding strategy, aligns market and liquidity risk management with business strategies and reviews performance of the investment portfolio, hedged positions, risk limits/compliance and stress test results.

RMD supports ALCO at the working level and is an independent risk control unit responsible for developing the market and liquidity risk policy and ensuring adequate risk control oversight.

Market and Liquidity Risk Management Approach

Cagamas manages market and liquidity risks by imposing threshold limits which are approved by management within the parameters approved by the Board based on a risk-return relationship.

Further, a strict match-funding policy is adhered to where all asset purchases are funded by bonds of closely matched size as well as duration and each transaction is self-sufficient in terms of cash flow. A forward looking liquidity mechanism is in place to promote efficient and effective cash flow management while avoiding excessive concentration 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. Liquidity reserves which comprises marketable debt securities are also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

Derivatives instruments such as interest rate swaps and cross currency swaps are used to manage and hedge market risk exposures against fluctuation in interest rates and foreign exchange. Liquidity management processes involve regular monitoring against liquidity risk limits and establishing contingency funding plans. These processes are subject to regular review. Liquidity based on Basel III liquidity coverage ratio and net stable funding ratio are also monitored.

6.1 Management of Interest Rate Risk in the Banking Book

The interest rate risk in the banking book is monitored on a monthly basis and exposure is minimal given the match funding approach adopted by Cagamas for its assets and liabilities. The impact on net interest income is simulated and the following table summarises the impact arising from a 100 basis points parallel shift.

Type of Currency	Impact on Position as at 31 December 2019	
	(–100 basis points) Parallel Shift	(+100 basis points) Parallel Shift
	Decline in Net Interest Income RM'000	Increase in Net Interest Income RM'000
MYR	(5,398)	5,404

PILLAR 3 DISCLOSURE

(CONTINUED)

6.0 MARKET & LIQUIDITY RISK (CONTINUED)

6.1 Management of Interest Rate Risk in the Banking Book (continued)

Type of Currency	Impact on Position as at 31 December 2018	
	(–100 basis points) Parallel Shift	(+100 basis points) Parallel Shift
	Decline in Net Interest Income RM'000	Increase in Net Interest Income RM'000
MYR	(3,685)	3,691

6.2 Management of Non-Traded Foreign Exchange Risk

Cagamas is exposed to foreign exchange risk from Treasury funding activities when functional currencies are not in *Ringgit Malaysia*. Foreign currency risk is managed/hedged by entering into CCS/ICCS with selected counterparties concurrently with bond issuance and asset purchase to ensure that there is no timing mismatch amongst cash flows from the underlying assets, obligations on the foreign currency bonds as well as the hedge instrument.

7.0 OPERATIONAL RISK

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

Operational Risk Management Oversight and Organisation

The MEC governs the overall operational risk within the organisation. The Committee meets at least on a quarterly basis and discusses operational risk related issues.

RMD established the Operational Risk Management (ORM) Framework which clearly defines Cagamas' approach to operational risk management that includes the Risk & Control Self-Assessment/Operational Risk Policy and Standards ("The Policy"). The Operational Risk Section of RMD provides independent oversight of operational risk monitoring and control. Legal Risk is managed by the Legal Department and where necessary, in consultation with external legal counsel.

Operational Risk Management Approach

The Operational Risk Management policy codifies the core governing principles for operational risk management and provides a consistent, value added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment.

Business/Support Units constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk. These units are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken comply with the Group's operational risk management framework. Each Business/Support unit undertakes self-assessment of the risk and control environment to identify, assess and manage its operational risks. Operational risk losses and incidents are reported to management and BRC through RMD which provides independent assessment.

PILLAR 3 DISCLOSURE

(CONTINUED)

7.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Approach (continued)

The management places a very high value on maintaining an effective control environment to mitigate operational risk. Therefore, a number of tools have been put in place to mitigate this risk. These tools range from:

- Risk & Control Self-Assessment (“RCSA”) which is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool which facilitates effective operational risk management for the organisation. The RCSA is signed-off by the respective department’s management;
- Key risk indicators as early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring;
- Incident management which is a structured process and system to identify and focus attention on operational ‘hotspots’ and to minimise the risk impact; and
- Operational loss reporting involves the process of collecting, evaluating, monitoring and reporting operational risk loss, including near-misses, data which provides an important metric in the measurement of key operational risk.

Improvements in controls and safeguards against cyber security threats and technology risk to protect confidentiality, integrity and availability of critical information assets and critical systems of the company. RMD works closely with business units and this is a continuous effort. In order to ensure uninterrupted services and to safeguard staff and assets during disaster, Cagamas has put in place a well defined Business Continuity Management Framework (BCM) for its various critical functions. BCM comprises of Business Continuity Plan (BCP) and Disaster Recovery (DR), which can be activated in the event of business disruption/disaster. The resilience of these plans under different scenarios is being tested on an ongoing basis through regular DR exercises.

The Basic Indicator approach is used for calculating Operational Risk Capital.

8.0 SHARIAH GOVERNANCE DISCLOSURE

Cagamas consults and obtains endorsement/clearance from an independent Shariah Advisor for its Islamic products and transactions to ensure compliance with Shariah requirements. In addition, the approval of the Shariah Advisory Councils of Bank Negara Malaysia and/or Securities Commission Malaysia is obtained for its Islamic products, if required.

Periodic Shariah reviews/audits are performed to verify that Islamic products and operations are in compliance with the Shariah opinions or endorsements issued by the independent Shariah Advisor and the Joint Shariah Advisors for sukuk programmes, where applicable. Incidences of Shariah non-compliance are reported to the independent Shariah Advisor, the Group Board Audit Committee, BRC and the Board. Remedial actions are presented for the endorsement of the independent Shariah Advisor and for notification to the BRC or the Board.

During the financial period under review, no Shariah non-compliance event has been reported.

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Number of Shares

I/We _____
(FULL NAME IN BLOCK CAPITALS)

of _____
(FULL ADDRESS)

being a member/members of CAGAMAS HOLDINGS BERHAD, hereby appoint:

Name	Designation	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Designation	Proportion of Shareholding (%)

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Thirteenth (13th) Annual General Meeting of the Company, to be held at the Board Room, Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur on Wednesday, 3 June 2020 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

NO.	RESOLUTIONS		FOR	AGAINST
1.	Payment of Directors' Fees from the 13 th to the 14 th AGM	(Ordinary Resolution No. 1)		
2.	Payment of Directors' benefits comprising meeting allowances from the 13 th to the 14 th AGM	(Ordinary Resolution No. 2)		
3.	Re-election of Wan Hanisah binti Wan Ibrahim under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 3)		
4.	Re-election of Datuk Siti Zauyah binti Md Desa under Article 23.2 of the Company's Constitution	(Ordinary Resolution No. 4)		
5.	Re-election of Chong Kin Leong under Article 23.2 of the Company's Constitution	(Ordinary Resolution No. 5)		
6.	Appointment of Auditors	(Ordinary Resolution No. 6)		

Dated this _____ day of _____ 2020

Signature of Member(s)

Notes

- A member entitled to attend and vote at the meeting shall be entitled to appoint up to two (2) proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- Where a member appoints more than one (1) proxy, the appointments shall not be valid unless the member specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing the proxy/proxies shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- All Proxy Forms must be duly executed and deposited at the Registered Office of the Company at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting as the case may be.

Fold

STAMP

Company Secretary
CAGAMAS HOLDINGS BERHAD
Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Fold

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Cagamas Holdings Berhad

Registration No. 200701004048 (762047-P)
Level 32, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia.

TEL : +603-2262 1800
FAX : +603-2282 9125
E-MAIL : info@cagamas.com.my

