

HOUSING THE NATION
SECURING
THE FUTURE





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Housing The Nation: **Securing the Future**

The Cagamas Group of Companies is well placed to help Malaysians secure the future by exploring new and innovative home financing initiatives to promote affordable home ownership. Backed by years of experience and expertise, we remain steadfast in expanding access to affordable and competitive home financing, thus fulfilling our role in housing the nation and contributing towards a secure and inclusive future for all Malaysians.



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Cagamas Holdings Berhad

Annual Report 2020

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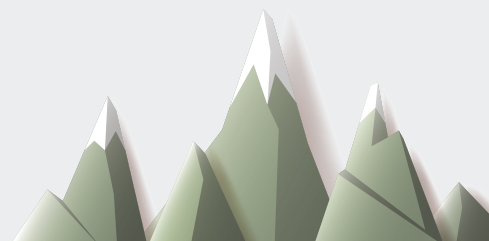
VISION



To promote
home ownership
and contribute
towards **nation**
development



MISSION



Support the Government's initiatives on home ownership



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 FINANCIAL HIGHLIGHTS

for the financial year ended 31 December 2020

	Group									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue (RM million)										
Gross Operating Revenue	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	2,034.9
Profit Before Tax and Zakat	591.5	551.9	703.2	546.5	558.3	574.2	548.2	544.0	534.2	512.2
Profit After Tax and Zakat	442.1	413.2	527.6	391.2	436.5	439.4	414.3	416.5	410.9	383.8
Dividend After Tax	22.5	45.0	22.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Statement of Financial Position (RM million)										
Amount Due From Counterparties	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	14,069.2
Islamic Financing Assets	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	9,662.7
Conventional Mortgage Assets	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	5,509.2
Islamic Mortgage Assets	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	5,947.2
Total Assets	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	40,244.3
Unsecured Bearer Bonds and Notes	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	17,483.0
Sukuk	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	14,063.4
Residential Mortgage-Backed Securities	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	622.7
Islamic Residential Mortgage-Backed Securities	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	612.3
Paid-up Capital	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Reserves	3,741.0	4,111.7	4,614.8	4,983.3	5,414.6	5,799.6	5,914.7	6,222.7	6,698.5	6,218.9
Shareholders' Funds	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	6,368.9
Per Share										
Earnings (sen)*	294.7	275.4	351.7	260.8	291.0	292.9	276.2	277.7	274.0	255.9
Net Tangible Assets (RM)*	25.9	28.3	31.7	34.2	37.1	39.6	40.3	42.3	45.5	42.3
Dividend (sen)	15.0	30.0	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Financial Ratios										
Pre-tax Return on Average Shareholders' Funds (%)	16.1	13.5	15.6	11.0	10.4	10.0	9.1	8.7	8.1	7.8
After-tax Return on Average Shareholders' Funds (%)	12.0	10.1	11.7	7.9	8.2	7.6	6.9	6.7	6.2	5.8
Pre-tax Return on Average Total Assets (%)	1.8	1.7	2.1	1.5	1.4	1.4	1.2	1.1	1.1	1.2
After-tax Return on Average Total Assets (%)	1.4	1.3	1.5	1.1	1.1	1.1	0.9	0.9	0.8	0.9
Dividend Cover (times)	19.6	9.2	23.4	13.0	14.6	14.6	13.8	13.9	13.7	12.8
Risk-Weighted Capital Ratio (%)	35.7	39.4	39.1	39.9	37.1	38.0	35.1	45.0	44.0	59.1

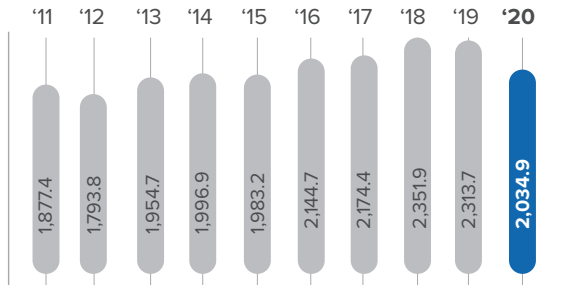
* Based on 150 million ordinary shares of RM1.00 each



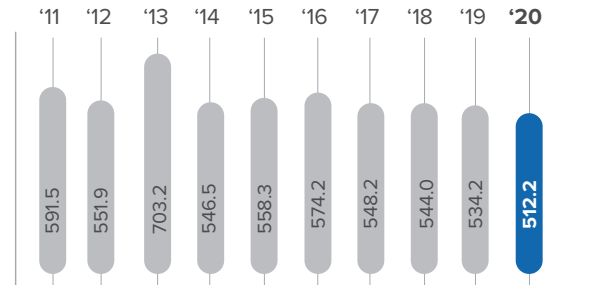
GROUP FINANCIAL HIGHLIGHTS

(CONTINUED)

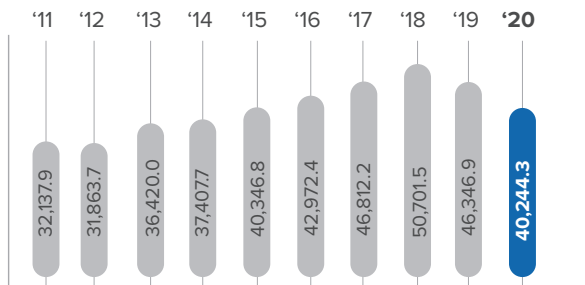
for the financial year ended 31 December 2020



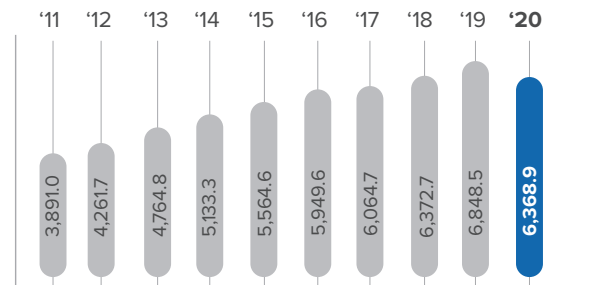
GROSS OPERATING REVENUE (RM million)



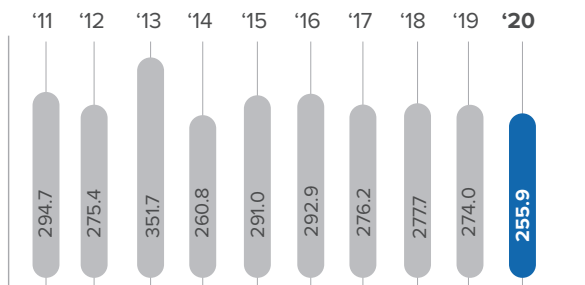
PROFIT BEFORE TAX AND ZAKAT (RM million)



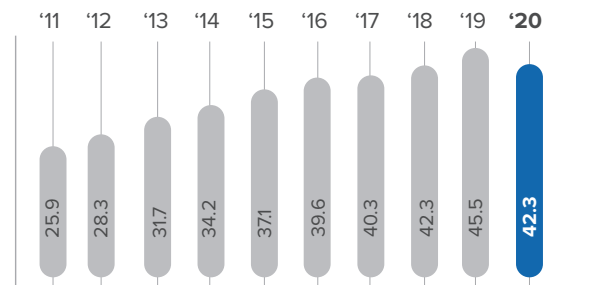
TOTAL ASSETS (RM million)



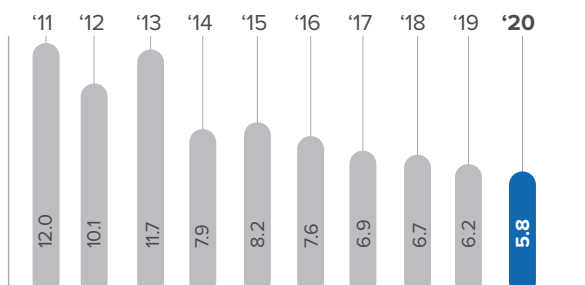
SHAREHOLDERS' FUNDS (RM million)



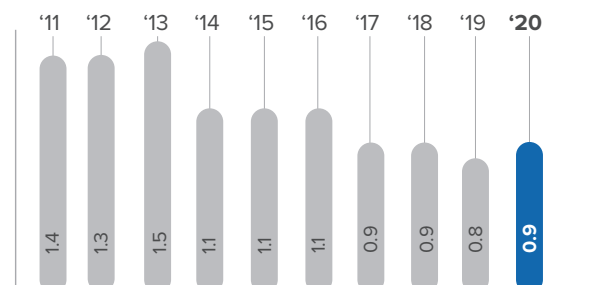
EARNINGS (sen)*



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



CORPORATE INFORMATION

REGISTERED OFFICE

Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : +603-2262 1800
Fax : +603-2282 9125

COMPANY SECRETARY

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

AUDITORS

Messrs. PricewaterhouseCoopers PLT
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur

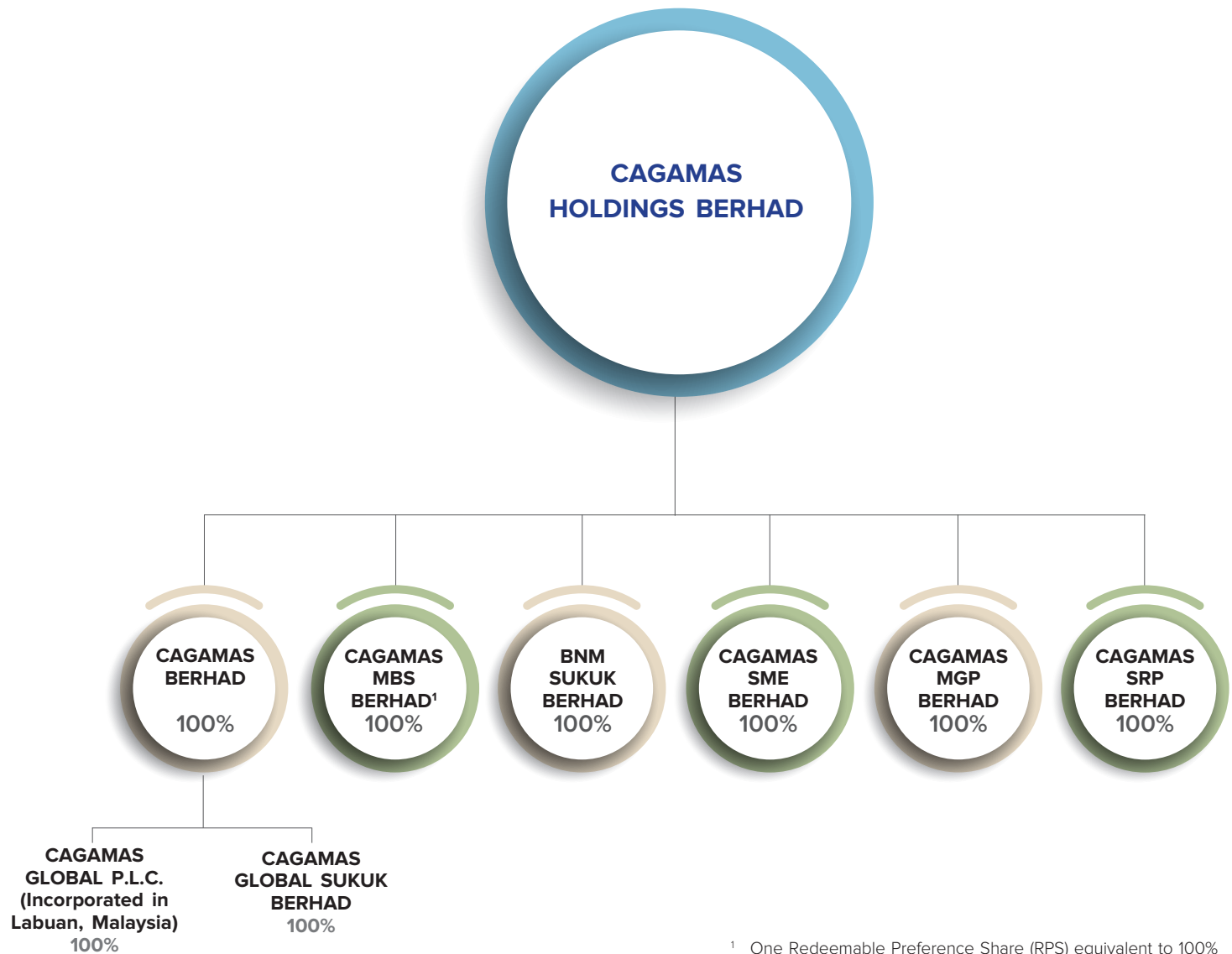
BANKER

Malayan Banking Berhad

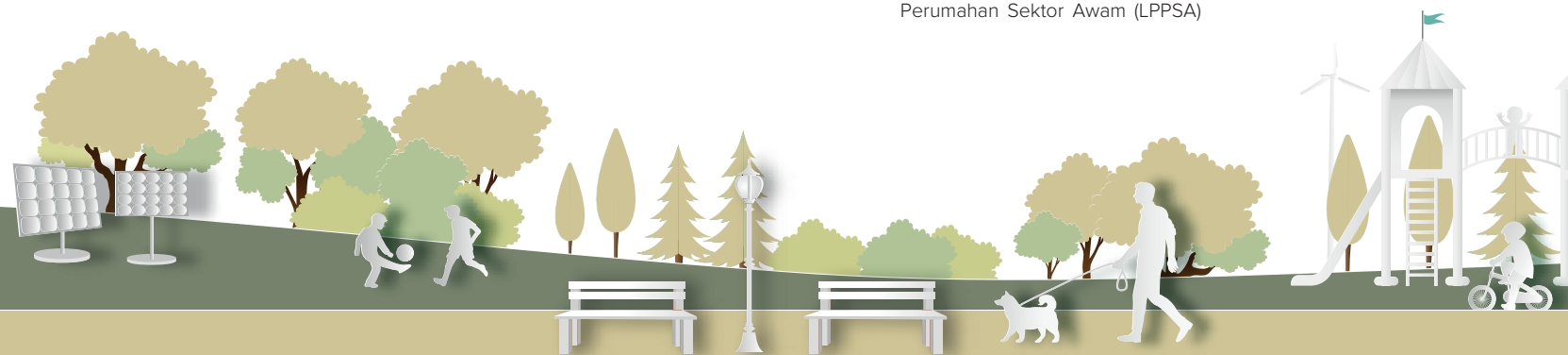




GROUP CORPORATE STRUCTURE



¹ One Redeemable Preference Share (RPS) equivalent to 100% RPS shareholding in Cagamas MBS Berhad is held by Cagamas SRP Berhad in trust for Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)





CAGAMAS BERHAD AND OTHER SUBSIDIARY COMPANIES

MAIN OPERATING SUBSIDIARY

Cagamas Berhad (“Cagamas”), the National Mortgage Corporation of Malaysia, was established in 1986 to promote home ownership 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.

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 RM339.5 billion (as at 31 December 2020) of bonds and sukuk, inclusive of issuances by its wholly owned subsidiaries, Cagamas Global P.L.C. (“CGP”) and Cagamas Global Sukuk Berhad (“CGS”), 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 foreign currency long-term issuer rating of A3 by Moody’s Investors Service that is in line with Malaysian sovereign ratings.

CGP was incorporated on 4 April 2014 in Labuan as a conventional fund raising vehicle to undertake the issuance of notes in foreign currency, whereas CGS was incorporated on 5 May 2014 as an Islamic fund raising vehicle to undertake the issuance of sukuk in foreign currency.





CAGAMAS BERHAD AND OTHER SUBSIDIARY COMPANIES

(CONTINUED)

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 ("CSME") 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.

CSME has remained dormant since 10 October 2012.

CAGAMAS MGP BERHAD

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

CMGP 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.





SHAREHOLDERS



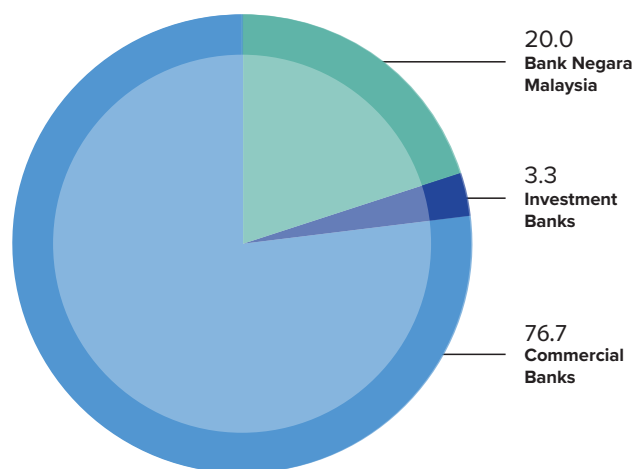
CAGAMAS HOLDINGS BERHAD'S SHARE CAPITAL STRUCTURE

AS AT 25 MARCH 2021

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

SHAREHOLDING STRUCTURE

AS AT 25 MARCH 2021



Type 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 SHAREHOLDINGS

AS AT 25 MARCH 2021

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 25 MARCH 2021

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



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourteenth (14th) 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 Friday, 30 April 2021 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 2020, together with the Reports of the Directors and Auditors thereon.	
2	To approve the payment of Directors’ Fees from the 14 th to the 15 th AGM as stated below, payable in a manner as the Directors may determine: <ul style="list-style-type: none"> (i) RM100,000 per annum for the Chairman of the Board (ii) RM70,000 per annum for the Chairman of Board Committees (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 14 th to the 15 th AGM as stated below: <ul style="list-style-type: none"> (i) RM5,000 per meeting for the Chairman of the Board/ Chairman of Board Committees (ii) RM3,500 per meeting for each Member of the Board/ Board Committees 	(Ordinary Resolution 2)
4	To re-elect Tan Sri Dato’ Sri Tay Ah Lek who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers himself for re-election.	(Ordinary Resolution 3)
5	To re-elect Datuk Abdul Farid Alias who is retiring by rotation pursuant to Articles 23.5 and 23.6 of the Company’s Constitution and being eligible, offers himself for re-election.	(Ordinary Resolution 4)
6	To re-elect Dato’ Lee Kok Kwan who is retiring by rotation pursuant to Articles 23.5 and 23.6 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
31 March 2021

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/ her 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 the member specifies the proportions of his/ her holdings to be represented by each proxy.
3. 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 the 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.





AWARDS AND ACCOLADES



**TOP TRADED AMOUNT
– CONVENTIONAL**



**ISLAMIC ISSUER OF THE YEAR
– QUASI – SOVEREIGN**

**BEST QUASI – SOVEREIGN SUKUK
500 MILLION RINGGIT
COMMODITY MURABAHAH SUKUK**



**GIFA EXCELLENCE AWARD
(ISLAMIC SECURITISATION) 2020**

**GIFA SPECIAL AWARD
(ISLAMIC FINANCIAL ADVOCACY) 2020**

AWARDS	DEALS/ CATEGORIES
BPAM Bond Market Awards 2020	a) <i>Top Traded Amount – Conventional</i>
The Asset Triple A Islamic Finance Awards 2020	a) <i>Islamic Issuer of the Year – Quasi – Sovereign</i> b) <i>Best Quasi – Sovereign Sukuk 500 Million Ringgit Commodity Murabahah Sukuk</i>
Global Islamic Finance Awards 2020	a) <i>GIFA Excellence Award (Islamic Securitisation) 2020</i> b) <i>GIFA Special Award (Islamic Financial Advocacy) 2020</i>



HOUSING THE NATION
**SECURING
THE FUTURE**

Realising Dreams
of Home Ownership







MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The Annual Report of Cagamas Holdings Berhad ("Company") for the financial year ended 31 December 2020 is set against a backdrop of great challenges and considerable uncertainty arising mainly from the impact of the COVID-19 pandemic. However, the resilience within the Company has enabled it to navigate this uncharted landscape with resolute determination.

BUSINESS HIGHLIGHTS

On behalf of the Company's Board of Directors ("Board"), I wish to report that the Cagamas Group of Companies' ("Group") profit for 2020, comprising the profit of Cagamas Berhad ("Cagamas"), Cagamas MBS Berhad ("CMBS") and Cagamas SRP Berhad ("CSR"), moderated to RM512.2 million from RM534.2 million in 2019. Both Cagamas and CMBS remained key contributors to the results of the Group.

Cagamas purchased a total of RM7.0 billion assets under the Purchase With Recourse scheme representing a 40% increase over the preceding year, despite the soft loan growth and concerns regarding credit deterioration triggered by the COVID-19 pandemic. The increase in asset purchases underlines the strategic role that Cagamas plays as a liquidity provider to financial institutions in the secondary mortgage market, which contributes to the resilience of the financial system. The purchases were funded by the issuance of competitively priced bonds and sukuk.

In 2020, Cagamas maintained its total debt issuance beyond the RM10 billion mark even as Malaysia's corporate issuances experienced a steep decline amidst economic uncertainties. Cagamas issued RM11.7 billion worth of bonds and sukuk last year through 22 issuance exercises that resulted in 46 new stocks. Of the total value of issuances, RM8.6 billion was raised via conventional debt issuances and RM3.1 billion was raised via sukuk. In addition, Cagamas through its subsidiary, Cagamas Global P.L.C., successfully issued a SGD130 million 1-year Singapore Dollar denominated Fixed Rate Note ("SGD EMTN"). As the only Malaysian corporate issuer that issued SGD EMTN last year, Cagamas, backed by its strong credit, demonstrated its consistent ability to raise competitive funding from the international market. During the year, Cagamas retained the international ratings 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 support of industry-led sustainable product offerings, Cagamas reached a significant milestone in 2020 with its inaugural and Malaysia's first issuance of an ASEAN Sustainability SRI Sukuk for affordable housing and its first ASEAN Sustainability Bonds for the Small and Medium Enterprises ("SME") sector. Both issuances were assigned the highest Social Benefit rating of Tier-1 by RAM Sustainability Sdn Bhd under the Cagamas Sustainability Bond/ Sukuk Framework, for affordable housing and employment generation via SMEs, respectively.

Consequently in 2020, Cagamas garnered industry recognition for its leadership in the bond and sukuk market, as well as contributions to Islamic finance from the Bond Pricing Agency Malaysia and, at The Asset Triple A Islamic Finance Awards and the Global Islamic Finance Awards 2020. Cagamas also received an extension of the chairmanship for the International Secondary Mortgage Market Association until 2021.

SUSTAINABILITY AND INCLUSIVITY

Cagamas' Corporate Social Responsibility and Zakat Wakalah programmes continue to support sustainability and inclusivity in our communities. In 2020, the programmes provided aid to more than 730 recipients with an approximate allocation of RM754,000. At the onset of the pandemic, Cagamas contributed a total of RM100,000 to MERCY Malaysia Wakaf COVID-19 fund and to PPZ Musaadah Khaira Fund.

Similarly CSR, which was established to support the national agenda for home ownership through the Skim Rumah Pertamaku ("My First Home Scheme", "SRP") and Skim Perumahan Belia ("Youth Housing Scheme", "SPB"), extended SRP's outreach to eligible homebuyers through digital distribution channels with the launch of Digital SRP. Up to 2020, cumulative loans/ financing approved under SRP and SPB increased by 57% from 2019, with 18,787 new loans/ financing approved in 2020 worth RM4.2 billion, helping approximately 52,000 Malaysians own their first home, of which 87% were from the B40 group.



MESSAGE FROM THE CHAIRMAN

(CONTINUED)



CAGAMAS WILL EXPLORE PROSPECTS OF EXPANDING ITS INVESTOR AND FUNDING BASE, INCLUDING THE RETAIL BONDS/ SUKUK SECTOR, GIVEN THE RESILIENT DEMAND FOR CAGAMAS BONDS AND SUKUK.



ORGANISATIONAL RESILIENCE

Cagamas responded swiftly to the pandemic by adhering and adapting to the working environment in the new normal, by upgrading its internal processes with improved accessibility, efficiency and productivity. Early precautionary measures and remote working arrangements were instituted for staff and stakeholders while various online tools enabled stakeholder engagements and trainings in a virtual setting.

From a governance perspective, Cagamas and CSRPs successfully adopted new constitutions, aligned with the Companies Act 2016, thereby completing the Group's initiative to harmonise its organisational framework with regulatory standards while the Company's Board Charter was strengthened with provisions to clarify the definition of independent directors and their disclosure requirements as part of effective governance. In addition, the Group implemented an Anti-Bribery and Anti-Corruption policy consistent with Section 17A of the Malaysian Anti-Corruption Commission Act 2009, in its commitment to conduct its businesses and operations with high ethical standards, integrity and accountability.

OUTLOOK

The global economy started 2021 in a better position than had been expected. However, recovery remains at an uneven pace although growth is expected to return to pre-pandemic levels in 2021, driven by a worldwide vaccine roll-out and growth enhancing policies.

The repercussions of the pandemic on the Malaysian economy were considerable, as Gross Domestic

Group Profit

RM512.2
million

2019: RM534.2 million

Total assets purchase

RM7.0
billion

2019: RM5.0 billion

Total issuance

RM11.7
billion

bonds and sukuk
2019: RM10.2 billion

Product ("GDP") contracted by 5.6% in 2020. In 2021, a 6.5%-7.5% GDP growth is projected, with the anticipated recovery in global demand and spill overs onto the domestic sectors coupled with the Government's sustained multi-pronged policy support.

As the nation steers towards economic recovery, Cagamas is exploring the prospects of expanding its investor and funding base, including the retail bonds/ sukuk sector, given the resilient demand for Cagamas bonds and sukuk. In addition, discussions are ongoing with potential partners to establish a suitable affordable housing scheme for eligible Malaysians in the gig economy. At the same time, Cagamas is progressing with the operational preparedness of its reverse mortgage product which seeks to address income insecurity among the elderly population by unlocking the equity value of their residential properties. Notwithstanding these plans to pioneer new products, Cagamas stands ready to provide alternative liquidity solutions for financial institutions, to temper the after-effects of the pandemic.

APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend our appreciation to the shareholders and stakeholders for their continued support. I would also 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



BUSINESS REVIEW

Cagamas Holdings Berhad is a holding company incorporated in 2007. Its subsidiaries are Cagamas Berhad (“Cagamas”), Cagamas SRP Berhad (“CSR”), Cagamas MBS Berhad, Cagamas SME Berhad, BNM Sukuk Berhad and Cagamas MGP Berhad (collectively “the Group”). Its wholly-owned subsidiary, Cagamas, is the main operating entity of the Group and plays a strategic role to promote the broader spread of home ownership and the development of the secondary mortgage market and Islamic finance as well as contribute towards nation development.

Cagamas Berhad

Cagamas, the National Mortgage Corporation of Malaysia, was established in 1986 by Bank Negara Malaysia (“BNM”) to support the national agenda of increasing home ownership and affordability through the provision of competitively priced liquidity in the secondary mortgage market, as well as to promote and develop Islamic finance within Malaysia. By issuing debt securities in the capital market to purchase residential mortgages, Cagamas creates a secondary market for mortgages and provides liquidity to the financial system which contributes to the development of Malaysia’s capital market. Two subsidiaries, namely Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad, were established for the purpose of issuing foreign currency (“FCY”) bonds and sukuk, 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 rate, thus encouraging the origination of additional housing loans and financing to new applicants at an affordable cost.

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’ corporate bonds and sukuk 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’s efforts aimed at assisting first time house buyers, CSR was established in 2011 with the objective of providing mortgage guarantees to the primary lenders of home financing. Through two schemes, namely the Skim Rumah Pertamaku (“My First Home Scheme [SRP]”) and Skim Perumahan Belia (“Youth Housing Scheme [SPB]”), qualified 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 the mortgage guarantee as a “first loss” protection on the residential mortgage portfolios of the Financial Institutions (“FIs”). The guarantee reduces the credit risk on their mortgage home financing portfolios, whilst improving their Total Capital Ratio and return on risk weighted assets.

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 to issue Residential Mortgage Backed Securities and Islamic Residential Mortgage Backed Securities in the capital market to fund those purchases.

OPERATING REVIEW 2020

Global and Domestic Economic Environment

The global growth contraction for 2020 is estimated at -3.5% (2019: 2.8%)¹ resulting from a severe collapse of economic activities due to the COVID-19 pandemic. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spill-overs and structural characteristics entering the crisis. Multiple vaccine approvals by health authorities and the launch of vaccination programmes in some countries in December have raised hopes of an eventual end to the pandemic. Despite the high and rising human toll of the pandemic, economic activities appear to be adapting to subdued contact-intensive activity with the passage of time.

¹ International Monetary Fund, World Economic Outlook Jan 2021



The Malaysian economy contracted 5.6% in 2020 (2019: 4.3%), slightly below the government's projection of -3.5% to -5.5%.² The negative growth is largely attributable to the imposition of the Movement Control Orders ("MCO") and the subsequent conditional and recovery MCOs since March of last year. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activities but improvement in external demand provided the much-needed support for economic growth. However, the resurgence of COVID-19 cases towards the end of 2020 followed by targeted containment measures in most states could affect the momentum for recovery.

Interest Rate and Liquidity Environment

In 2020, banking system's liquidity remained sufficient to facilitate financial intermediation. At the institutional level, most banks continued to maintain surplus liquidity positions with BNM. On 3 November 2020, the Monetary Policy Committee maintained the Overnight Policy Rate ("OPR") at 1.75% and the current monetary policy stance remains accommodative and supportive of economic activity. The cumulative 125 basis points reduction in the OPR in 2020 will continue to provide stimulus to the economy. While the Statutory Reserve Requirement ("SRR") ratio remained unchanged at 2.00%, the flexibility to use Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") to fully comply with the SRR was provided to all banking institutions in May 2020. The Ringgit appreciated by 3.6% against the US dollar during the fourth quarter of 2020, driven mainly by non-resident portfolio inflows as investors' risk appetite continued to improve.

Property Market

The Malaysian House Price Index stood at 197.8 points as at 3Q 2020, recording a decrease of 0.9% against 3Q 2019 (199.5 points). In the 1H 2020, the residential property sector recorded 75,318 transactions worth RM25.61 billion, declining 24.6% in volume and 26.1% in value compared with the 1H 2019. Residential properties continued to support the overall property sector making up 65% of the total volume and almost 55% of the total value. According to the latest data by the National Property Information Centre, as at 1H 2020, the residential overhang had accumulated to 31,661 units worth RM20.03 billion, an increase of 3.3% in volume (2H 2019: 30,664 units) and 6.4% in value against the preceding half year (2H 2019: RM18.82 billion).³

Bond Market

The year 2020 saw unprecedented economic shock arising from the COVID-19 pandemic which has led policy makers globally to unveil large-scale stimulus measures to cushion the impact of the pandemic. In the United States of America ("US"), the Federal Reserve reduced interest rates by 150 bps to 0.00% - 0.25% and introduced broad Quantitative Easing ("QE") programmes with unlimited commitment to purchase US Treasuries and mortgage-backed securities. In the United Kingdom ("UK"), the Bank of England cut interest rates by 65 bps to 0.10% and announced a further GBP200.0 billion of QE, keeping a lid on UK gilts and reducing borrowing costs. As for the Eurozone, the European Central Bank announced its own massive QE worth EUR870.0 billion to buy corporate and government bonds.

On the local front, the economy was not spared from the effects of the COVID-19 outbreak which resulted in a dampened interest rate environment. The MGS yields decreased by an average of 98 bps across tenures mainly due to the total cumulative OPR cuts in 2020. The additional measures introduced by BNM on the reduction in SRR and the utilisation of MGS/ MGII to meet the SRR until 31 May 2021 form part of continued efforts to ensure sufficient liquidity to support financial intermediation activity.

The local corporate bond and sukuk market moved in tandem with the MGS curve, alongside the dovish stance of BNM, wherein the yields for corporate bonds and sukuk i.e. Government Guaranteed ("GG"), Cagamas and AAA-rated papers moved lower as at end December 2020 compared to end December 2019, albeit at a slower pace. In terms of credit spread, the average credit spread of GG, Cagamas and AAA-rated papers against MGS widened by 10 bps, 14 bps and 7 bps, respectively.

² Quarterly Bulletin - Economic & Financial Development 4Q2020

³ National Property Information Centre

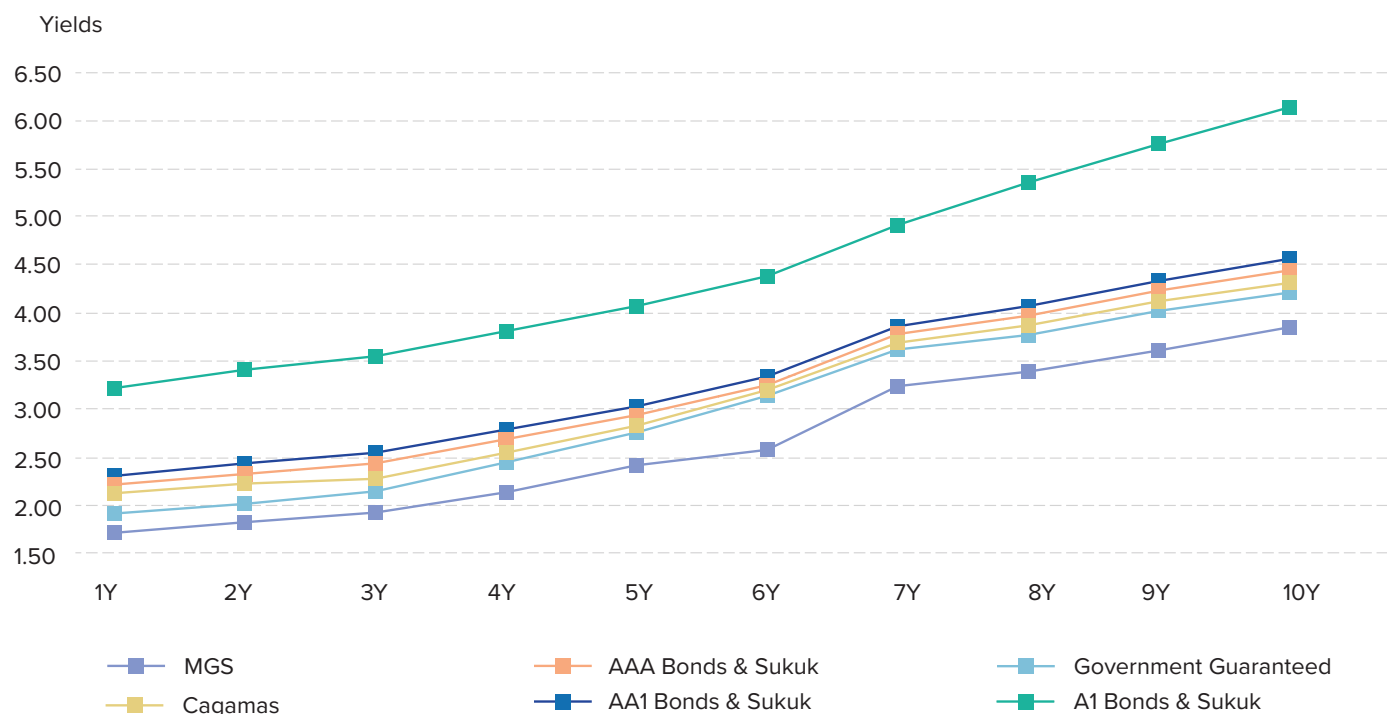


BUSINESS REVIEW

(CONTINUED)

Chart 1

Bond Yield Comparison as at 31 December 2020



As at end December 2020, total foreign holdings of MGS increased by RM13.4 billion to a total of RM177.3 billion (December 2019: RM163.9 billion), resulting in foreign holdings of MGS to comprise 40.6% (December 2019: 41.6%) of total MGS outstanding. Foreign holdings of MGS recorded its lowest for the year 2020 at 35.8% in April, down from 41.7% in January. The resurgence in foreign demand of MGS especially in 4Q 2020 was a result of the well-supported Ringgit bond market following no major sell-off from the sovereign rating downgrade by Fitch in December 2020, as well as improved external risk sentiment on vaccine optimism.

As for the MGII, total foreign holdings increased by RM3.7 billion to a total of RM24.8 billion as at end December 2020 (December 2019: RM21.1 billion) resulting in the increase in foreign holdings of total MGII outstanding as of December 2020 to 6.6% (December 2019: 6.2%).

Overall, total foreign holdings in MGS and MGII increased in December 2020, with total holdings higher by RM17.1 billion or 9.2% to RM202.1 billion (December 2019: RM185.0 billion).

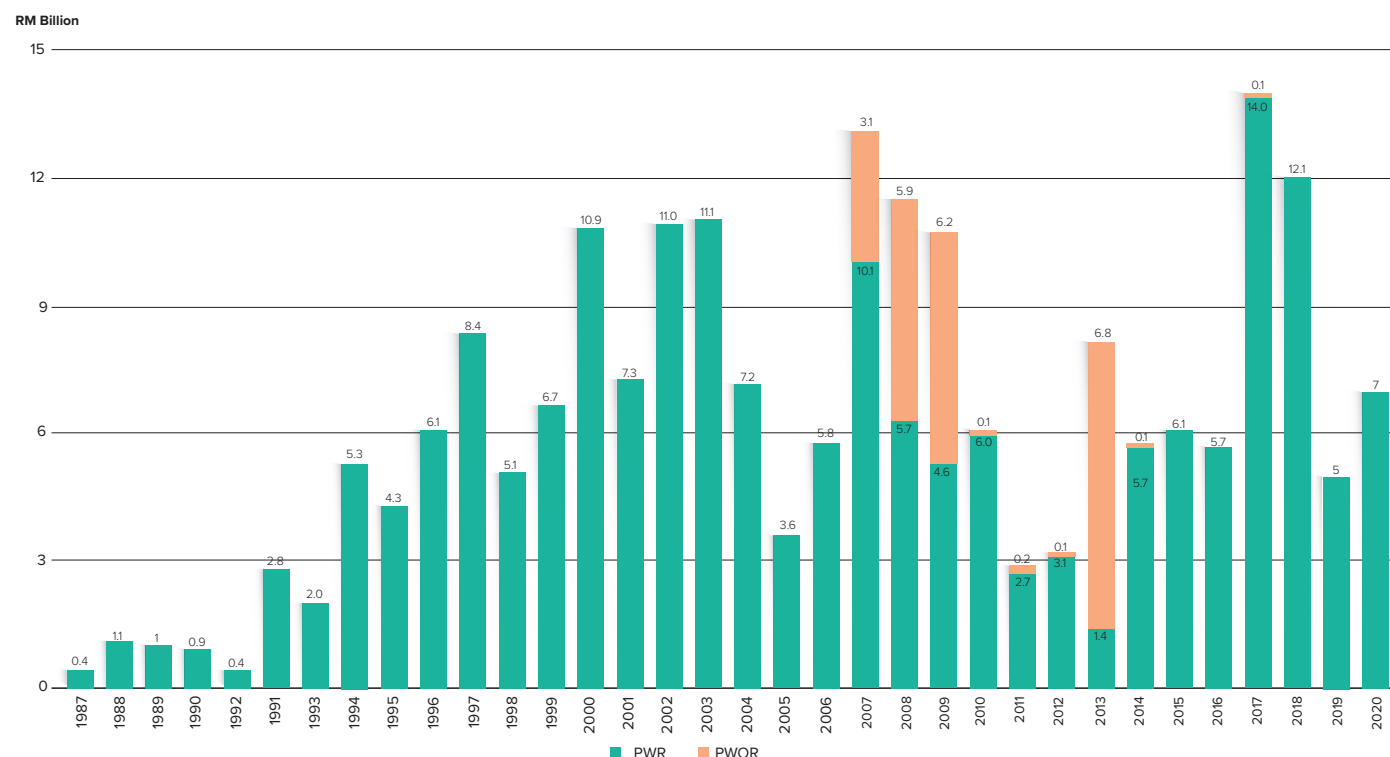


PURCHASE OF LOANS AND FINANCING

Cagamas recorded RM7.0 billion purchases of loans and financing under the PWR scheme (2019: RM5.0 billion). Cagamas' net outstanding loans and financing decreased by 12.2% to RM33.2 billion (2019: RM37.8 billion). As at the end of 2020, residential mortgages dominated Cagamas' portfolio at 98.0% (2019: 98.6%), followed by hire purchase financing at 2.0% (2019: 1.4%). Cagamas' Islamic asset portfolio against conventional assets increased to a ratio of 45:55 (2019: 43:57), while PWR and PWOR loans and financing portfolios were at 68% and 32%⁴ respectively (2019: 70% and 30% respectively). Gross impaired loans and financing under the PWOR scheme stood at 0.61% (2019: 0.72%), while net impaired loans and financing was at 0.09% (2019: 0.11%).

Chart 2

Cagamas' Annual Purchases, 1987-2020



⁴ Gross loans and financing before loan loss provision and accretion



BUSINESS REVIEW

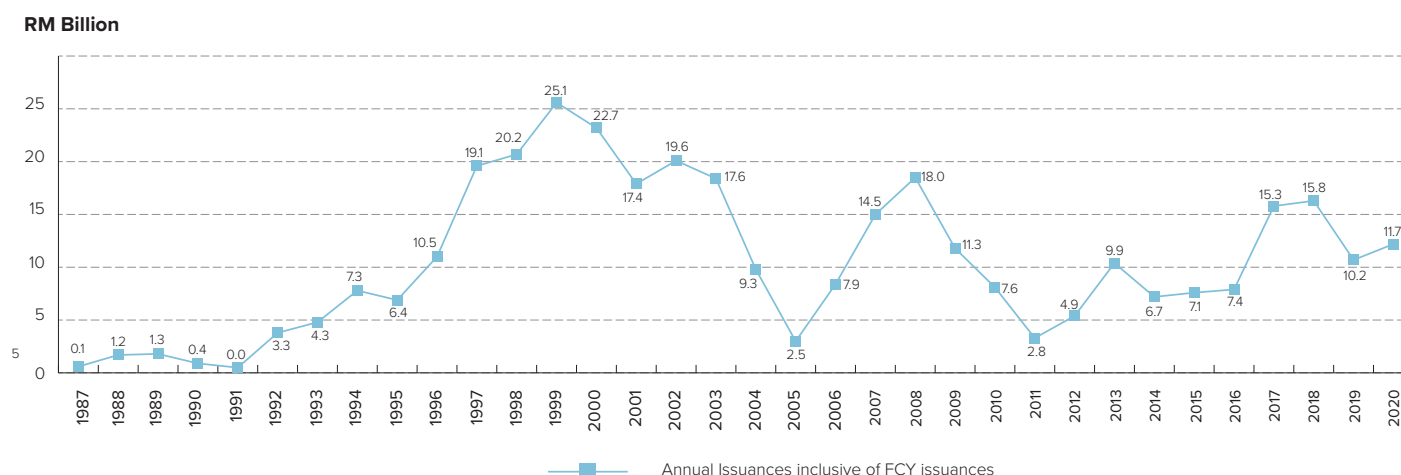
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ISSUANCE OF CAGAMAS BONDS AND SUKUK

Since 1987 until end 2020, Cagamas and its subsidiaries, namely Cagamas Global P.L.C. and Cagamas Sukuk Berhad, had cumulatively issued a total of RM339.5 billion of corporate bonds and sukuk, of which RM61.9 billion comprised sukuk and RM10.4⁵ billion equivalent was from FCY issuances.

Chart 3

Cagamas' Annual Issuances, 1987-2020



In 2020, Cagamas issued a total of RM11.7 billion worth of debts, marking its fourth consecutive year of surpassing RM10.0 billion worth of issuances, through 22 issuance exercises that resulted in 46 new stocks. From the total issuance, 74% or RM8.6 billion was raised via conventional debt issuances and 26% or RM3.1 billion was raised via sukuk issuances.

Cagamas' commitment to support the development of sustainable product offerings such as affordable housing loans and financing led to its inaugural and Malaysia's first 3-year RM100 million ASEAN Sustainability SRI Sukuk ("SRI Sukuk") in October 2020. Overwhelming response to the SRI Sukuk issuance facilitated the issuance of the first multi-tenured ASEAN Sustainability Bonds for the Small and Medium Enterprise ("SME") sector totalling RM100 million, comprising RM35 million one-year, RM20 million two-year and RM45 million two-and-a-half-year bonds in the same month.

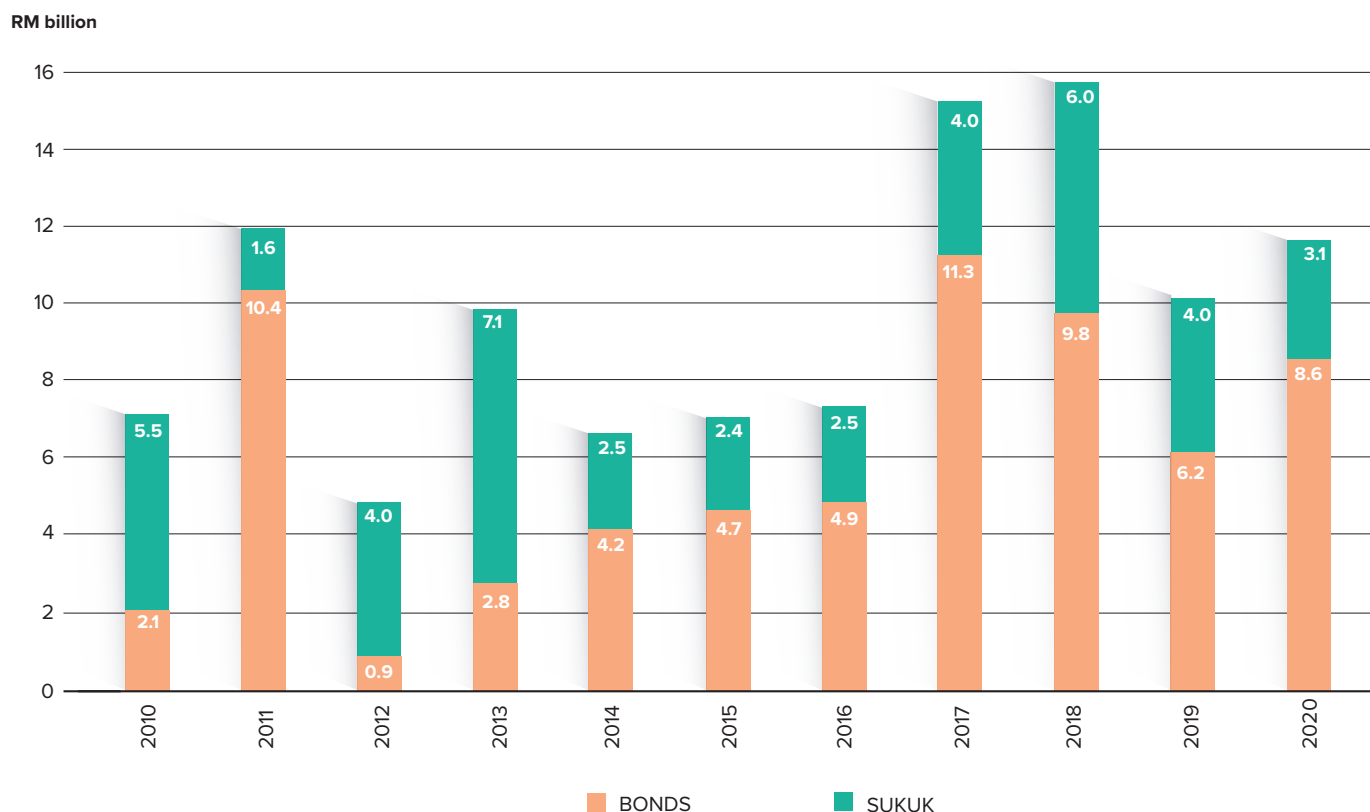
⁵ Foreign currency issuances of RM10.4 billion valued as at issue dates



Cagamas returned to the FCY market in 2020 with an issuance of SGD130 million (RM396 million equivalent). The SGD issuance marked the only SGD issuance from a Malaysian corporate issuer in 2020, demonstrating Cagamas' continued capability to raise funding from the international market at a competitive price via a private placement exercise.

In terms of issuance tenure, 87% of total issuances in 2020 amounting to RM10.1 billion were for tenures of one year and below (2019: 79% or RM8.1 billion) while the balance of 13% or RM1.6 billion were for tenures of between one to three years (2019: 13% or RM1.3 billion). There was no issuance for tenures above three years in 2020 (2019: 8% amounting to RM0.8 billion).

Chart 4
Annual Bonds and Sukuk Issuances, 2010 – 2020



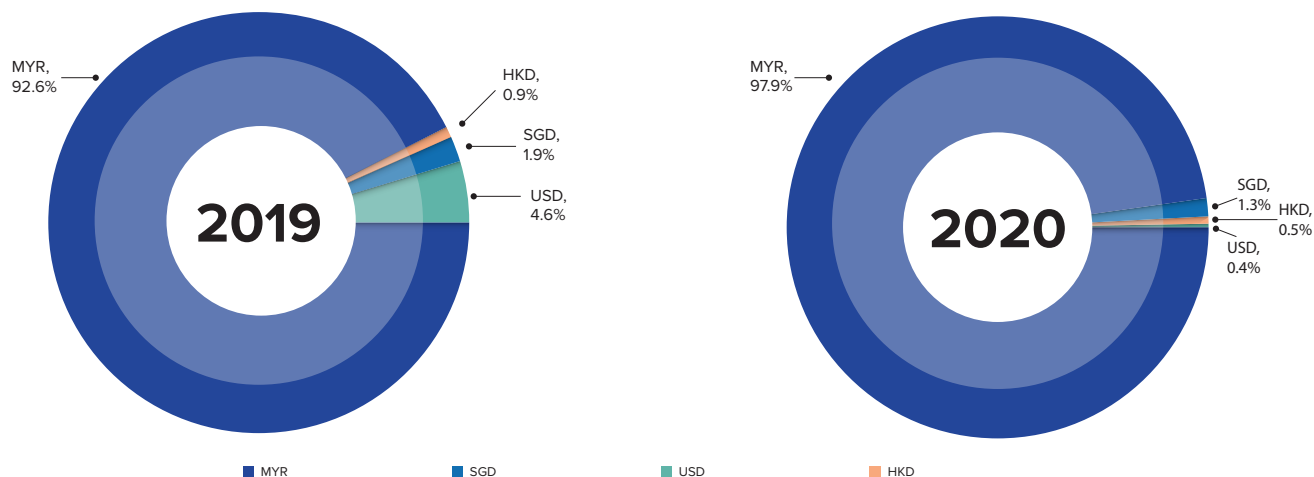


BUSINESS REVIEW

(CONTINUED)

Chart 5

Outstanding Bonds/ Sukuk by Currency, 2019 & 2020



In terms of the most traded local corporate bonds and sukuk in 2020, Cagamas ranked eighth with a total traded volume of RM3.8 billion, commanding a market share of 2.5% (2019: ranked sixth, RM4.8 billion or 2.9%). Cagamas recorded a total traded volume of RM851.0 million for local conventional corporate bonds, comprising a market share of 5.7% (2019: RM2.9 billion or 14.0%) whereas for local corporate sukuk, Cagamas recorded a total traded volume of RM2.9 billion, with a market share of 2.1% (2019: RM1.8 billion or 1.3%).

As at end December 2020, outstanding Cagamas debt securities stood at RM31.3 billion where RM30.6 billion or 98% was in local currency and RM0.7 billion equivalent or 2% was denominated in foreign currencies. Conventional bonds comprised 55% or RM17.4 billion of the total outstanding while the remaining 45% or RM13.9 billion were sukuk. Cagamas remained as one of the largest issuers of corporate bonds and sukuk in Malaysia, accounting for 4.1% of the total outstanding corporate bonds and sukuk and 18.5% of outstanding AAA-rated bonds and sukuk.

CREDIT RATING

For 2020, Cagamas successfully reaffirmed its credit ratings with three rating agencies. Moody's Investors Service ("Moody's") assigned long-term issuer A3 ratings for both Cagamas' local and FCY 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 $_S$, 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 1
Cagamas Credit Ratings

	Ratings Agency		
	Moody's	RAM Ratings	MARC
Cagamas Berhad	A3	^g A ₂ /Stable/ ^g P1, ^{sea} AAA/ Stable/ ^{sea} P1, AAA/Stable/P1	AAA/MARC-1, AAA _{IS} /MARC-1 _{IS}

MORTGAGE GUARANTEE

CSRP offers mortgage guarantee as a “first loss” protection on the residential mortgage home financing portfolio of the FIs. For first time house buyers, the guarantee serves as a useful facility to obtain up to 110% financing through SRP and SPB. This is in line with the Government’s aspirations of increasing home ownership amongst the “rakyat”.

As part of Cagamas’ initiatives to further promote SRP, Cagamas successfully embarked on the digitalisation of SRP in September 2020, which was launched by the Minister of Housing & Local Government with the aim to increase SRP’s outreach among eligible potential house buyers.

As at 31 December 2020, CSRP’s cumulative guarantee exposure to the SRP and SPB schemes was RM1.2 billion as compared with RM706.5 million in 2019. 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 25 participating FIs as well as collaborations with online property portals. For 2020, the total value of new loans and financing approved for both SRP and SPB was RM4.2 billion which translates to 18,787 individuals/ households.

Since the launch of SRP and SPB in 2011 and 2015 respectively, CSRP has provided guarantees for housing loans and financing totalling RM11.1 billion enabling 52,203 individuals/ households to own their first home, of which 87% are from the B40 segment.

Table 2
Skim Rumah Pertamaku and Skim Perumahan Belia

	2011 - 2019	2011 - 2020	Growth
(RM'mil)			
Guaranteed Exposure	706.5	1,170.8	+66%
SRP	563.1	992.8	+76%
SPB	143.4	178.1	+24%
(RM'mil)			
Loans and Financing Value	6,880.1	11,087.5	+61%
SRP	5,368.1	9,207.2	+72%
SPB	1,512.0	1,880.3	+24%
Number of Loans and Financing Approved	33,236	52,203	+57%
SRP	26,213	43,384	+66%
SPB	7,023	8,639	+23%

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



BUSINESS REVIEW

(CONTINUED)

Chart 6
SRP & SPB: Income Range by Number of Loans

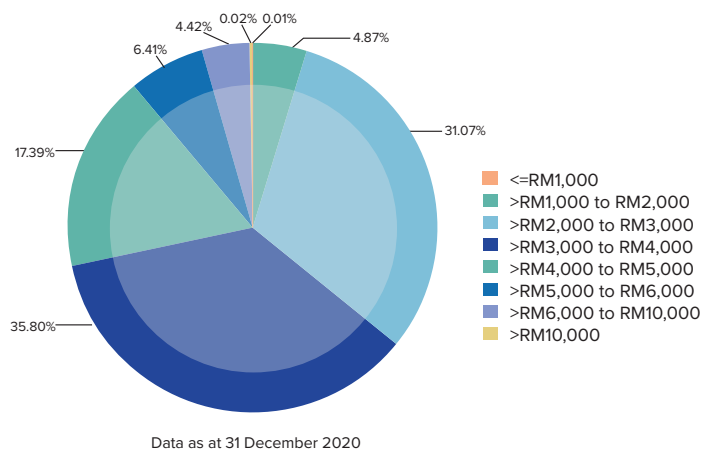


Chart 7
SRP & SPB: Age Range by Number of Loans

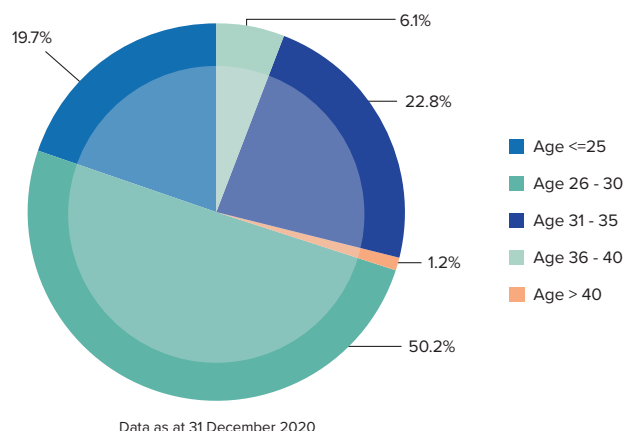
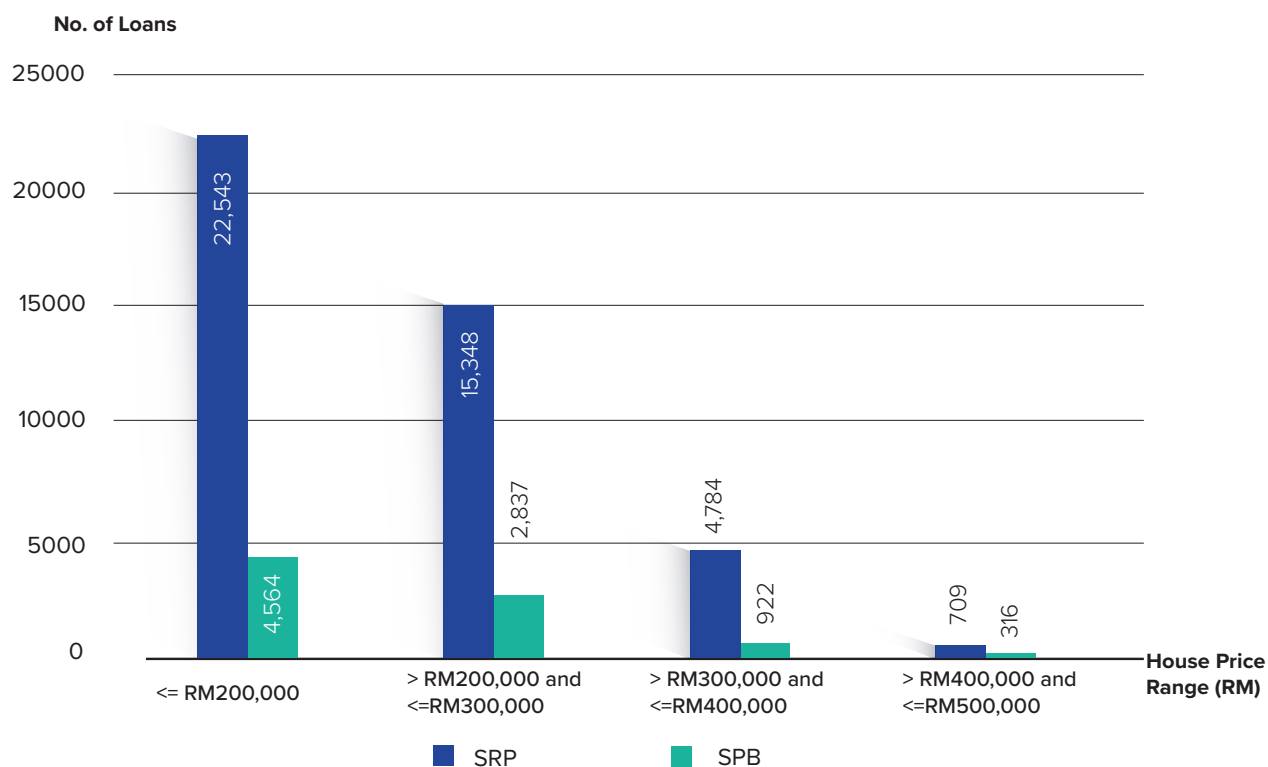


Chart 8
SRP & SPB: House Price Range by Number of Loans





SECURITISATION

As at end 2020, total outstanding Cagamas MBS Berhad's mortgage backed securities ("CMBS bonds and sukuk") stood at RM1.23 billion out of the total issuances of RM10.2 billion, comprising RM0.62 billion of conventional bonds and RM0.61 billion of sukuk. The outstanding CMBS bonds and sukuk are expected to mature in stages and be fully redeemed by August 2027. There were no new securitisation transactions during the year.

FUTURE DEVELOPMENTS IN CAGAMAS' BUSINESS

Despite the COVID-19 pandemic that has adversely impacted the domestic and global economy, Cagamas will continue to innovate and explore new opportunities aligned with its core missions and social objectives, to enhance its role as a liquidity and capital management solutions provider to FIs as well as to extend "first loss" protection through mortgage guarantee programmes. In addition, Cagamas will further enhance its collaboration with the Government and continue to provide assistance in the areas of affordable housing and home ownership initiatives, leveraging on its expertise for solutions to address the possible adverse impact of COVID-19.

Cagamas' issuance of its inaugural ASEAN Sustainability SRI Sukuk reaffirms its commitment towards the environment and the nation as affordable housing vis-à-vis sustainable development has always been the core priority. Aligned with Cagamas' green agenda initiatives, Cagamas will continue to explore the feasibility of purchasing loans and financing related to environmental and social impact projects via the issuance of sustainability bonds and sukuk aimed at attracting green and socially responsible investors to the existing pool of investors.

Moving forward, Cagamas will continue to structure and introduce innovative schemes such as a Home Equity Scheme and financing for the gig economy to meet the demands and needs of house buyers in purchasing their first homes as well as exploring the establishment of a reverse mortgage programme for the silver economy. Cagamas also intends to expand and diversify its investor profile by studying the feasibility of issuing retail bonds as well as focus on providing liquidity support for SME financing via capital market solutions.

Acknowledged as a thought leader in mortgage refinancing and Islamic finance, Cagamas will continue in its efforts to enhance regional and global development of secondary mortgage markets by actively participating in international speaking circuits as an advocate for Islamic finance, capital markets and housing finance. Cagamas will also endeavour to play its leadership role within the International Secondary Mortgage Market Association as well as the Asian Secondary Mortgage Market Association to focus on collective collaborations and support for the development of secondary mortgage market institutions globally.



HOUSING THE NATION

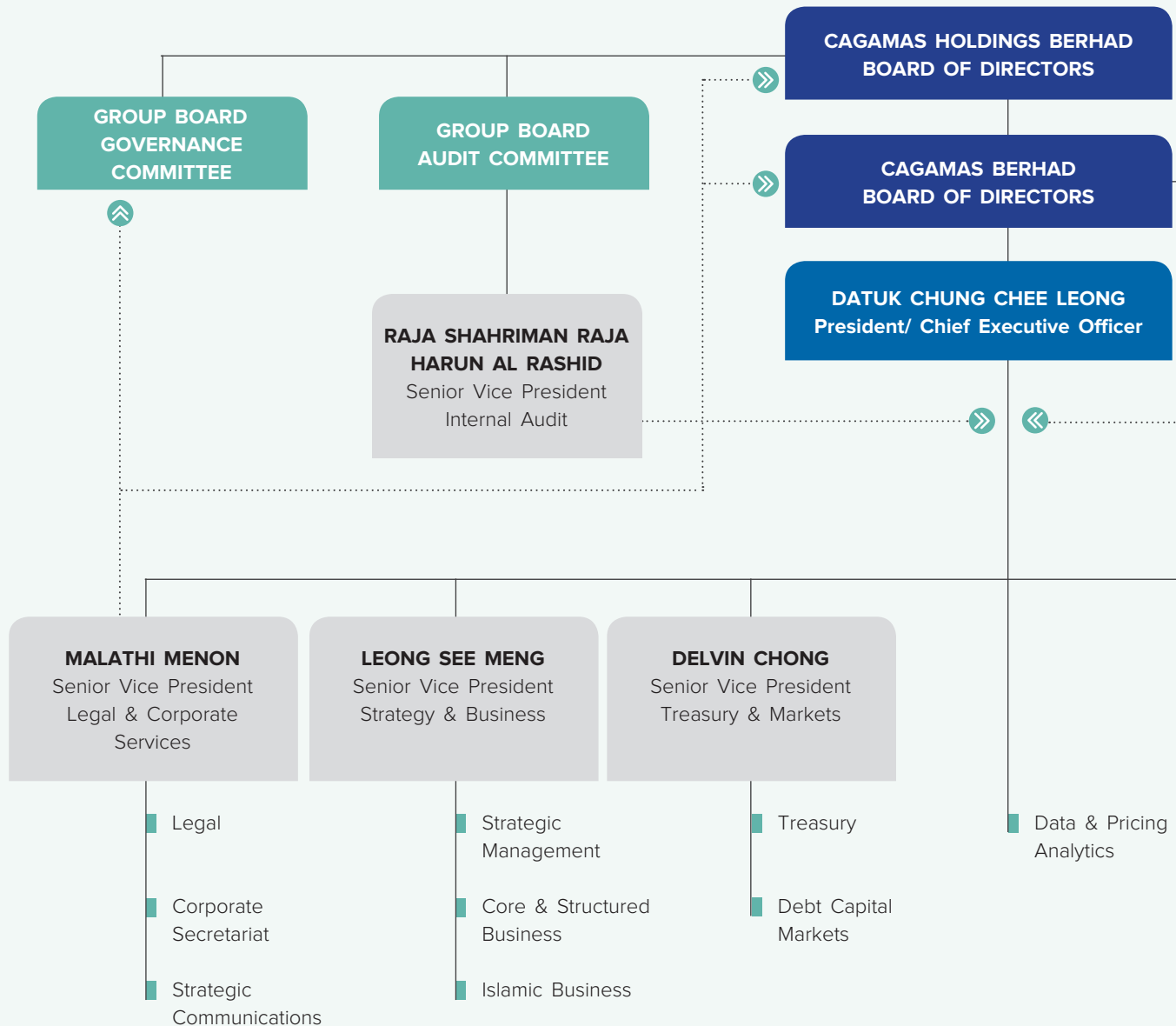
SECURING THE FUTURE

Providing Access
to Affordable
Home Financing





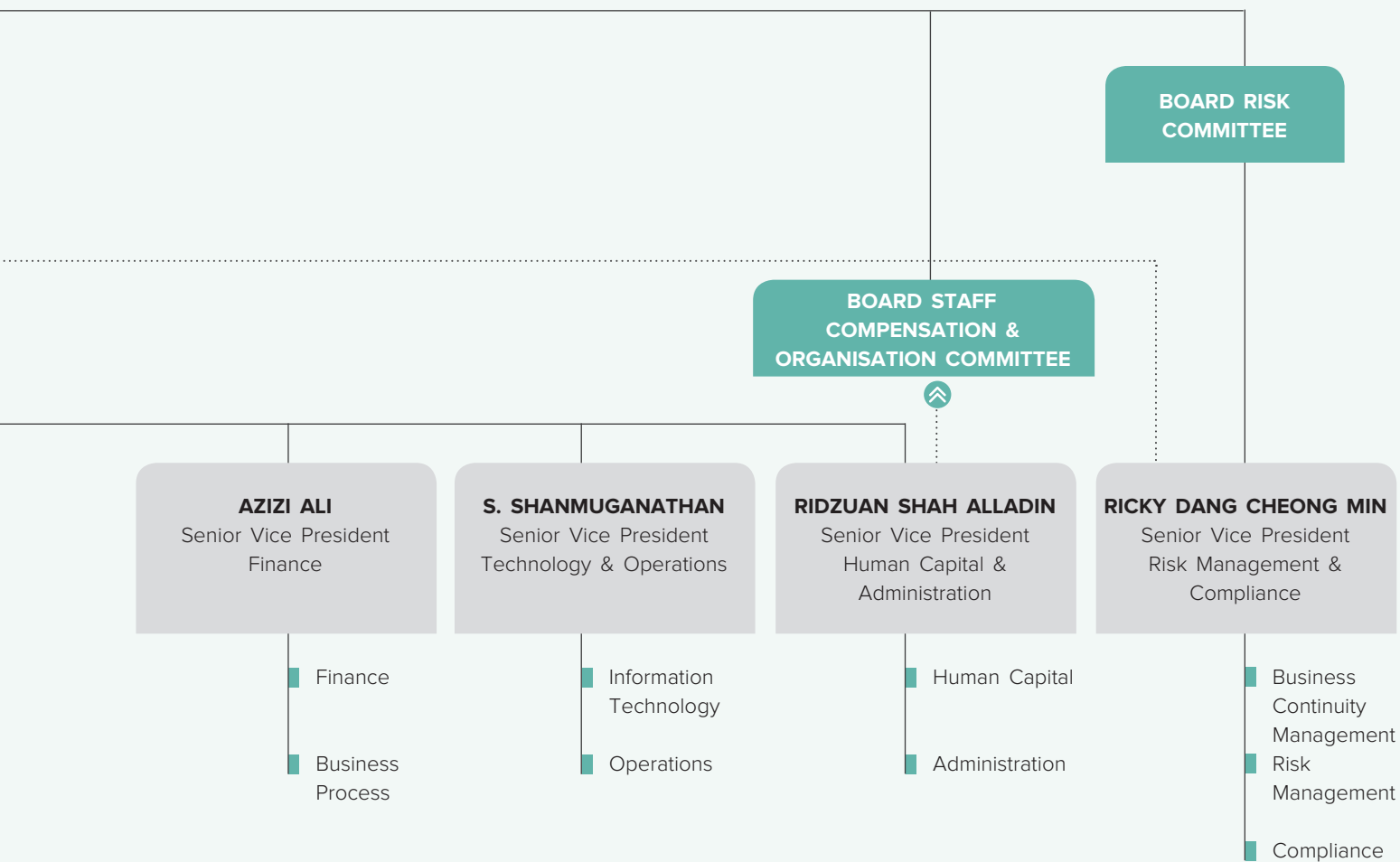
ORGANISATION STRUCTURE





ORGANISATION STRUCTURE

(CONTINUED)





PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS HOLDINGS BERHAD)



DATO' BAKARUDIN ISHAK

Independent Non-Executive Chairman

- Age **60 years**
- Appointed on **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

Past

- Assistant Governor, Bank Negara Malaysia
 - Member, BNM Monetary Policy Committee
 - Director, Foreign Exchange Administration Department
 - Director, Islamic Banking and Takaful Department
- Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear)
- Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF)
- Investment Panel, Employees' Provident Fund
- Director, ACE Money Exchange Sdn. Bhd.
- Director, Affin Islamic Bank Berhad

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 (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



TAN SRI DATO' SRI TAY AH LEK

Non-Independent Non-Executive Director

-  Age **79 years**
-  Appointed on **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
- Deputy Chairman, Ombudsman for Financial Services (formerly known as Financial Mediation Bureau)

- 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
- Member, Economic Action Council

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 (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



DATUK ABDUL FARID ALIAS

Non-Independent Non-Executive Director

-  Age **53 years**
-  Appointed on **6 June 2013**
-  Nationality **Malaysian**
-  Board Meetings Attended **1/4**

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
- Aseambankers (M) 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.






PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



DATO' LEE KOK KWAN

Non-Independent Non-Executive Director

-  Age **55 years**
-  Appointed on **12 June 2015**
-  Nationality **Malaysian**
-  Board Meetings Attended **4/4**

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

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
- Adviser, Securities Commission 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 (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



WAN HANISAH WAN IBRAHIM

Independent Non-Executive Director

-  Age **65 years**
-  Appointed on **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 (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



DATUK SERI DR. NIK NORZRUL THANI N. HASSAN THANI

Independent Non-Executive Director

- Age **61 years**
- Appointed on **1 January 2019**
- Nationality **Malaysian**
- Board Meetings Attended **4/4**

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

Present

- Director, Malaysian Rating Corporation Berhad
- Chairman and Senior Partner, Zaid Ibrahim & Co. (ZICO)/ Advocate & Solicitor
- Chairman, T7 Global Berhad
- Director, Amanah Saham Nasional Berhad
- Director, MUFG Bank Malaysia Berhad
- Chairman, IIUM 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)
- Registered Notary Public

Past

- Chairman, Pengurusan Aset Air Berhad
- 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
- Chairman, Chin Hin Group Berhad
- Visiting Senior Fellow, Melbourne Law School, University of Melbourne, Australia

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 (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



DATUK SITI ZAUYAH MD DESA
Independent Non-Executive Director

- Age **63 years**
- Appointed on **1 December 2019**
- Nationality **Malaysian**
- Board Meetings Attended **4/4**

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

- Director, Telekom Malaysia Berhad
- Council Member, Majlis Amanah Rakyat (MARA)
- Director, Cagamas SRP Berhad

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 (Diperbadankan)
- 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.







PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS HOLDINGS BERHAD)

(CONTINUED)



CHONG KIN LEONG

Independent Non-Executive Director

-  Age **63 years**
-  Appointed on **1 May 2020**
-  Nationality **Malaysian**
-  Board Meetings Attended **3/3**

Membership of Board Committee

Chairman, Group Board Audit Committee

Qualification

- Honours Degree in Bachelor of Accounting, University of Malaya
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Working Experience/ Other Directorships

Present

- Director, AIA General Berhad
- Honorary Trustee, The Community Chest
- Director, AIA PUBLIC Takaful Bhd.

Past

- Chief Financial Officer, Genting Berhad
- Finance Director, Rashid Hussain Berhad Group
- Financial Controller, Sime Darby Group subsidiaries
- Audit Supervisor, Peat Marwick Mitchell (now known as KPMG)

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 AND 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 boards and board committees of the Group.





BOARD AND BOARD COMMITTEES

(CONTINUED)

BOARD OF DIRECTORS

Chairman of the Board

Dato' Bakarudin Ishak

Directors

- **Tan Sri Dato' Sri Tay Ah Lek**
- **Datuk Abdul Farid Alias**
- **Dato' Lee Kok Kwan**
- **Wan Hanisah Wan Ibrahim**
- **Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani**
- **Datuk Siti Zauyah Md Desa**
- **Chong Kin Leong**
(Appointed as Director w.e.f. 1 May 2020)
- **Datuk George Ratilal**
(Retired as Director w.e.f. 4 June 2020)

Members of the Group Board Audit Committee

- **Chong Kin Leong**
(Appointed as Chairman w.e.f. 1 May 2020)
- **Dato' Lee Kok Kwan**
- **Wan Hanisah Wan Ibrahim**
- **Datuk George Ratilal**
(Resigned as Chairman w.e.f. 1 May 2020 and as Member w.e.f. 4 June 2020)

Members of the Group Board Governance Committee

- **Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani**
(Chairman)
- **Dato' Bakarudin Ishak**
- **Tan Sri Dato' Sri Tay Ah Lek**





PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS BERHAD)



DATO' BAKARUDIN ISHAK

Independent Non-Executive Chairman

- Age **60 years**
- Appointed on **26 March 2019**
- Nationality **Malaysian**
- Board Meetings Attended **6/6**

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

Past

- Assistant Governor, Bank Negara Malaysia (BNM)
 - Member, BNM Monetary Policy Committee
 - Director, Foreign Exchange Administration Department
 - Director, Islamic Banking and Takaful Department
- Chief Executive Officer, Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear)
- Member of Governing Council, International Centre for Education in Islamic Finance (INCEIF)
- Investment Panel, Employees' Provident Fund
- Director, ACE Money Exchange Sdn. Bhd.
- Director, Affin Islamic Bank Berhad

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 (CAGAMAS BERHAD)

(CONTINUED)



DATO' HALIPAH ESA

Independent Non-Executive Director

-  Age **72 years**
-  Appointed on **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 D.C.
- 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, Sime Darby Plantation Berhad
- Director, S P Setia Berhad
- 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
- Chairman, Malaysia Maritime Academy Sdn. Bhd.
- Director, Putrajaya Holdings Sdn. Bhd.
- Director, Malaysia Marine and Heavy Engineering 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.



PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS BERHAD)

(CONTINUED)



DATUK AZIZAN HAJI ABD RAHMAN

Independent Non-Executive Director

- Age **66 years**
- Appointed on **1 January 2019**
- Nationality **Malaysian**
- Board Meetings Attended **6/6**

Membership of Board Committee

- Member, Board Risk Committee
- Member, Board Staff Compensation and Organisation 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
- Director, CTOS Holdings Sdn. Bhd.
- Director, CTOS Data Systems Sdn. Bhd.
- Director, City Credit Investment Bank Ltd. Labuan
- Chairman, Labuan Financial Services Authority (Labuan FSA)
- Director, City Credit Fintech Ltd.

Past:

- Chairman, Kensington Trust Labuan Ltd.
- Director, Cagamas Holdings Berhad
- Member, Panel Review Committee, Suruhanjaya Pencegahan Rasuah Malaysia
- Director, Kumpulan Wang Persaraan (Diperbadankan) – Member, Investment Committee
- Director, ERF Sdn. Bhd.
- 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
- Director, Permodalan BSN Berhad
- Director, Gibraltar BSN Life Berhad
- Director, Gibraltar BSN Holding Sdn. Bhd.
- Metro Money Exchange Sdn. Bhd.
- Director, MARC Risk Management Solutions Sdn. Bhd.
- Director, MARC Training 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.



PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS BERHAD)

(CONTINUED)



DATO' WEE YIAW HIN

Independent Non-Executive Director

- Age **63 years**
- Appointed on **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 (CAGAMAS BERHAD)

(CONTINUED)



HO CHAI HUEY

Independent Non-Executive Director

-  Age **61 years**
-  Appointed on **1 February 2019**
-  Nationality **Malaysian**
-  Board Meetings Attended **6/6**

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.







PROFILE OF THE BOARD OF DIRECTORS (CAGAMAS BERHAD)

(CONTINUED)



DATUK SERI TAJUDDIN ATAN

Independent Non-Executive Director

-  Age **62 years**
-  Appointed on **1 May 2020**
-  Nationality **Malaysian**
-  Board Meetings Attended **4/4**

Membership of Board Committee

Chairman, Board Risk Committee

Qualification

- Bachelor of Science (Agribusiness), University Putra Malaysia
- Master in Business Administration, Ohio University
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Fellow Chartered Banker, Asian Institute of Chartered Bankers (AICB)
- Honorary Degree of Doctorate in Finance, University Putra Malaysia
- Malaysian Futures & Options Registered Representative (MFORR)

Working Experience/ Other Directorships

Present

- Chairman, MMC Corporation Berhad
- Director, MMC Gamuda KVMRT (PDP SSP) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (T) Sdn. Bhd.
- Director, MMC Gamuda KVMRT (PDP) Sdn. Bhd.
- Chairman, Bank Muamalat Malaysia Berhad
- Member of Malaysian Communications and Multimedia Commission (MCMC)
- Chairman, Honda Malaysia Sdn. Bhd.
- Chairman, Asian Institute of Chartered Bankers (AICB) Disciplinary Panel

Past

- Chief Executive Officer/ Executive Director, Bursa Malaysia Berhad
- RHB Banking Group
 - Group Managing Director, RHB Capital Berhad
 - Managing Director, RHB Bank Berhad
- President/ Group Managing Director, Bank Pembangunan Malaysia Berhad
- Chief Executive Officer, Bank Simpanan Nasional
- Managing Director, Chase Perdana Berhad
- Senior General Manager, Corporate Finance, Penang Shipbuilding Group
- Head of Treasury Division, Bank Bumiputra Commerce Berhad
- Non-Independent Executive Director in all subsidiary companies within Bursa Malaysia Group
- Director, Capital Market Development Fund
- Director, Securities Industry Development Corporation
- Member of Executive Committee, Financial Reporting Foundation
- Member of Executive Committee, Malaysia International Islamic Financial Centre

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 (CAGAMAS BERHAD)

(CONTINUED)



DATUK CHUNG CHEE LEONG

Non-Independent Executive Director

-  Age **61 years**
-  Appointed on **27 March 2013**
-  Nationality **Malaysian**
-  Board Meetings Attended **6/6**

Membership of Board Committee

Nil

Qualification & Award

- Bachelor of Economics (Honours), majoring in Business Administration, University of Malaya
- Summer School Programme, University of Cambridge
- Global Islamic Finance Award 2020
 - Special Award for Islamic Financial Advocacy

Working Experience/ Other Directorships

Present

- President/ Chief Executive Officer, Cagamas Berhad (since 1 April 2012)
- 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
- Member, Bond Market Sub-Committee of the Financial Market Committee, Bank Negara Malaysia
- Director, Risk Management, Bank Negara Malaysia
- Director, Banking Supervision, Bank Negara Malaysia
- Non-Independent Non-Executive Director, Credit Guarantee Corporation Berhad
 - Member, Board Audit Committee
- 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.



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
Finance



S. SHANMUGANATHAN
Senior Vice President
Technology & Operations



LEONG SEE MENG
Senior Vice President
Strategy & Business



DELVIN CHONG
Senior Vice President
Treasury & Markets



MALATHI MENON
Senior Vice President
Legal & Corporate Services/
Company Secretary



RIDZUAN SHAH ALLADIN
Senior Vice President
Human Capital & Administration



RICKY DANG CHEONG MIN
Senior Vice President
Risk Management & Compliance



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



HOUSING THE NATION

SECURING THE FUTURE

.....
Staying Committed to
Our Sustainability Journey







SUSTAINABILITY REPORT

PART 1: CORPORATE SUSTAINABILITY REPORTING

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

This document outlines the ongoing commitment of Cagamas Holdings Berhad ("the Company") 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 2020.

Cagamas' Approach in Sustainability

In 2015, the United Nation's Sustainable Development Goals ("UNSDG") were established as a framework for global action on sustainability. Cagamas Berhad ("Cagamas") has identified 3 sustainable development goals, as outlined in Cagamas Sustainability Framework and aligned with UNSDG that are of critical importance to Cagamas. These 3 sustainable development goals are directly related to the ability of the Group to support improved economic well-being of our stakeholders which is consequently aligned with our mandate to promote home ownership and contribute to nation development. The identified goals are as follows:



Sustainability Governance

The Board of Directors ("the Board") of Cagamas Holdings Berhad is fully committed to ensuring that the Group maintains the highest standards to corporate governance.

Through the establishment of the Sustainability Governance Structure, the Board will work with the board of the subsidiary company and management to provide formal oversight of the Group's corporate sustainability strategy.

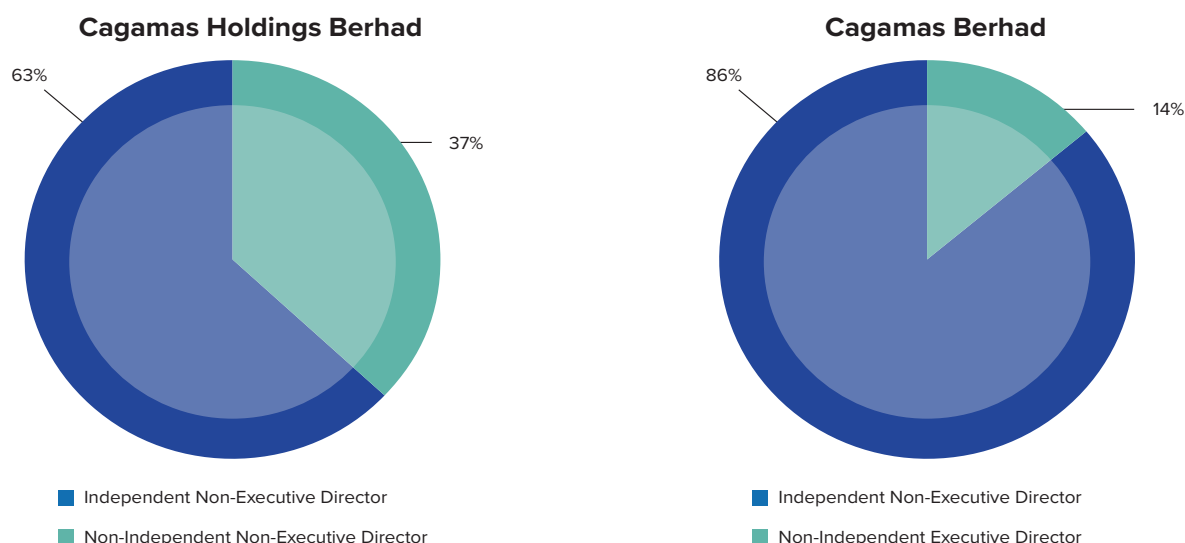




SUSTAINABILITY REPORT (CONTINUED)

The Group practises high standards of corporate governance so that the Group's affairs are conducted with integrity and professionalism. Based on the criteria in Bank Negara Malaysia's Corporate Governance 2016 policy document, a majority of the Company's Directors are considered independent which would allow objective and independent views for the Board's deliberations

The Company and Cagamas have an Independent Non-executive Chairman and a majority of Independent Directors as illustrated below:



Sustainability Goals

In line with our mission to raise awareness in the community about the importance of sustainable development, outlined below are the 3 material sustainability pillars identified by Cagamas:

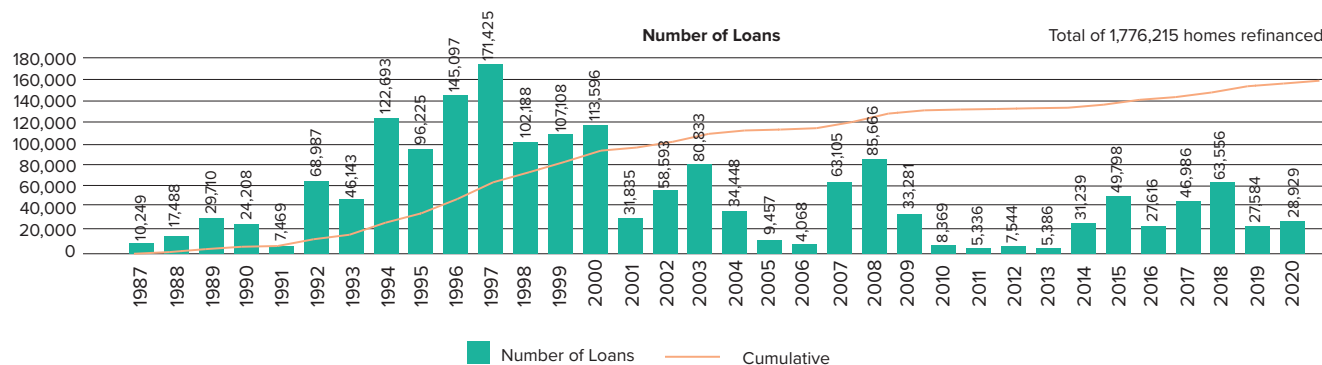
PILLAR 1: PROMOTING SUSTAINABLE HOME OWNERSHIP

We are committed to facilitating sustainable home ownership for all Malaysians as outlined below:

- Cumulative number of homes refinanced**

By providing liquidity to the primary lenders, Cagamas intends to continuously promote sustainable home ownership amongst Malaysians.

Since its inception in 1986, Cagamas has purchased home financing in the secondary market totalling RM141.8 billion, equivalent to 1.8 million homes.





SUSTAINABILITY REPORT

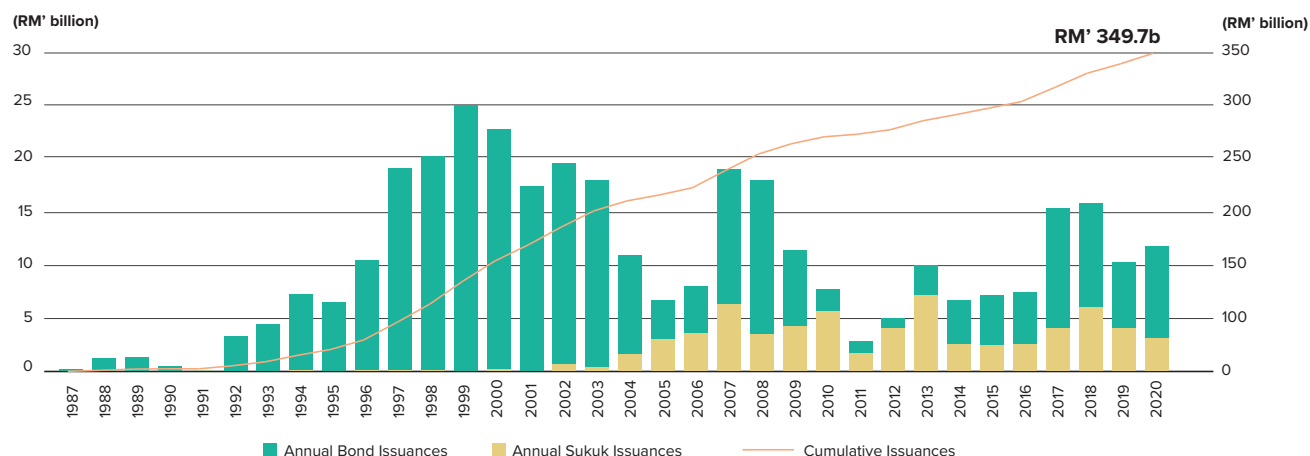
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• Issuance of highly rated papers

Cagamas issues bonds and sukuk to finance the purchase of mortgage and home financing from financial and non-financial institutions. The provision of liquidity at a reasonable cost to the primary lenders of mortgage and home financing encourages further financing for houses at an affordable cost. In addition, Cagamas MBS Berhad (i.e. Cagamas' subsidiary company), issues Residential Mortgage Backed Securities ("RMBS") and Islamic RMBS in the capital market.

Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Cumulatively, Cagamas and Cagamas MBS Berhad have issued circa RM349.7 billion worth of corporate bonds and sukuk.

Cagamas' Ringgit Malaysia corporate bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad ("RAM Rating") and AAA/MARC-1 and AAAIS/MARC-1IS by Malaysian Rating Corporation Berhad ("MARC"), denoting its strong credit quality. Our foreign currency bonds and sukuk are assigned an international rating of A3 by Moody's Investors Service. The RMBS and Islamic RMBS are also rated AAA by both RAM Rating and MARC.





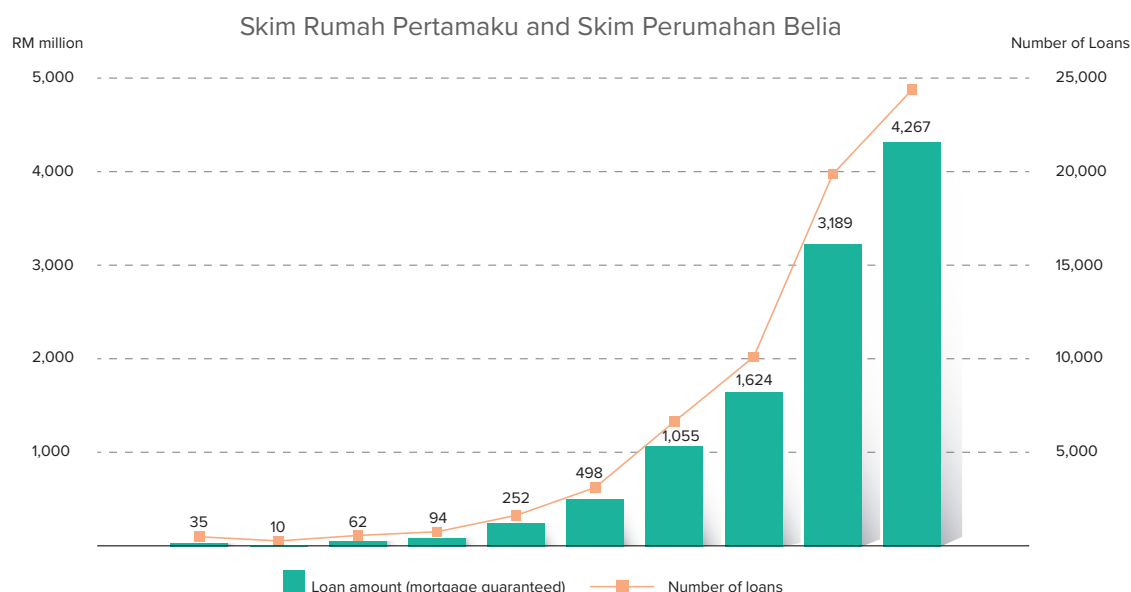
SUSTAINABILITY REPORT (CONTINUED)

• Contribution to the affordable housing sector

It is part of Cagamas' effort to promote first time home ownership particularly in the affordable housing sector via Skim Rumah Pertamaku ("SRP") and Skim Perumahan Belia ("SPB")¹.

Since the launch of SRP and SPB in 2011 and 2015 respectively, Cagamas SRP Berhad (a subsidiary of Cagamas Holdings Berhad) has provided guarantees for housing loans and financing totalling RM11.1 billion enabling 52,203 individuals/ households to own their first house, of which 87% are from the B40 segment.

The significant increase in the number of applications in 2019 and 2020 reflects the greater awareness of the schemes as well as the growing demand for houses for first time house buyers despite the challenging environment especially in 2020.



PILLAR 2: EMPLOYER OF CHOICE

We believe in providing an inclusive and engaging work environment for our people to excel. Cagamas offers a holistic Employee Value Proposition across all employee groups, which supports business strategies and objectives. Beyond competitive remuneration, it also includes providing a conducive work environment and culture, career advancement as well as personal development opportunities.

During the unprecedented challenging environment in 2020, Cagamas being an essential service organisation in the financial sector continued to be in operations while ensuring staff safety and health by adopting a more flexible working arrangement, providing relevant health screening and supplies as well as implementing strict preventive measures.

Cagamas strongly believes in equal opportunity at work, embraces diversity and is against all forms of discrimination in its effort to recruit, develop and retain a workforce with a wide range of competencies and skill sets.

¹ Through two schemes namely the Skim Rumah Pertamaku ("My First Home Scheme") and Skim Perumahan Belia ("Youth Housing Scheme"), qualified house buyers can obtain up to 110% (for SRP) and 100% (for SPB) financing from participating banks, enabling them to own a home without making a down payment.

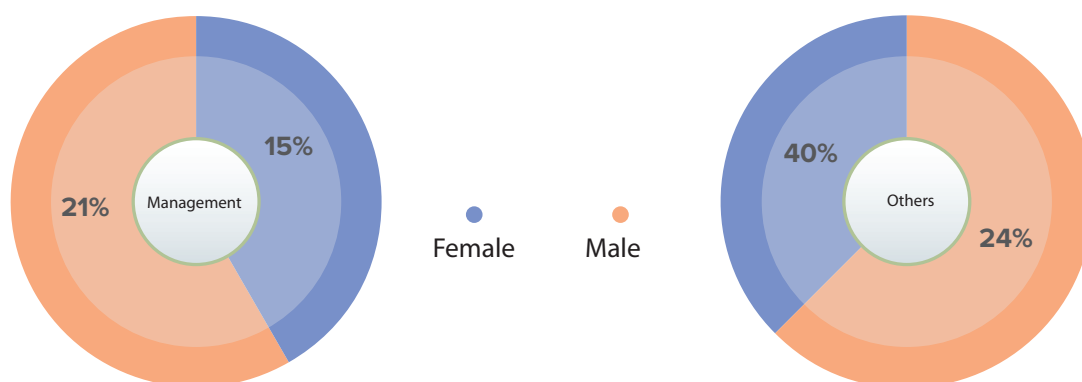


SUSTAINABILITY REPORT

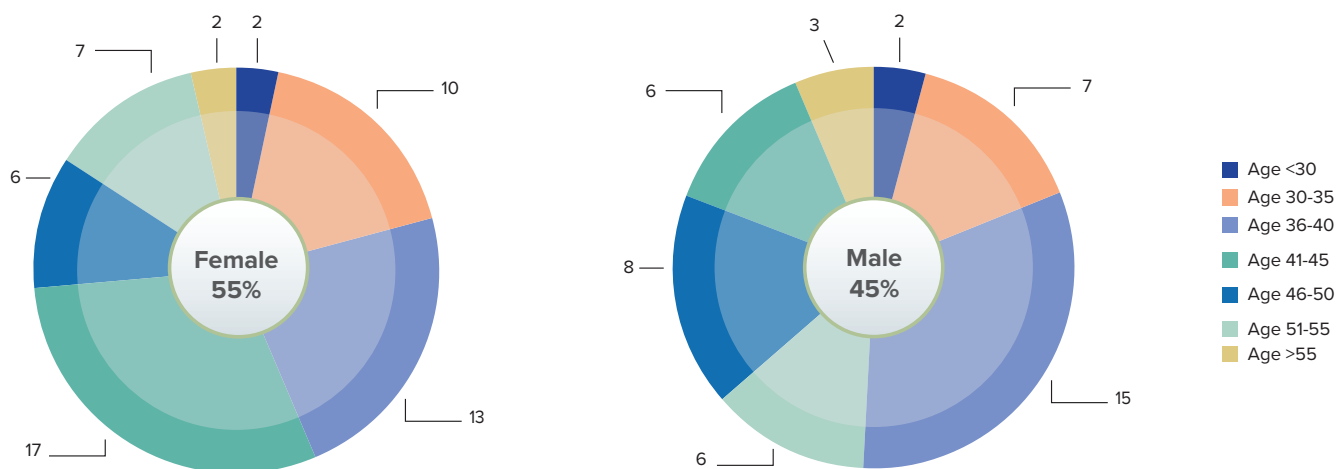
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As at 31 December 2020, the organisation comprised a total of 104 staff with a good mix of gender and age. In terms of gender mix, the overall distribution between male and female is 45% and 55% respectively, while overall staff below 40 years of age represented 47% of our workforce. Details are set out below:

(A) EMPLOYEE BY GENDER



(B) EMPLOYEE BY GENDER AND AGE



(C) LEARNING & DEVELOPMENT

Mandatory corporate learning target of 16 hours (equivalent to two full days of training) is practised company wide.



Total Staff
Attended Training
102



Total Training
Hours
2,068



Average Training
Hours/ Staff
20.27 hours



Average Training
Days/ Staff
2.5 days



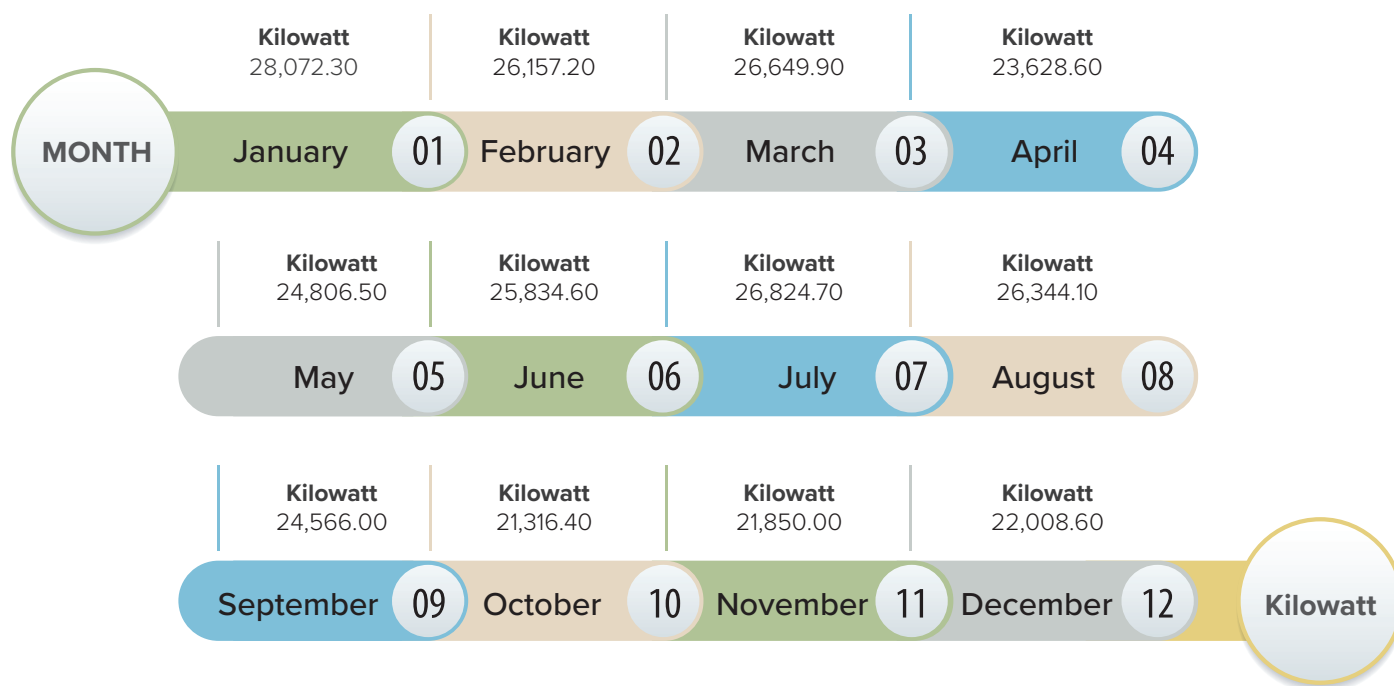
PILLAR 3: POSITIVE SOCIETAL IMPACT

We contribute towards a positive environmental impact through the following activities:

(A) REDUCE ELECTRICITY CONSUMPTION

Cagamas' continuous effort to reduce electricity consumption in various ways, include (1) replacing downlight halogen bulbs with energy saving LED lights, (2) substituting multiple printers with energy efficient multi-function printers and (3) switching off office lights and computers during lunch time.

As a result, electricity consumption has been on a downward trend since early 2020², as evidenced by the monthly kilowatt usage below:



(B) PAPER CONSUMPTION

Cagamas continues to improve its waste management efforts by encouraging the use of digital media and devices to reduce paper usage as well as implementing a material usage management process to control usage of input materials such as papers. For example, Board and management discussion papers are provided electronically.

Our efforts to reduce paper usage is evidenced by the number of reams of paper used in 2020 totalling 555 reams as opposed to 900 reams in 2019.

² Implementation of the Movement Control Order during the same period may have also contributed to the reduced electricity consumption for 2020.



SUSTAINABILITY REPORT

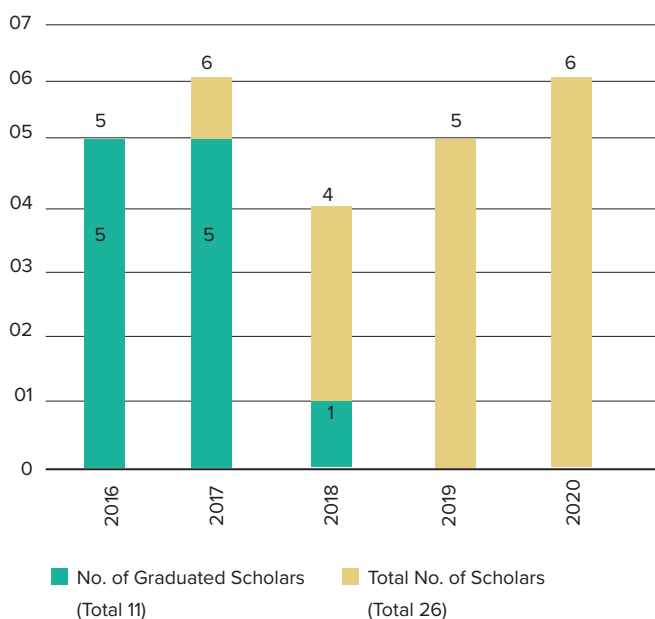
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(C) CAGAMAS SCHOLARSHIP PROGRAMME

To develop a future workforce for the nation, specifically in the financial services industry, Cagamas has established a scholarship programme ("CSP") since 2016 to help students from low-income households in their pursuit of higher learning to ultimately elevate the livelihood of themselves and their families. The CSP, which is bond-free, funds selected undergraduate programmes in local universities, and covers tuition fees, living expenses, as well as learning aids e.g. books, stationery, laptop, printer.

Since 2016, Cagamas has expended RM658,978 on scholarships for 26 scholars to study various disciplines (e.g., Law, Economics, Actuarial Science, Statistics, Accounting, Information Technology) in local public universities.

We have helped produce 11 graduates since the inception of the programme, with all of them successfully securing employment in their respective fields of interest. A breakdown of Cagamas scholars is as follows:



(D) SOCIAL CONTRIBUTION AND DEVELOPMENTS

Cagamas believes that strong communities and strong businesses go together. We focus on helping build and strengthen our local communities and on responding in times of need. To practise good corporate citizenship, our Corporate Social Responsibility ("CSR") approach leverages on grant giving, educational programmes and employee volunteerism. By combining the altruism and dedication of our staff with strategic investments in community-based partnerships, we have impacted the lives of more than 715 recipients with a total allocation of approximately RM329,959 in 2020.

Cagamas CSR Programmes

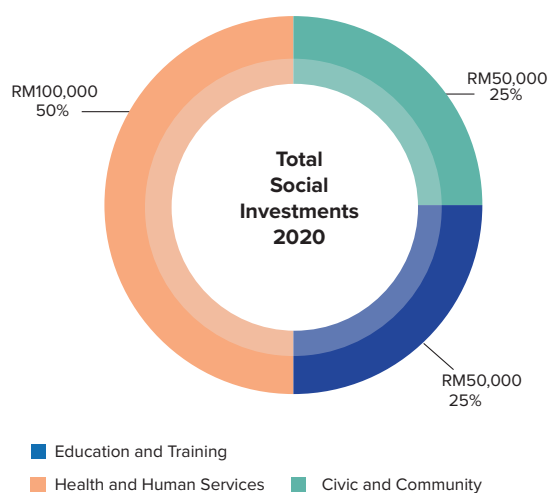
Pillar	Impact
1. Education and Training Supporting equitable education for highest-need schools and communities.	
(i) Teach for Malaysia ("TFM") Sponsored a fellow to teach in a high-need school with the intention to drive long-term systemic change.	Impacted 150 students in 2020 and overall, 600 students since 2017 at various rural schools across Malaysia.



SUSTAINABILITY REPORT

(CONTINUED)

Pillar	Impact
2. Civic and Community By providing sustainable basic facilities for underprivileged communities.	
(i) Women of Will Provided grant to purchase farm equipment, provide training and coaching to empower B40 women to develop their homebased farms into business ventures.	Impacted 25 women from Sabah and overall, 150 family members at an average increased income of 10% per family.
(ii) Urban Hijau Guerrilla Planting Project An employee volunteer programme to create positive social impact by distributing edible plants to the low-income community members in Teluk Gadong, Klang.	Impacted 100 people (20 low-income families) who will be able to harvest food for own consumption from edible saplings and seedlings prepared by staff volunteers.
3. Health and Human Services Funding support for vulnerable groups through charitable and non-governmental welfare organisations:	
(i) MERCY Malaysia Wakaf COVID-19 fund Supporting the Government's effort to mitigate and curb the COVID-19 outbreak in Malaysia.	Contribution to the purchase of 20 ventilators to be used in Intensive Care Units at designated Government hospitals.



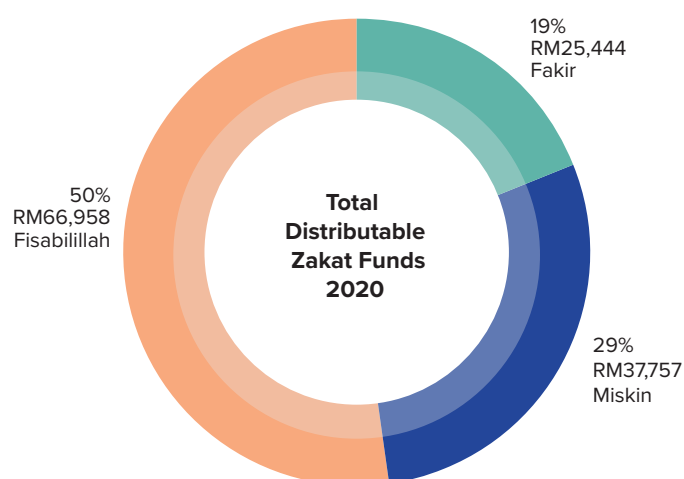


SUSTAINABILITY REPORT

(CONTINUED)

Zakat Contributions

Cagamas continues to serve multiple communities through its business zakat contribution and has established a Zakat Wakalah Programme ("ZWP"). In 2020, the ZWP allocated zakat funds amounting to RM129,959 to eligible recipients including associations and charity homes throughout Malaysia according to the three asnaf categories of Fakir³, Miskin⁴, and Fisabilillah⁵.



Please refer to page 65 for the full write-up on CSR and Zakat Contributions.

PART 2: SUSTAINABILITY BOND/ SUKUK REPORTING

Cagamas recognises its responsibilities towards the environment and the nation as sustainable development through affordable housing has always been the Company's core priority. The publication of Cagamas Sustainability Bond/ Sukuk Framework ("the Framework") in 2019, which is aligned with international standards, reaffirmed Cagamas' mission to increasing awareness in the community about the importance of sustainable development.

³ 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.

⁴ 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.

⁵ 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)

CAGAMAS SUSTAINABILITY FRAMEWORK

Use of Proceeds	<p>The proceeds of any Cagamas' sustainability bonds/ sukuk issuance Sustainability Bonds/ Sukuk will be used to purchase loans/ financing/ assets related to:</p> <ul style="list-style-type: none"> • Renewable Energy • Energy Efficiency • Green Buildings • Low Carbon and Low Emission Transportation • Sustainable Water and Wastewater Management • Affordable Housing • Employment Generation
Process for Project Evaluation and Selection	<ul style="list-style-type: none"> • A set of Eligible Criteria ("EC") will be given to Financial Institutions/ Non-Financial Institutions who are designated as the 'The Approved Seller'. • The Approved Seller will evaluate and provide the listing of Eligible Loans/ Financing/ Assets that complies with the EC. The Approved Seller is obliged to ensure that the loans/ financing/ assets sold meet Cagamas' EC at all times. • Recommendation will be made for approval of the Asset and Liability Committee to issue Sustainability Bonds/ Sukuk to purchase the identified Eligible Loans/ Financing/ Assets.
Management of Proceeds	<ul style="list-style-type: none"> • Proceeds of the Sustainability Bonds/ Sukuk will be fully utilised to purchase similar amount of Eligible Loans/ Financing/ Assets immediately at the point of issuance. • The portfolio of Eligible Loans/ Financing/ Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system by Cagamas' Operations Department.
Reporting	<ul style="list-style-type: none"> • Cagamas will publish an annual Sustainability Bonds/ Sukuk progress report as part of Cagamas Berhad's Annual Report, which will provide information on allocation and impacts throughout the tenure of the Sustainability Bonds/ Sukuk. • Allocation Reporting: <ul style="list-style-type: none"> o Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/ Sukuk. • Impact Reporting: <ul style="list-style-type: none"> o Where possible, Cagamas will report on the environmental and social (where relevant) impacts resulting from the Eligible Loans/ Financing/ Assets. Cagamas may select alternative quantitative or qualitative indicators which are relevant to the selected Eligible Loans/ Financing/ Assets.
External Reviews	<ul style="list-style-type: none"> • For any Sustainability Bonds/ Sukuk issuance under the Framework, the Company will engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Framework. • The Annual Sustainability Progress Report and post-issuance annual review report will be made available to the public on the Cagamas website and the reporting cycle will be in conjunction with the Company's annual report.



SUSTAINABILITY REPORT

(CONTINUED)

A second opinion was obtained from RAM Sustainability Sdn Bhd ("RAM Sustainability") to confirm that information provided in the report has been prepared in line with the Framework.

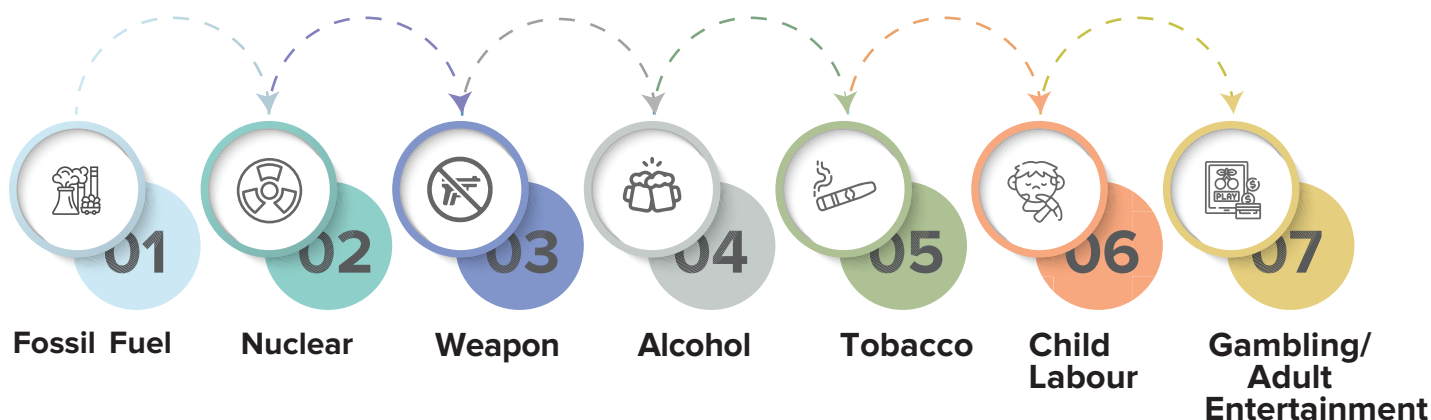
Among the five green solutions within the Framework, renewable energy and energy efficiency solutions carry the highest Environmental Benefit ("EB") ratings of Tier-1. Meanwhile, Tier-1 Social Benefit ("SB") ratings were assigned to the affordable housing and employment generation via Small and Medium Enterprise ("SME") solutions.

SUMMARY

RAM Sustainability's second opinion on the Framework concludes that it provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments. The Framework is aligned with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment ("SRI") Sukuk Framework, the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards and the globally recognised Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. In our view, Cagamas' Proposed Sustainability Bonds/ SRI Sukuk will create a positive environmental and social impact by financing projects and solutions that are essential for a sustainable future.



Excluded Use of Proceeds as stated in the Framework:





SUSTAINABILITY REPORT (CONTINUED)

CAGAMAS INAUGURAL SUSTAINABILITY PROGRESS REPORT

In 2020, aligned with the company's commitment to support industry-led sustainable product offering, Cagamas successfully issued its inaugural and Malaysia's first issuance of RM100 million ASEAN Sustainability SRI Sukuk ("SRI Sukuk") for affordable housing and its first multi-tenured RM100 million ASEAN Sustainability Bonds ("ASEAN Sustainability Bonds") for the SME sector.

The SRI Sukuk was assigned the highest Social Benefit ("SB") rating of Tier-1 for affordable housing by RAM Sustainability under the Framework.

Meanwhile, the ASEAN Sustainability Bonds were assigned the highest Environmental Benefit ("EB") and SB rating of Tier-1 correspondingly for renewable energy and employment generation via SMEs. Additionally, an EB Tier-2 rating was assigned for sustainable water and wastewater management.

Information on the Sustainability Bond/ Sukuk issuances in 2020 is set out below:

Cagamas Sustainability Bond/ Sukuk Issuances					
Facility Description	Stock Code	Issue date	Maturity date	Original Tenure	Issue Size (RM mil)
Sustainability Sukuk Cagamas	VG200270	26/10/2020	26/10/2023	3.0	100
Sustainability Cagamas MTN	UE200255	27/10/2020	28/10/2021	1.0	35
Sustainability Cagamas MTN	UF200254	27/10/2020	27/10/2022	2.0	20
Sustainability Cagamas MTN	UG200253	27/10/2020	27/4/2023	2.5	45
				Total	200



SUSTAINABILITY REPORT

(CONTINUED)

Information on the breakdown of the use of proceeds are illustrated in the following table:

Use of Proceeds			
No.	Purpose	RM mil	%
1.	Renewable Energy	0.26	0.13%
2.	Sustainable Water and Wastewater Management	0.64	0.32%
3.	Affordable Housing	99.95	49.98%
4.	Employment Generation	99.10	49.55%
5.	Unallocated	0.05	0.02%
	TOTAL	200.00	100.00%

Proceeds from the Sustainability Bond and Sukuk issuances were used to purchase loans/ financing related to renewable energy, sustainable water and wastewater management, affordable housing and employment generation via SMEs. Unallocated funds amounting to 0.02% from the total issuance proceeds are placed in money market instruments.

Details of the loans/ financing purchased are illustrated in the following table:

Details of Sustainability Loans/ Financing				
No.	Use of Proceeds	Descriptions	Impact	Impact Indicators
1.	Renewable Energy	Solar Photovoltaics system for rooftop installation	90kwp	Total installed capacity
2.	Sustainable Water and Wastewater Management	Effluent water treatment	10 - 25m ³ /day	Amount of wastewater treated
3.	Affordable Housing	Affordable Housing	564	Total affordable homes
4.	Employment Generation	Non-carbon emitting industrial hire purchase receivables for Small and Medium Enterprises	374	Total number of SMEs

CONCLUSION

Cagamas is committed to improve environmental sustainability for the assets we refinance, the communities we serve and the place we work.

Cagamas is focused on delivering its mandate by pursuing a sustainable business model to create positive environmental, social, and economic outcomes through financing of affordable housing initiatives. Cagamas believes that adhering to responsible business practices can provide numerous benefits to the company, our investors and the community.

Cagamas also endeavours to drive social and economic progress through innovative solutions, collaborations and partnerships as well as continue its journey to enhance its sustainability agenda to attain a positive societal impact, aligned with the company's mandate and overall objectives.



SUSTAINABILITY REPORT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITY AND ZAKAT WAKALAH PROGRAMME

March

Cagamas Contributes Towards Medical Equipment Purchase for COVID-19 Patients »

Cagamas, through its CSR initiative, contributed towards the purchase of medical equipment organised by Mercy Malaysia (Mercy). This CSR initiative is in support of the Government's effort to mitigate and curb the COVID-19 outbreak in Malaysia. The contribution to Mercy's Wakaf Covid-19 fund will facilitate the purchase of 20 ventilators to be used in Intensive Care Units at designated government hospitals.



Cagamas Zakat Wakalah Programme – Food Supply Contribution To Aid 137 Asnaf in Selangor and Kuala Lumpur »

Cagamas, in collaboration with Persekutuan Orang Pekak under the Cagamas ZWP, donated care-packs containing two weeks worth of food supplies to assist 137 asnaf recipients in Selangor and Kuala Lumpur affected by the Government's Movement Control Order due to the COVID-19 pandemic. Representatives from the Persekutuan Orang Pekak Malaysia distributed these care-packs to the recipients on behalf of Cagamas.



« Cagamas Zakat Wakalah Programme – Cash Contribution for Asnaf in Merbok, Kedah

Cagamas, under its Cagamas ZWP, made a cash contribution to assist 14 asnaf recipients in Merbok, Kedah affected by the Government's Movement Control Order due to the COVID-19 pandemic. The cash received would help them purchase essential household goods. The village representative distributed the cash contribution to the recipients on behalf of Cagamas.



SUSTAINABILITY REPORT

(CONTINUED)

May

Cagamas Zakat Wakalah Programme – Contribution to Pusat Pungutan Zakat (“PPZ”) Musaadah Khaira Fund

Cagamas under its ZWP, contributed to the PPZ Musaadah Khaira Fund (fund), an initiative by the Zakat Collection Center – Federal Territory Islamic Religious Council under the Department of Islamic Development Malaysia. The fund is intended to ease the burden of those who are adversely affected by the Government’s Movement Control Order due to the COVID-19 outbreak. Cagamas presented its contribution to Yang Berhormat Senator Datuk Seri Dr. Zulkifli Mohamad Al-Bakri, Minister in the Prime Minister’s Department (Religious Affairs) at a ceremony held in Putrajaya.



August

Teach for Malaysia’s Week - Virtual Co-Teaching with TFM Fellow

A member of the Cagamas management team volunteered to co-teach a virtual English lesson with a TFM Fellow (“Fellow”) at a school in Ulu Tiram, Johor during TFM Week. 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 Fellow.





SUSTAINABILITY REPORT (CONTINUED)

September

Cagamas Berhad Scholarship Programme (“CSP”) 2020

With the aim of removing barriers to education for the low-income group, Cagamas awarded six scholarships to promising young Malaysians under its CSP as part of its ongoing corporate social responsibility initiatives. The CSP, which is bond-free, funds selected undergraduate programmes in local universities, and covers tuition fees, living expenses, as well as books and equipment. Due to movement restrictions during the pandemic, application shortlisting processes including tests and interviews were conducted in a virtual setting. In addition to household income and accessibility to financial support, selection was also based on the applicant's academic and extracurricular achievements, communication skills and potential leadership qualities.



December



« Cagamas CSR Collaboration with Women of Will (“WoW”) to Support B40 Women Farmers in Sabah

Cagamas, through its corporate social responsibility collaboration with Non-Governmental Organisation, WoW, contributed towards the purchase of farm equipment as well as training and coaching expenses for women farmers in Keningau, Sabah. This project is focused on supporting B40 women farmers in Sook, Keningau to develop their home-based farms as business ventures and attain an independent livelihood. Participants will receive tools, training and coaching to develop a sustainable business. The six training sessions and eight coaching sessions will be conducted from December 2020 to June 2021. These sessions are focused on equipping participants with organic farming skills as well as entrepreneurship skills.



SUSTAINABILITY REPORT

(CONTINUED)

Volunteer Programme with Urban Hijau's Guerrilla Planting Project

As part of its corporate social responsibility and sustainability initiative, Cagamas collaborated with Incitement Malaysia via Urban Hijau's Guerrilla Planting Project to organise a volunteer programme for staff to learn urban farming methodologies (including composting, soil-mixing and harvesting) first hand and prepare growers' kits/ saplings ("kits") for edible plants. These kits will be planted during the physical volunteering segment at the GIFT Foundation, Teluk Gadung, Selangor, which serves underprivileged B40 community members. The physical segment will take place when permitted by the authorities.



Corporate Social Responsibility Initiative 2020 – Urban Hijau Guerrilla Planting Project

Cagamas
National Mortgage Corporation of Malaysia



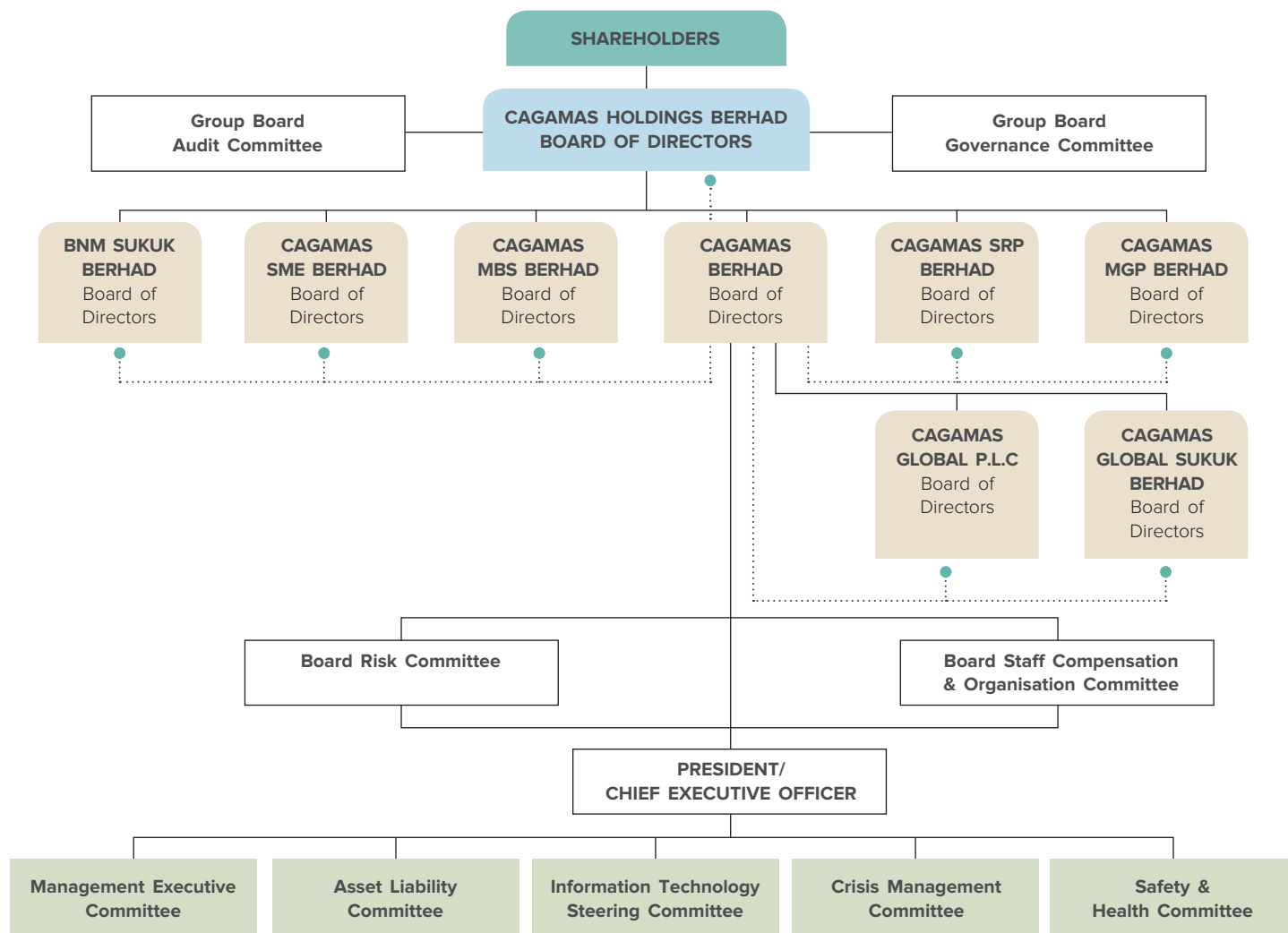


STATEMENT ON CORPORATE GOVERNANCE

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.

To harmonise with the provisions of the Companies Act 2016, a majority of the entities within the Group have adopted new constitutions. In addition, the Board Charter of the Company was enhanced with provisions to explain the definition of independent directors and their disclosure requirements, which are essential elements of effective corporate governance. Accordingly, this clarification supports the objective discharge of the Board’s oversight function, including driving the strategic goals of the Company.

GOVERNANCE FRAMEWORK





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. 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 that the cumulative tenure limit for an Independent Director is extended beyond nine years, shareholders' approval will be sought at the Annual General Meeting ("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 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 the adequacy and 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 Senior Vice President of the 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. 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 President/ Chief Executive Officer ("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 of Cagamas Berhad 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") as 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 Malaysians.

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 2020, 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 2020 is set out below:

Director	Designation/ Independence	Board Meetings Attendance
Dato' Bakarudin Ishak	Chairman, Independent	4/4
Tan Sri Dato' Sri Tay Ah Lek	Non-Independent	4/4
Datuk Abdul Farid Alias	Non-Independent	1/4
Dato' Lee Kok Kwan	Non-Independent	4/4
Wan Hanisah Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	Independent	4/4
Datuk Siti Zauyah Md Desa	Independent	4/4
Chong Kin Leong (Appointed as Director w.e.f. 1 May 2020)	Independent	3/3
Datuk George Ratilal (Retired as Director at the 13 th AGM held on 3 June 2020)	Independent	2/2

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 N. Hassan Thani (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Dato' Bakarudin Ishak

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 the BRC remain at Cagamas Berhad.

Appointment and Re-election of Directors

Candidates who are nominated to be appointed as Directors 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 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 required 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 Directors' remuneration 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' Fees (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin Ishak	100,000	23,500	123,500
Tan Sri Dato' Sri Tay Ah Lek	70,000	17,500	87,500
Datuk Abdul Farid Alias	70,000	3,500	73,500
Dato' Lee Kok Kwan	70,000	28,000	98,000
Wan Hanisah Wan Ibrahim	70,000	28,000	98,000
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	70,000	19,000	89,000
Datuk Siti Zauyah Md Desa	70,000	14,000	84,000
Chong Kin Leong (Appointed as Director w.e.f. 1 May 2020)	46,858	25,500	72,358
Datuk George Ratilal (Retired as Director at the 13 th AGM held on 3 June 2020)	29,645	12,000	41,645

Directors' Training

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. In addition, some Directors of the Group have attended the Financial Institutions Directors' Education (FIDE) Core Programme.

For 2020, training programmes attended by the Directors are detailed below.

Training Programmes Attended by Directors

Training Programmes	Duration in Day(s)
Financial Institutions Directors' Education (FIDE) Webinar:	
Outthink The Competition: Excelling in a Post COVID-19 World	1
Central Banks' Dilemma: Independence, Subservience, or Co-Dependence?	1
HR in the 2020s: Culture Sculptor, Risk Manager, and More	1
Cybersecurity & Work-From-Home Security Challenges Amidst COVID-19 Pandemic	1
ESG Trends & Regulatory Developments	1
Board & Executive Pay <i>During</i> and <i>Post</i> COVID-19	
<i>Force Majeure</i> & COVID-19: How are Contractual Relationships Affected and Managed	1
The Asset Webinar:	
3 rd Malaysia Issuers & Investors Leaders Dialogue	1



STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

Training Programmes Attended by Directors (continued)

Training Programmes	Duration in Day(s)
Securities Industry Development Corporation (SIDC) Webinar:	
Big Data 101 and its Challenges	1
Big Data Trends and Case Studies	1
Big Data and Use Cases for the Capital Market	1
Business Disruptions – Priorities for Boards session	
Cryptocurrency 101, Its Challenges and Issues	1
Blockchain Applications and How It can Safeguard Investors' Interest	
The Institute of Enterprise Risk Practitioners (IERP) Webinar:	
How to Survive and Thrive in the New Normal: A Practical ERM Guide	1
Invitation to Global Conference: When Irrationality Meets Disruption	2
Hong Kong Monetary Authority/ Insurance Authority/ Securities & Futures Commission Webinar:	
Hong Kong FINTECH week	5

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, Thomson Reuters, 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 79 to 80 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 75 to 78 of this Annual Report. For the financial year ended 31 December 2020, the external auditors had attended two meetings with the GBAC. The first meeting in February 2020 was to report on the financial statements for the financial year ended 31 December 2019, and the second meeting in August 2020 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 2020. 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 189 of this Annual Report.



REPORT OF THE GROUP BOARD AUDIT COMMITTEE

1. MEMBERS

For the year of 2020, the members of the Group Board Audit Committee ("the GBAC") were as follows:-

- (a) Chong Kin Leong (appointed as Director and Chairman of the GBAC of Cagamas Holdings Berhad w.e.f. 1 May 2020)
- (b) Datuk George Ratilal (resigned as Director and Chairman of the GBAC of Cagamas Holdings Berhad w.e.f. 4 June 2020 and 1 May 2020 respectively)
- (c) Dato' Lee Kok Kwan
- (d) Wan Hanisah Wan Ibrahim

A majority of the GBAC 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 Cagamas Group of Companies ("the Group") business and are independent of management. Neither a group of Directors nor any individual Director dominates the GBAC's discussions or decision-making. The Directors provide independent views for the GBAC's deliberations

2. ATTENDANCE AT MEETINGS

The GBAC held four meetings during the financial year ended 31 December 2020 with the President/ Chief Executive Officer and the Senior Vice President, Internal Audit Division in attendance. Other senior officers attended the meetings by invitation. The record of attendance of meetings by the members is as follows:-

Name of GBAC Members	No. of Meetings Attended
Chong Kin Leong (appointed w.e.f. 1 May 2020)	3/4
Datuk George Ratilal (resigned w.e.f. 1 May 2020)	1/4
Dato' Lee Kok Kwan	4/4
Wan Hanisah Wan Ibrahim	4/4

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 2019 and to present their audit plan and scope of work for the Group for the year 2020.

3. COMPOSITION AND TERMS OF REFERENCE

Authority

- (a) The GBAC 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 GBAC 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 GBAC is authorised by the Board to investigate any activity within its purview and members of the GBAC shall direct all employees to co-operate as they may deem necessary.

Size and Composition

- (a) The GBAC 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 GBAC shall elect a Chairman from amongst their members who shall be an Independent Director.



REPORT OF THE GROUP BOARD AUDIT COMMITTEE

(CONTINUED)

- (d) At least one member of the GBAC:-
- (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 First 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 Accountants Act, 1967; or
 - (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 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 GBAC 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 GBAC.

Meetings

- (a) Meetings will be held once a quarter or at a frequency to be decided by the Chairman of the GBAC. Invitation shall be extended to the President/ Chief Executive Officer to attend the meetings. The GBAC 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 GBAC shall be the Senior Vice President, Internal Audit Division.

Duties and Responsibilities

Financial Reporting

- (a) Review the consolidated annual financial statements of the Group for submission to the Board 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, 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 Cagamas Berhad Group) for submission to the Cagamas 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 including existing internal controls;
 - Co-ordination between 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.



REPORT OF THE GROUP BOARD AUDIT COMMITTEE

(CONTINUED)

- (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;
 - Reviewing the adequacy of the scope, functions and resources of the Internal Audit Division 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 Division under the direct authority and supervision of the GBAC.
- (c) Review the internal audit reports before submission to the Board of the respective companies within the Group and recommend to the Board of Cagamas Holdings for information or endorsement.
- (d) Ensure that appropriate and prompt remedial actions are taken by management on major control or procedures deficiencies identified.
- (d) Recommend to the Board the appointment of external auditors, the audit fee and any question of resignation or dismissal of the external auditors.
- (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.

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 GBAC carried out its duties in accordance with its terms of reference. A summary of the main activities undertaken by the GBAC is as follows:-

Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for Financial Year 2021 to ensure adequate scope and coverage of the audit activities of the Group and the resources requirements of 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, Internal Audit.

External Audit

- (a) Reviewed audit plan and scope of work of the external auditors for the year 2020;
- (b) Recommended the re-appointment of the external auditors and their audit fees to the Board; 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 Division, which reports directly to the GBAC 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 Division is independent of the activities or operations of other units. This enables the Internal Audit Division to provide the GBAC 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 Division undertakes the internal audit functions of the Group in accordance with the approved Audit Charter and the Annual Audit Plan approved by the GBAC. 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 Division to prioritise its resources and the areas to be audited.

The audits conducted during the financial year 2020 focused on the independent review of risk management, operating effectiveness of internal controls and regulatory requirements across the Group. The audit reports were submitted to the GBAC for its deliberation. This enabled the GBAC 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 issued by the Institute of Internal Auditors is used where relevant as authoritative guides for internal auditing procedures.



STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY OF THE BOARD

The Board of Directors ("the Board") of Cagamas Holdings Berhad together with the boards of other companies within the Cagamas Group of Companies ("the Group") affirm their overall responsibility in ensuring that the Group maintains a sound and effective system of internal controls that supports 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 in line with the risk appetite set by the Board in 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 ("Cagamas") 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 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 Division of Cagamas which provides risk management support and performs risk management reviews on the business and operations of Cagamas, the main operating entity as well as for the other entities within the Group. Result of the risk management reviews 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 ("BNM") 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 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, Information Technology 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.
- (b) Regular reports are provided to the Board, the Board of other companies within the Group and the 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 each 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.



STATEMENT ON INTERNAL CONTROL

(CONTINUED)

3. Policies and Procedures

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 Division

- (a) The Internal Audit Division 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 the audits were presented to the GBAC, which met four times during the financial year ended 31 December 2020.
- (b) The audit plan and audit reports are also submitted to the Board and the respective boards of the other 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, 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 Business Continuity Plan, including a Disaster Recovery Plan is in place to ensure continuity of business operations.

7. Shariah Governance

Cagamas is guided by Shariah rulings issued by BNM as well as Securities Commission. An internal guideline in the form of Shariah Governance policy has been established to govern and strengthen the management of potential Shariah Non-compliance risk arising from Islamic business activities and operations that include amongst others, key functions of Shariah Compliance Review, Shariah Risk Management and Shariah Audit. In addition, Cagamas had appointed an independent Shariah Advisor ("SA") to provide views and opinions related to Shariah matters, as well as perform an oversight role on Shariah matters related to the Islamic business operations and activities of the Group. These key functions are governed by clear roles and responsibilities, which were established in line with the policy document on Shariah Governance for Islamic Financial Institutions issued by BNM.

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 as well as the interests of key stakeholders namely regulators, counterparties, employees and the Group's assets.



RISK MANAGEMENT

The Group embraces risk management as an integral part of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management team is involved at the early stage of the risk-taking process by providing independent inputs, including credit evaluations, new product assessments, quantification of capital requirements and relevant operational requirements. These inputs enable the business units to assess the risk-vs-reward propositions, thus mitigating the risks whilst enabling residual risk to be priced appropriately in relation to the expected return.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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

GROUP'S OBJECTIVES



STRATEGIC

High-level goals, aligned with and supporting the Group's mission



OPERATIONS

Effective and efficient use of resources



REPORTING & COMPLIANCE

Reliability of reporting and compliance with applicable laws and regulations



FINANCIAL

Profitability and sustainability of performance



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.

Board of Directors

- sets the overall strategic direction for the Group.
- provides oversight to ensure that the management has an appropriate risk management system and practices to manage risks associated with the Group's operations and activities.
- sets 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.

Board Risk Committee ("BRC")

- assists the Board in the development of strategies, policies and infrastructure to manage the Group's risks and ensure that there is effective oversight.

President/ Chief Executive Officer ("CEO")

supported by management committees which address the key risks identified

Management Executive Committee ("MEC")

Asset Liability Committee ("ALCO")

The committees comprised of the management are chaired by the CEO and undertake the following:

- oversight function for overall risk limits and capital allocation, aligning them to the risk appetite set by the Board.
- implementation of policies laid down by the Board and ensuring that there are adequate and effective operational procedures, internal controls and systems to support these policies.

First Line of Defence Business and Support Units	Second Line of Defence Risk Management & Compliance Division ("RMD")	Third Line of Defence Internal Audit Division ("IAD")
<ul style="list-style-type: none"> • primary responsibility of identifying, mitigating and managing risks within their lines of business. • ensure day-to-day activities are carried out within the established risk and compliance policies, procedures and limits. 	<ul style="list-style-type: none"> • independently assess risk exposures and the coordination of risk management on an enterprise-wide basis. • ensure that risk management and compliance policies are implemented accordingly. • ensure compliance with the applicable laws and regulations. 	<ul style="list-style-type: none"> • the IAD being the third line of defence is responsible for independently reviewing the adequacy and effectiveness of risk management processes, system of internal controls and conformity with risk and compliance policies.



RISK MANAGEMENT

(CONTINUED)

Management has identified and manages the following key risks that could prevent the Group from achieving its objectives as part of its enterprise risk management:

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 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/ profit 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 hedging 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/ 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, 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 of 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 testing 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>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 ("SAC") of Bank Negara Malaysia ("BNM") and/ or Securities Commission of Malaysia ("SC") (collectively referred to as SACs), standards on Shariah matters issued by 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, transactions and operations to ensure compliance with relevant Shariah requirements. From a regulatory standpoint, the Group does not have direct access to the SACs for Shariah ruling/ advice. Where applicable, the Group will obtain approval of the SACs through the counterparty or intermediary that falls under the purview of BNM, and/ or through the principal adviser of the sukuk programme for submission of its Islamic financial products to SC.</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 environment, RMD had put in place the following initiatives during the year 2020 to strengthen risk resilience and to support the Group's objectives:

1. Aligning the Group's Portfolio to 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 ("ICAAP").
- 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. Various assessments and simulations were performed during the year, such as portfolio review conducted to determine vulnerabilities arising from the pandemic, ad-hoc stress tests performed to determine capital adequacy based on various adverse scenarios and portfolio optimisation exercise conducted to determine potential new business volume.
- Acknowledging the importance of technology risk and to be in line with BNM Risk Management in Technology ("RMiT") requirements, a risk appetite statement relating to technology and cybersecurity was established as a guiding parameter on the acceptable level of IT risk that the Group is willing to accommodate.

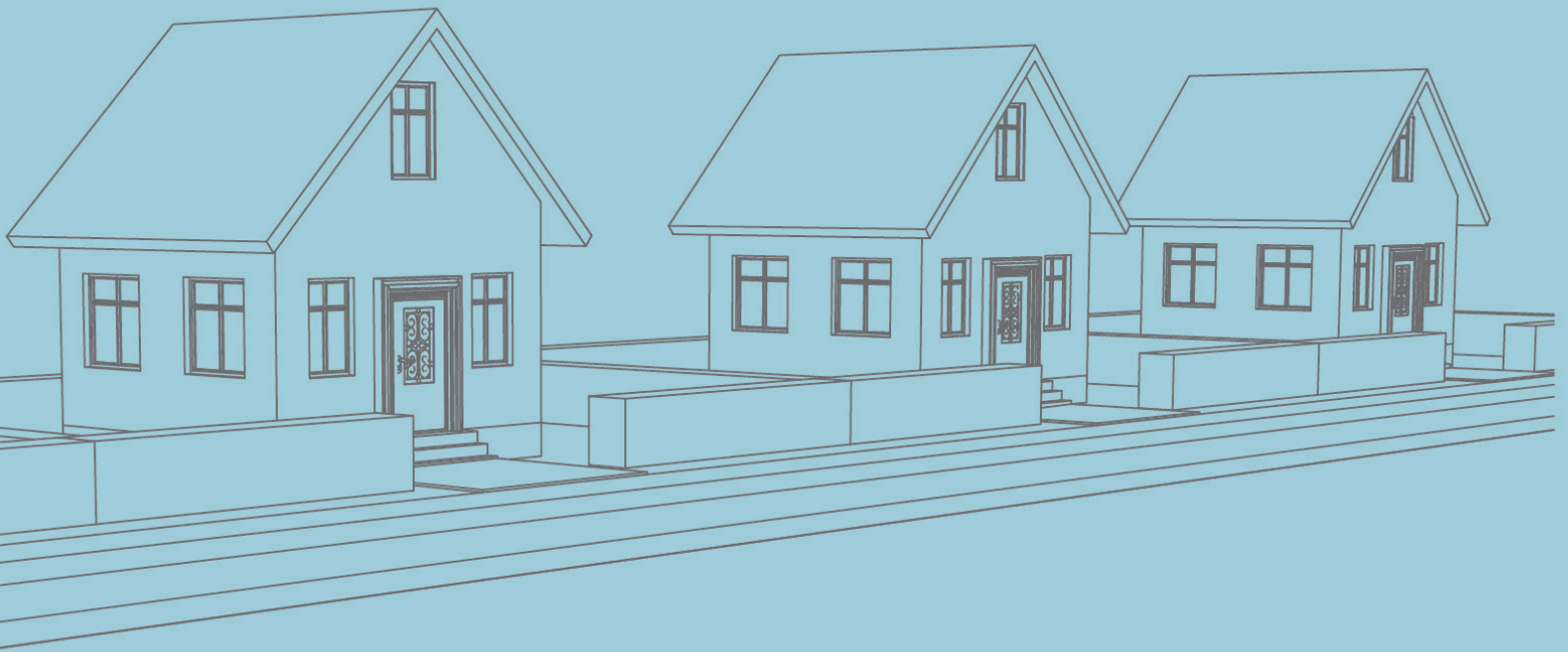
2. Enhancing Risk Management Governance, Controls and Processes.

- Risk management policies, methodologies and processes were continuously enhanced to be in line with industry best practices and regulatory requirements. During the year, various policies and guidelines were reviewed and updated to ensure internal controls and risk management practices remained relevant. RMD had also undertaken an independent review of policies and processes in line with the requirements of BNM's Credit Policy with no major gaps identified.
- In view of the challenging economic landscape, controls relating to approving limits for investments were tightened, whilst the concentration limits by counterparties rating bands were streamlined to reflect a more effective risk categorisation.

- In response to technology evolution which requires adoption of new technology vis-à-vis agility to enhance technology capability and capacity to meet the business requirements, Technology Risk Management Framework and Cyber Resilience Framework were developed based on BNM RMiT requirements. These frameworks serve as overarching documents in managing risks pertaining to technology and cyber threats.
- Seamless business recovery and continuity are imperative to minimise adverse impact to business operations during the pandemic crisis (i.e. COVID-19). The Crisis Management Committee ("CMC") convened several times during this period to deliberate on appropriate business strategies, resources allocation and managing stakeholders' expectation.
- A digitalised Business Continuity Management ("BCM") mobile application known as MyBCM was developed and installed for all staff to facilitate access to Cagamas' quick reference guide on the Business Continuity Plan, encompassing information on disaster declaration procedures, emergency response actions, key external contacts and contact numbers of all staff to ease the business continuity process.
- The scope of compliance review was broadened and extended to new areas to ensure adherence to applicable laws and regulatory requirements. Periodic independent assessments were conducted on an on-going basis to identify potential gaps and provide recommendations to address the gaps.

3. Strengthening Risk Culture

- 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 for 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.
- As part of the on-going efforts to elevate the risk and compliance culture, two issues of RMD's newsletter incorporating various risk and compliance issues were published, incorporating activities to create enthusiasm amongst staff. In addition, several workshops on various risk management and compliance topics were conducted for management and staff to create awareness and enhance their understanding of risk and compliance matters.

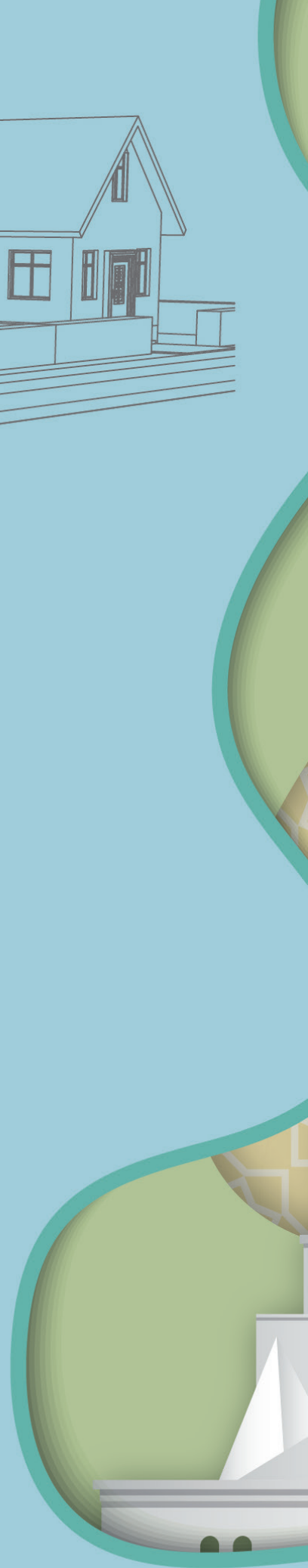


HOUSING THE NATION

SECURING THE FUTURE

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Contributing Towards the
Growth of Islamic
Finance

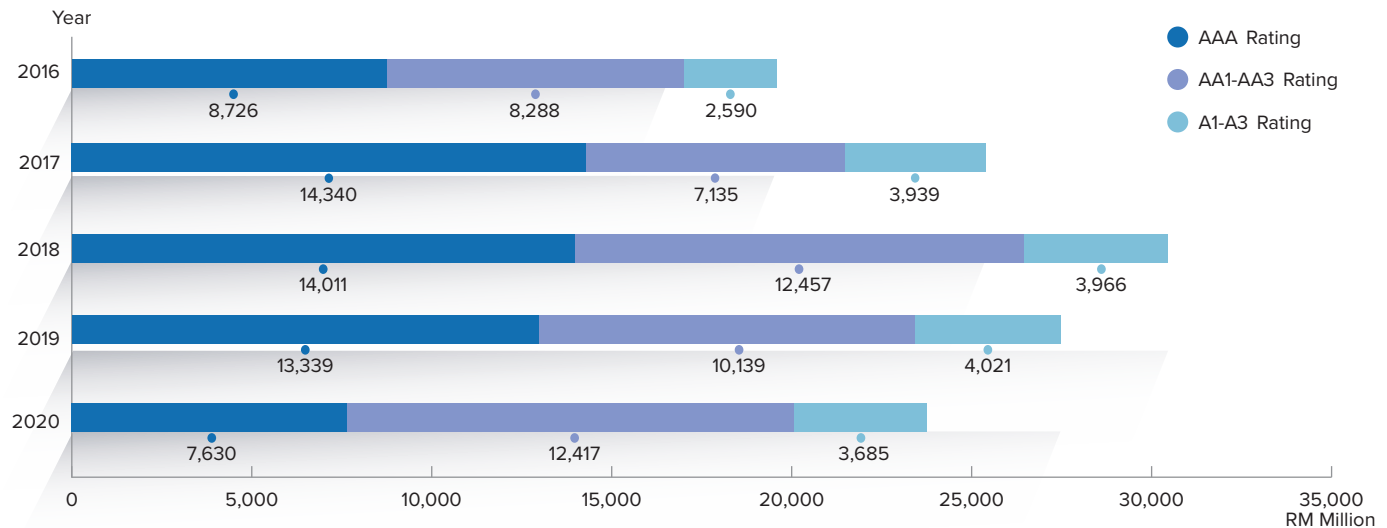




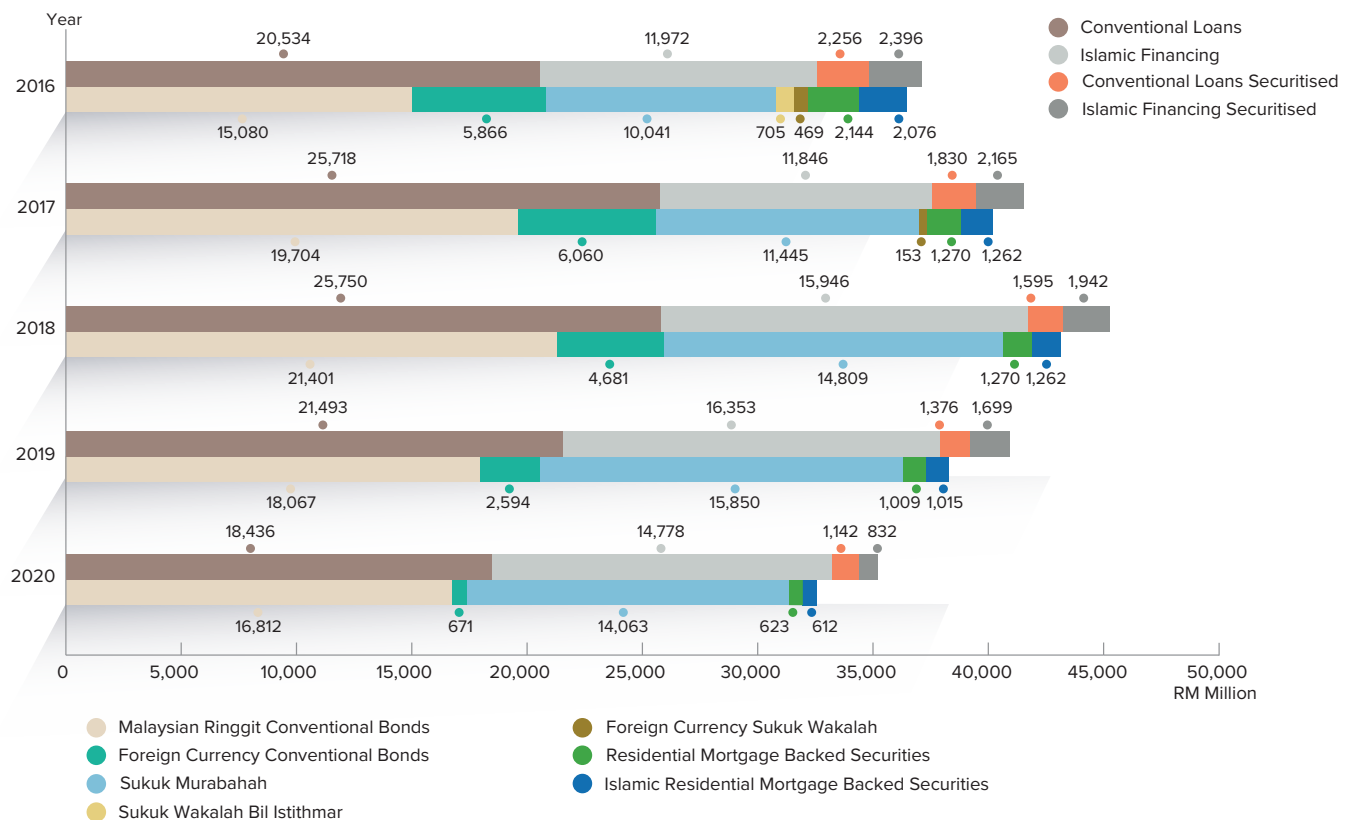


STATISTICAL INFORMATION

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 2020

					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										
12.12.2005	20	5.920	12.12.2025	4.95	265					
2007										
29.05.2007	15	4.170	27.05.2022	1.40					320	
29.05.2007	20	4.340	28.05.2027	6.41					290	
22.08.2007	15	4.900	22.08.2022	1.64	250					
22.08.2007	20	5.080	20.08.2027	6.64	105					
2008										
08.08.2008	20	6.500	08.08.2028	7.61	90					
08.08.2008	15	6.350	08.08.2023	2.60					305	
08.08.2008	20	6.500	08.08.2028	7.61					370	
10.10.2008	15	6.050	10.10.2023	2.78	140					
10.10.2008	20	6.250	10.10.2028	7.78	340					
10.10.2008	15	6.050	10.10.2023	2.78					30	
10.10.2008	20	6.250	10.10.2028	7.78					35	
2009										
30.03.2009	12	5.370	30.03.2021	0.24	105					
30.03.2009	15	5.460	29.03.2024	3.24	150					
30.03.2009	20	5.690	30.03.2029	8.25	150					
30.03.2009	12	5.370	30.03.2021	0.24					115	
30.03.2009	15	5.460	29.03.2024	3.24					155	
30.03.2009	20	5.690	30.03.2029	8.25					80	
17.07.2009	12	5.380	19.07.2021	0.55	80					
17.07.2009	15	5.520	17.07.2024	3.55	100					
17.07.2009	20	5.750	17.07.2029	8.55	50					
17.07.2009	12	5.380	19.07.2021	0.55					60	
17.07.2009	15	5.520	17.07.2024	3.55					70	
17.07.2009	20	5.750	17.07.2029	8.55					55	
03.09.2009	12	5.120	03.09.2021	0.67	65					
03.09.2009	15	5.280	03.09.2024	3.68	90					
26.11.2009	12	5.150	26.11.2021	0.90	60					
26.11.2009	15	5.270	26.11.2024	3.91	85					
26.11.2009	20	5.500	26.11.2029	8.91	45					
26.11.2009	12	5.150	26.11.2021	0.90					60	
26.11.2009	15	5.270	26.11.2024	3.91					80	
26.11.2009	20	5.500	26.11.2029	8.91					45	



STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2020 (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					
2010										
03.09.2010	12	4.480	02.09.2022	1.67					5	
03.09.2010	15	4.650	03.09.2025	4.68					5	
03.09.2010	12	4.480	02.09.2022	1.67	10					
03.09.2010	15	4.650	03.09.2025	4.68	5					
2011										
07.04.2011	10	4.650	07.04.2021	0.27					5	
07.04.2011	12	4.760	07.04.2023	2.27					5	
07.04.2011	15	4.920	07.04.2026	5.27					10	
20.12.2011	10	4.150	20.12.2021	0.97	5					
20.12.2011	12	4.250	20.12.2023	2.97	10					
20.12.2011	15	4.410	18.12.2026	5.97	10					
20.12.2011	10	4.150	20.12.2021	0.97					5	
20.12.2011	12	4.250	20.12.2023	2.97					5	
20.12.2011	15	4.410	18.12.2026	5.97					10	
2012										
31.10.2012	10	3.910	31.10.2022	1.83	450					
31.10.2012	15	4.170	29.10.2027	6.83	20					
04.12.2012	10	3.900	02.12.2022	1.92	5					
04.12.2012	12	4.000	04.12.2024	3.93	5					
04.12.2012	15	4.140	03.12.2027	6.93	5					
04.12.2012	10	3.900	02.12.2022	1.92					20	
04.12.2012	12	4.000	04.12.2024	3.93					10	
04.12.2012	15	4.140	03.12.2027	6.93					15	
2013										
28.10.2013	10	4.300	27.10.2023	2.82					645	
28.10.2013	12	4.550	28.10.2025	4.83					450	
28.10.2013	15	4.750	27.10.2028	7.83					675	
28.10.2013	20	5.000	28.10.2033	12.83					675	
18.11.2013	10	4.300	17.11.2023	2.88	375					
18.11.2013	12	4.550	18.11.2025	4.88	410					
18.11.2013	15	4.750	17.11.2028	7.88	460					
20.12.2013	10	4.600	20.12.2023	2.97					5	



**STATISTICAL
INFORMATION**
(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2020 (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					
2015										
25.11.2015	7	4.650	25.11.2022	1.90	20					
25.11.2015	10	4.850	25.11.2025	4.90	225					
25.11.2015	12	4.900	25.11.2027	6.90	250					
25.11.2015	20	5.070	26.11.2035	14.91	160					
21.12.2015	7	4.700	21.12.2022	1.97					435	
2017										
09.03.2017	5	4.150	09.03.2022	1.19	2,000					
28.04.2017	5	4.250	28.04.2022	1.32					500	
28.04.2017	5	4.250	28.04.2022	1.32	225					
20.06.2017	5	4.110	20.06.2022	1.47					350	
06.07.2017	5	4.090	06.07.2022	1.51	1,000					
03.11.2017	5	4.230	03.11.2022	1.84					840	
13.12.2017	5	4.250	13.12.2022	1.95	1,500					
29.12.2017	5	4.250	29.12.2022	1.99	300					
2018										
19.01.2018	3	4.080	19.01.2021	0.05	120					
23.03.2018	3	4.170	23.03.2021	0.22					525	
29.03.2018	3	4.170	29.03.2021	0.24					1,000	
20.04.2018	3	4.220	20.04.2021	0.30	400					
25.05.2018	5	4.500	25.05.2023	2.40					1,500	
12.07.2018	3	3.170	12.07.2021	0.53				160		
26.07.2018	3	LIBOR + 0.70%	26.07.2021	0.57				114		
07.09.2018	3	4.050	07.09.2021	0.68	550					
08.10.2018	3	4.100	08.10.2021	0.77	800					
09.10.2018	3	4.080	08.10.2021	0.77					750	
05.12.2018	3	4.120	03.12.2021	0.92					500	
2019										
12.03.2019	3	4.040	11.03.2022	1.19					50	
20.03.2019	2	3.900	22.03.2021	0.22	25					
20.03.2019	3	4.000	21.03.2022	1.22	40					
14.08.2019	3	3.500	12.08.2022	1.61					400	
18.10.2019	3	3.450	18.10.2022	1.80					80	
18.10.2019	5	3.600	18.10.2024	3.80					370	
21.10.2019	1.5	3.350	21.04.2021	0.30	25					
22.11.2019	1.4	3.350	21.04.2021	0.30	40					
28.11.2019	3	3.400	28.11.2022	1.91					30	
28.11.2019	5	3.550	28.11.2024	3.91					450	
12.12.2019	3	3.380	12.12.2022	1.95	300					
16.12.2019	3	3.380	16.12.2022	1.96					300	



STATISTICAL INFORMATION

(CONTINUED)

CAGAMAS GROUP DEBT SECURITIES OUTSTANDING AS AT 31 DECEMBER 2020 (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									
2020														
20.03.2020	2	3.030	21.03.2022	1.22							300			
30.03.2020	1	3.250	31.03.2021	0.25							45			
30.03.2020	2	3.450	30.03.2022	1.24							55			
16.04.2020	2	3.100	18.04.2022	1.30							500			
22.05.2020	1	2.650	24.05.2021	0.39							30			
22.05.2020	2	2.750	23.05.2022	1.39							70			
30.06.2020	1	2.550	01.07.2021	0.50							45			
30.06.2020	2	2.700	30.06.2022	1.50							55			
10.08.2020	1	2.150	11.08.2021	0.61										25
10.08.2020	1	2.150	11.08.2021	0.61							85			
19.08.2020	0.5	2.050	19.02.2021	0.14								400		
13.10.2020	0.25	1.950	13.01.2021	0.04										300
20.10.2020	0.25	1.950	20.01.2021	0.05								300		
26.10.2020	3	2.230	26.10.2023	2.82										100
26.10.2020	3	2.250	26.10.2023	2.82										350
27.10.2020	1	2.000	28.10.2021	0.82							35			
27.10.2020	2	2.130	27.10.2022	1.82							20			
27.10.2020	2.5	2.180	27.04.2023	2.32							45			
23.11.2020	0.25	1.900	22.02.2021	0.15										245
25.11.2020	0.25	1.900	25.02.2021	0.15								300		
03.12.2020	0.50	2.000	03.06.2021	0.42								700		
03.12.2020	0.50	2.000	03.06.2021	0.42										300
03.12.2020	1	2.050	06.12.2021	0.93							500			
03.12.2020	1	2.050	06.12.2021	0.93										500
16.12.2020	1	2.150	17.12.2021	0.96							800			
16.12.2020	1	0.850	16.12.2021	0.96										396
21.12.2020	0.25	1.960	22.03.2021	0.22		150								
22.12.2020	0.50	1.980	22.06.2021	0.47		700								
22.12.2020	2	2.250	22.12.2022	1.98				50						
30.12.2020	0.25	1.960	30.03.2021	0.24		250								
TOTAL					13,885	2,800	620	670	13,955	610				
					32,540									



**STATISTICAL
INFORMATION**
(CONTINUED)

HOLDERS OF DEBTS SECURITIES ISSUED BY CAGAMAS BERHAD GROUP

	2016		2017		2018		2019		2020	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Financial Institutions	10,384	33.71	16,794	45.75	21,451	53.33	20,573	56.71	19,086	60.96
Provident and Pension Funds	7,883	25.59	7,255	19.77	7,730	19.22	7,055	19.44	5,672	18.11
Insurance Companies	3,620	11.75	3,670	10.00	3,483	8.66	3,688	10.16	3,523	11.25
Asset Management and Trust Funds	2,080	6.75	2,166	5.90	2,552	6.34	1,886	5.20	2,008	6.41
Non-Resident Investors	6,271	20.36	6,017	16.39	4,323	10.75	2,727	7.52	780	2.49
Corporations	230	0.75	364	0.99	199	0.49	114	0.31	181	0.58
Government Linked Companies	337	1.09	441	1.20	488	1.21	241	0.66	60	0.20
Total	30,805	100	36,707	100	40,226	100	36,284	100	31,310	100

HOLDERS OF DEBT SECURITIES ISSUED BY CAGAMAS MBS BERHAD

	2016		2017		2018		2019		2020	
	RM million	%	RM million	%	RM million	%	RM million	%	RM million	%
Insurance Companies	2,322	55.28	1,535	60.92	1,306	51.84	1,164	57.77	734	59.66
Provident and Pension Funds	470	11.19	305	12.10	305	12.08	255	12.66	220	17.89
Asset Management and Trust Funds	203	4.83	106	4.20	291	11.54	264	13.10	145	11.82
Financial Institutions	1,143	27.22	532	21.11	577	22.90	282	13.99	75	6.07
Corporations	25	0.60	20	0.79	15	0.60	25	1.24	21	1.71
Government Linked Companies	15	0.36	0	0.00	5	0.20	5	0.25	20	1.63
Individuals	15	0.36	15	0.60	15	0.60	15	0.74	15	1.22
Non-Resident Investors	7	0.17	7	0.28	6	0.25	5	0.25	0	0.00
Total	4,200	100	2,520	100	2,520	100	2,015	100	1,230	100

TOTAL DEBT SECURITIES OUTSTANDING IN THE MARKET

Instruments	% of Total Debt Securities Outstanding				
	2016	2017	2018	2019	2020
Malaysian Government Securities/ Malaysian Government Investment Issues	53.4	51.6	51.7	51.4	52.5
Corporate Bonds and Sukuk	31.8	32.0	31.1	31.7	30.6
Other Quasi-Government Securities, e.g., Multilateral Development Financial Institution	10.6	12.4	13.3	13.6	14.2
Cagamas Group Debt Securities	2.6	2.6	2.8	2.4	2.0
Khazanah Bonds and Sukuk	1.6	1.4	1.1	0.9	0.7
Total	100.0	100.0	100.0	100.0	100.0

CAGAMAS IN THE NEWS

Cagamas remains market choice for funding in times of high market volatility

KUALA LUMPUR: The National Mortgage Corporation of Malaysia, Cagamas Bhd (Cagamas) announced its RM350 million combined issuances comprising RM45 million 1-year Conventional Medium Term Notes (CMTNs), RM55 million 2-year CMTNs and RM250 million 3-month Conventional Commercial Papers (CCPs).

In a statement yesterday, Cagamas said the proceeds from the respective issuances will be used to fund purchases of mortgage loans from the

financial system.

It said the 1 and 2-year CMTNs were concluded at 3.25 per cent and 3.45 per cent respectively, 28 and 29 basis points (bps) above Malaysian Government Securities, whilst the CCPs were priced at 20 bps above the 3-month Kuala Lumpur Interbank Offered Rate or equivalent to 3.0 per cent on the pricing date.

President/Chief Executive Officer Datuk Chung Chee Leong said risk sentiments in the local bond market remain fragile after experiencing major market

turmoil recently while heavy market activities centred on the flight to liquidity triggered by the rapid spread of COVID-19 outbreak throughout the world coupled with potential global recession fears. "Cagamas will continue to fulfil its role as a financial intermediary by providing liquidity to the banking system which is in support of Bank Negara Malaysia's efforts in the recent announcement of measures to ensure sufficient liquidity in the system," he said. — Bernama

Cagamas year-to-date issuance surpasses RM11 bln mark

KUALA LUMPUR: Cagamas Bhd (Cagamas), the National Mortgage Corporation of Malaysia, has announced its aggregate issuances of RM1.9 billion equivalent – comprising S\$130 million one-year Singapore dollar denominated Fixed Rate Note (EMTN), RM800 million one-year Conventional Medium Term Notes (CMTNs) and RM700 million six-month Conventional Commercial Papers (CCPs).

Proceeds from the issuances will be used to fund the purchase of housing loans from the financial system.

"We are pleased with the successful conclusion of the Singapore dollar EMTN and ringgit issuances which were concluded post-recent downgrade of Malaysia's sovereign rating by one of the international credit rating agencies, Fitch Ratings, Cagamas president/chief executive officer Datuk Chung Chee Leong said.

"Despite some initial knee-



Datuk Chung Chee Leong

jerk reactions from the market arising from the rating announcement, demand for Cagamas bonds remains resilient, underpinned by its strong credit fundamentals that led to the conclusion of the deal.

The conclusion of the Singapore dollar issuance at 0.85 per cent via the company's subsidiary, Cagamas Global PLC, which carries an issue rating of A3 represents the company's re-entry into the Singapore dollar market since October 2018 in addition to being Malaysia's first

Singapore dollar denominated issuance for the year 2020.

The company has once again demonstrated its capability to provide competitive funding rates to onshore financial institutions in a challenging environment through combined issuances of foreign currency and ringgit denominated bonds.

The transaction marks the company's 21st issuance exercises for the year and brings the year-to-date issuance amount to RM11.2 billion. It also represented the company's first EMTN issuance for the year since 2018.

The Singapore dollar denominated bond issued will be fully and unconditionally guaranteed by Cagamas.

The issuance, which will be redeemed at their full nominal value upon maturity, is unsecured obligations of the company, ranking pari passu with all other existing unsecured obligations of the company.

Cagamas concludes pricing for RM150m of conventional commercial papers

KUALA LUMPUR: National Mortgage Corporation of Malaysia, Cagamas Bhd has announced the conclusion of its RM150 million three-month Conventional Commercial Papers (CCPs).

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

President and CEO Datuk Chung Chee Leong said the successful pricing of the CCPs evidenced investor confidence in the company's short-term debt securities.

"This was despite the global financial markets bracing for reopening, coupled with the uncertainty arising from the COVID-19 pandemic, which affected the global financial system," he said.

Chung said the CCPs were competitive in the current market environment. The three-month RM150 million issuance was priced at 2.15 per cent on KLIBOR fixing on the

pricing date. "The pricing of the CCPs reversed 28 bps above the unsecured obligations of the company," he said.

"They will be listed and tradable under the Scripps Securities Trading System," he said. — Bernama

Cagamas

CAGAMAS ISSUES RM450m BONDS

National mortgage corporation says fund will be used to purchase loans from financial system

KUALA LUMPUR: National Mortgage Corporation of Malaysia, Cagamas Bhd has announced the conclusion of its RM450 million combined issuances comprising RM45 million 1-year Conventional Medium Term Notes (CMTNs), RM55 million 2-year CMTNs and RM350 million 3-month Conventional Commercial Papers (CCPs).

President/Chief Executive Officer Datuk Chung Chee Leong said the successful pricing of the CCPs evidenced investor confidence in the company's short-term debt securities.

"This was despite the global financial markets bracing for reopening, coupled with the uncertainty arising from the COVID-19 pandemic, which affected the global financial system," he said.

Chung said the CCPs were competitive in the current market environment. The three-month RM350 million issuance was priced at 2.15 per cent on KLIBOR fixing on the

pricing date. "The pricing of the CCPs reversed 28 bps above the unsecured obligations of the company," he said.

"They will be listed and tradable under the Scripps Securities Trading System," he said. — Bernama

Cagamas announces combined issuances

KUALA LUMPUR: National mortgage corporation, Cagamas Bhd, has announced the combined issuances of its RM600 million short-term papers, comprising RM300 million three-month Islamic Commercial Papers (ICPs) and RM300 million Conventional Commercial Papers (CCPs).

President/Chief executive officer Datuk Chung Chee Leong said proceeds from the issuances will be used to fund the purchase of house financings and housing loans from the financial system.

"We are pleased with the success of the issuances, given the uncertainties in the market environment.

"Market players continue to gauge the economic impact due to the recent resurgence of Covid-19 cases and the subsequent Conditional Movement Control Order enforced in targeted areas within the country, coupled with renewed anticipation for further rate cuts at the upcoming Bank Negara Malaysia's Monetary Policy Committee meeting next month," he said. — Bernama

Cagamas issues first multi-tenured ASEAN Sustainability Bonds for SME sector



Cagamas
umum agregat
terbitan
RM1 bilion

KUALA LUMPUR: Cagamas Bhd has issued its first multi-tenured ASEAN Sustainability Bonds for SME sector, worth RM1 billion, to support the growth of small and medium enterprises (SMEs) in the region.

The bonds, which are denominated in US dollars, will be used to fund the purchase of housing loans from the financial system.

"This is a significant milestone for Cagamas as it marks our first foray into the ASEAN Sustainability Bonds market," said Datuk Chung Chee Leong, President and CEO of Cagamas.

The bonds were issued at a competitive rate of 3.25 per cent, reflecting the company's strong credit profile and the growing demand for sustainable financing options in the region.

Cagamas announces issuance of RM1 billion bonds and sukuk

KUALA LUMPUR: Cagamas Bhd has issued RM1 billion worth of bonds and sukuk, comprising RM500 million of conventional medium-term notes (CMTNs) and RM500 million of Islamic medium-term notes (IMTNs).

The issuance was concluded at a competitive rate of 3.25 per cent, reflecting the company's strong credit profile and the growing demand for sustainable financing options in the region.

Cagamas' proposed ASEAN Sustainability Bonds/SRI Sukuk secures environmental, social benefit ratings

KUALA LUMPUR: RAM Sustainability Solutions has assigned environmental benefit (EB) ratings to the proposed ASEAN Sustainability Bonds/SRI Sukuk.

The ratings reflect the company's commitment to sustainable financing and its focus on supporting the growth of SMEs in the region.

My First Home scheme loans to hit RM9bil

KUALA LUMPUR: The number of loan approvals for the My First Home Scheme (SRP) could increase by 14,400 this year, or 54.93%, from a base of 26,213 in 2019, with a total financing of RM9bil, says Cagamas SRP Bhd.

Chairman Datuk Bakarudin Ishak said the hike would be supported by the newly-launched Digital SRP that provides new access for prospective first-time homebuyers to a wider selection of properties, including SRP — Bernama

Cagamas menjadi pilihan pasaran

KUALA LUMPUR: Perbadanan Gadi Jajani Nasional Malaysia, Cagamas Bhd (Cagamas) telah mengumumkan terbitan berjumlah RM550 juta yang terdiri daripada Nota Jangkam Sederhana Konvensional (CMTN) selama setahun sebanyak RM45 juta, CMTN dua tahun bernilai RM55 juta dan Kertas Komersial Konvensional (CCP) tiga bulan berjumlah RM250 juta.

Cagamas dalam satu kenyataan hari ini berkata hasil dari terbitan tersebut akan digunakan bagi membiayai pembelian pinjaman gadi jajan daripada sistem kewangan.

CMTN satu dan dua tahun telah dimuktamadkan, masing-masing 3.25 peratus dan 3.45 peratus, 28 serta 29 mata asas (bps) di atas Sekuriti Kerajaan Malaysia, manakala CCP bernilai 20 bps di atas tiga bulan Kadar Tawaran Antarabank Kuala Lumpur atau bersamaan dengan 3.0 peratus pada tarikh hari ini.

Presiden dan Ketua Pegawai Eksekutif Datuk Chung Chee Leong

"Cagamas akan terus menjalankan perannya sebagai perantara kewangan dengan menyediakan kecairan kepada sistem perbankan, seiring dengan usaha Bank Negara Malaysia bagi memastikan kecairan yang mencukupi dalam sistem seperti yang diumumkan baru-baru ini," katanya.

Cagamas-kertas itu yang akan diterbitkan dengan nilai nominal penuh mereka pada masa datang, adalah obligasi tanpa jaminan syarikat, mempunyai kedudukan yang setara antara mereka dan dengan semua obligasi tidak bercaja sedia ada syarikat, katanya. — Bernama

Cagamas concludes pricing for RM400 mln CCPs amidst market uncertainties

KUALA LUMPUR: Cagamas Bhd has issued its RM400 million three-month conventional commercial papers (CCPs) to fund the purchase of housing loans from the financial system.

The issuance was concluded at a competitive rate of 3.25 per cent, reflecting the company's strong credit profile and the growing demand for sustainable financing options in the region.

"This was despite the global financial markets bracing for reopening, coupled with the uncertainty arising from the COVID-19 pandemic, which affected the global financial system," he said.

Chung said the CCPs were competitive in the current market environment. The three-month RM300 million issuance was priced at 2.15 per cent on KLIBOR fixing on the

Cagamas ready to support housing loan market

KUALA LUMPUR: Cagamas Bhd anticipates housing loan finance to increase at a moderate pace as the rebound of the Home Ownership Campaign helps boost the property market.

The national mortgage corporation's President and CEO Datuk Chung Chee Leong said some first-time homebuyers may adopt a wait-and-see approach amid job security concerns in the current uncertain economic conditions triggered by Covid-19.

"Nevertheless, we expect pent-up demand from those with secured jobs to continue as people may find some properties are being offered at attractive prices. Some developers recently recorded that they recorded a substantial amount of bookings for houses priced RM500,000 and below even during the Movement Control Order period, hence," he said.

"The recent move by Bank Negara Malaysia to reduce Statutory Reserve Requirement (SRP) and easing of regulatory approach in complying with SRP and netting-in funding ratio allows the bank to deploy funds to access a larger liquidity buffer."

"Having said that, Cagamas is well placed as a source of funding for banks with different liquidity needs to meet their respective liquidity requirements," he said.

"In addition, Cagamas has the capacity to support affordable housing liquidity of banks through its sustainability framework."

"The small and medium enterprises sector is not left out either as we are able to work with banks on their liquidity needs for this sector," he added. — BY NUR HANANI AZMAN



CORPORATE HIGHLIGHTS

February



Malaysian Annual Real Estate Convention (MAREC) Summit 2020

Vice President, Core & Structured Business, Zulieka Zulkipli, represented Cagamas at the MAREC Summit 2020 organised by the Malaysian Institute of Estate Agents in Kuala Lumpur. During her session on *How Your Clients Could Obtain 100% Financing for Purchase of First Home*, Zulieka gave a presentation on Cagamas' *Skim Rumah Pertamaku and Skim Perumahan Belia*.

April



Cagamas Berhad Group of Companies: Annual General Meeting

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 virtual Annual General Meetings (“AGMs”) on 30 April 2020. The online AGMs broadcasted from Cagamas’ office via video conference, were held in accordance with the guidelines issued by the authorities under the Government’s Movement Control Order due to unprecedented conditions caused by the COVID-19 pandemic.



CORPORATE HIGHLIGHTS

(CONTINUED)

May

Key Business Highlights

Cagamas
National Mortgage Corporation of Malaysia



Annual Asset
Purchases:
MYR5.0 billion



Annual Bond and
Sukuk Issuances:
MYR10.2 billion



Cumulative Issuances:
MYR327.9 billion
Cumulative Redemptions:
MYR291.5 billion

*Excludes CMBS

Affordable Housing



Cumulative
Guarantee Exposure
(SRP&SPB):
MYR706.5 million

Value of Approved
Loans and Financing
(SRP&SPB):
MYR3.2 billion



Number of Approved
Loans and Financing
(SRP&SPB):
15,493

2



Cagamas Berhad ("Cagamas") Investor Briefing – Financial Year 2019

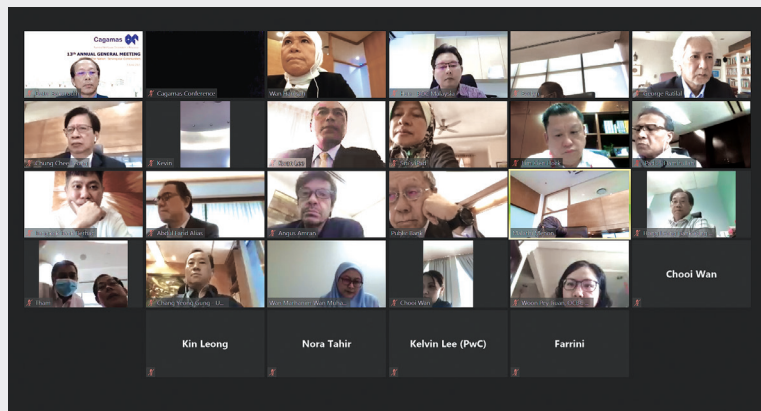
Cagamas held its inaugural virtual Investor Briefing, which was broadcasted from Cagamas' office in Kuala Lumpur and attended by over 85 registered attendees from across the region. Cagamas adapted its stakeholder engagements in the new normal in an effort to minimise the spread of COVID-19. The briefing was led by President/ Chief Executive Officer, Datuk Chung Chee Leong, who presented Cagamas' financial performance for the 2019 financial year and its plans on navigating through these unprecedented times.



CORPORATE HIGHLIGHTS

(CONTINUED)

June

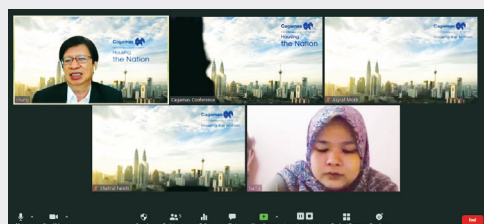


» Cagamas Holdings Berhad's ("the Group") 13th Annual General Meeting ("AGM")

The Group held its virtual AGM on 3 June 2020. The online AGM broadcasted from Cagamas' office via video conference, was attended by its board members, shareholders, auditors and other stakeholders. The Group's profit and revenue for 2019, comprising Cagamas Berhad, Cagamas MBS Berhad and Cagamas SRP Berhad, remained steady at RM410.9 million and RM2,313.7 million respectively.

Bilateral Meeting with Hong Kong Mortgage Corporation ("HKMC")

Cagamas held a virtual bilateral meeting with HKMC to discuss a wide range of issues of mutual interests including the impact of COVID-19 pandemic on each country's financial system and housing market, and their respective Government's responses to the pandemic as well as new initiatives pursued by both entities. The meeting was led by Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong and HKMC's, Chief Executive Officer, Raymond Li, JP.



Virtual Interview with The Malaysian Reserve

The Malaysian Reserve interviewed Datuk Chung Chee Leong, President/ Chief Executive Officer on Cagamas' bond issuance target for 2020 and its readiness to support the housing loan market.

HSBC 4th Annual Asia Credit Conference – Investor/ Issuer Virtual Meeting

Cagamas Berhad, led by President/ Chief Executive Officer, Datuk Chung Chee Leong, held an Investor/ Issuer meeting hosted virtually by HSBC Bank, Hong Kong on the sidelines of the HSBC 4th Annual Asia Credit Conference. The meeting was attended by investors from across the region.

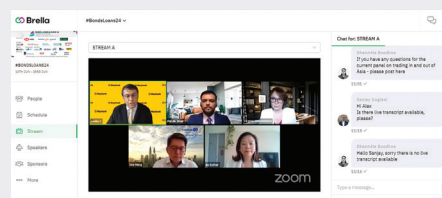




CORPORATE HIGHLIGHTS (CONTINUED)

Bonds, Loans & Sukuk 24 Webinar

Cagamas' Senior Vice President, Strategy and Business, Leong See Meng, participated in the Bonds, Loans and Sukuk 24 hours conference as a panelist in the session, *How to Build Back Better: Incorporating Strong ESG Credentials While Making Tough Cost and Investment Decisions Post COVID-19*.



Bilateral Meeting with Korea Housing Finance Corporation ("KHFC")

Cagamas held a virtual bilateral meeting with the KHFC to discuss and learn from KHFC's experience in Reverse Mortgage. The meeting was led by Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong and KHFC's Chairman, President & Chief Executive Officer, Jung Hwan Lee.



International Finance Corporation ("IFC") Pakistan Housing Finance Webinar

Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong, participated in the Pakistan Housing Finance Webinar and delivered a presentation on *Islamic Mortgage Finance and Liquidity Facility – Cagamas Berhad Success Story*. The webinar was part of the COVID-19 Response Webinar Series on Housing, organised by the World Bank's International Finance Corporation to support financial institutions involved in housing finance.



International Secondary Mortgage Market Association ("ISMMA") Virtual Meeting

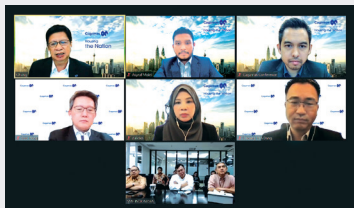
The ISMMA held a virtual meeting with the aim of sharing information and updates from member countries. The meeting also discussed the global housing finance responses to COVID-19 as well as accessibility to house financing for the informal sector. The meeting, attended by 36 participants from 18 countries globally and the World Bank Group, was chaired by Datuk Chung Chee Leong, the current Chairman of ISMMA.



CORPORATE HIGHLIGHTS

(CONTINUED)

July



» Bilateral Meeting with PT Sarana Multigriya Finansial (Persero) ("SMF")

Cagamas held a virtual bilateral meeting with SMF to discuss the impact of the COVID-19 pandemic on Indonesia's and Malaysia's financial systems and housing markets. The meeting also provided an opportunity for

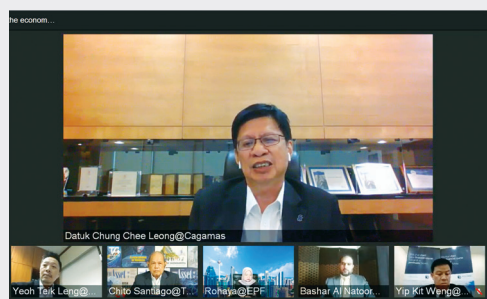
knowledge sharing by both SMF and Cagamas on their initiatives to enhance accessibility to affordable housing. The meeting was led by Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong and SMF's President Director, Ananta Wiyogo.



» BPAM Bond Market Awards 2020

Cagamas was accorded the Top Traded Amount - Conventional award by the Bond Pricing Agency Malaysia ("BPAM") at its seventh edition of the Bond Market Awards 2020. President/ Chief Executive Officer, Datuk Chung Chee Leong received the award on behalf of Cagamas.

The winners were selected based on BPAM League Tables and BPAM ESG League Tables for the calendar year 2019 covering the rated and non-rated universe of bonds and sukuk in the Malaysian fixed income market. The BPAM League Tables, first published in year 2009, cover rated and non-rated Ringgit bonds and sukuk and track market rankings for many different categories. This information is an important indicator of the overall performance of the Malaysian bond market.



» 3rd Malaysia Issuers & Investors Leaders Dialogue

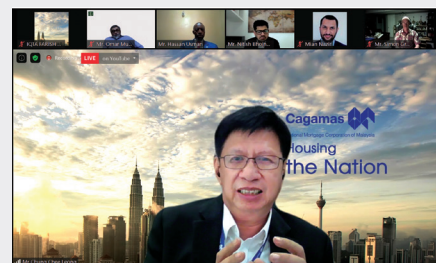
Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong, participated in the 3rd Malaysia Issuers & Investors Leaders Dialogue, organised by The Asset, as a panellist in the webinar, *Restarting the Economy in the New Normal*. The webinar

discussed the important role that capital markets can play in Malaysia's delicate journey to economic recovery, post the COVID-19 pandemic. Datuk Chung provided views on the need to mobilise the private sector to contribute to the massive funding and investments that are required to assist Malaysia's transition to a sustainable economy.

August

Meeting with Bursa Malaysia Berhad

Cagamas met with Bursa Malaysia Berhad and an investment bank to explore the feasibility of retail bond issuances to be listed in Bursa Malaysia. The meeting was led by Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong and Chief Executive Officer, Bursa Malaysia Berhad, Datuk Muhamad Umar Swift.



Islamic Financial Services Board ("IFSB") CEO's Forum

Cagamas' President/ Chief Executive Officer, Datuk Chung Chee Leong, participated in the virtual IFSB CEO's Forum to discuss *COVID-19 and its Implications on Institutions Offering Islamic Financial Services ("IIFS")*, focusing on post COVID-19 opportunities for IIFS.



CORPORATE HIGHLIGHTS

(CONTINUED)

September



» Cagamas Digital Skim Rumah Pertamaku Launch

The Cagamas Digital Skim Rumah Pertamaku was launched by Cagamas SRP Berhad in collaboration with Didian and MHub, two technology property portals, to help eligible Malaysians purchase their first home and apply for financing online. The launch was officiated by the Minister of Housing and Local Government, Yang Berhormat Datuk Hajah Zuraida Kamaruddin and witnessed by Chairman, Cagamas

Berhad and Cagamas SRP Berhad, Dato' Bakarudin Ishak, President/ Chief Executive Officer, Cagamas Berhad, Datuk Chung Chee Leong, Secretary-General, Housing and Local Government, Datuk Zainal Abidin Abu Hassan, Under Secretary, Strategic Investment Division, Ministry of Finance, Dato' Shahrol Anuwar Sarman, Director, Didian, Chow Nam Kit and Chief Executive Officer, MHub, Quek Wee Siong.



» The Asset Triple A Islamic Finance Awards 2020

Cagamas was awarded the Islamic Issuer of the Year-Quasi-Sovereign and Best Quasi-Sovereign Sukuk for its 500 million Ringgit Commodity Murabahah Sukuk at the Asset Triple A Islamic Finance Awards. The virtual awards ceremony, organised by Hong Kong based, Asset Publishing and Research Ltd, was broadcasted live on its website.



» 10th Global Islamic Finance Awards ("GIFA") 2020

Cagamas Berhad and its President/ Chief Executive Officer, Datuk Chung Chee Leong, were awarded the GIFA Excellence Award (Islamic Securitisation) 2020 and GIFA Special Award (Islamic Financial Advocacy) 2020 respectively at the 10th GIFA on 14 September 2020 in Islamabad, Islamic Republic of Pakistan. The GIFA concurrent ceremony (online and physical) was broadcasted live on Facebook, YouTube, GIFA website, and other social media platforms.



» MARC 360: Property Recharge 2020 Webinar

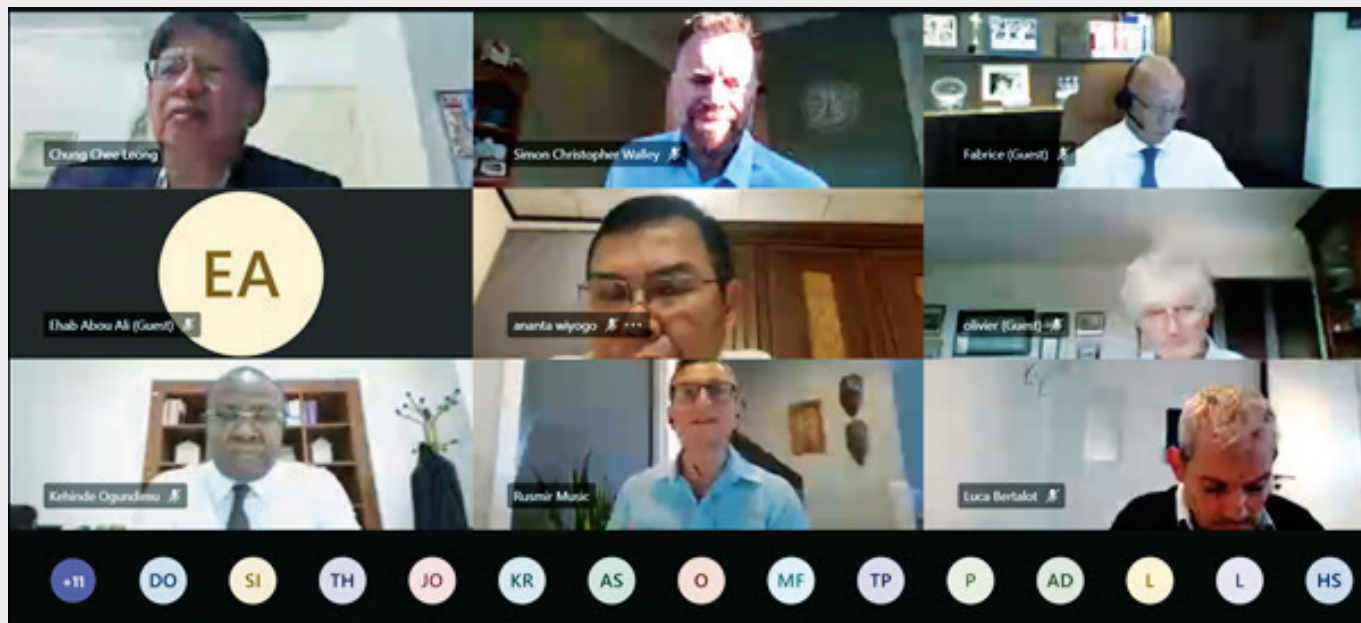
Cagamas Berhad's President/ Chief Executive Officer, Datuk Chung Chee Leong, participated in segment 1: Malaysian Property Sector Outlook and Trends, the first webinar in the MARC 360: Property Recharge 2020 webinar series, organised by Malaysian Rating Corporation Berhad. Datuk Chung provided his views on home financing trends and outlook as well as measures and product innovations to help buyers obtain home financing from the financial institutions.



CORPORATE HIGHLIGHTS

(CONTINUED)

October



2nd International Secondary Mortgage Market Association (“ISMMA”) Meeting for 2020

The ISMMA held its 2nd virtual meeting for the year and discussed member countries’ updates and responses to COVID-19 as well as knowledge sharing on Green Mortgages and Funding by International Finance Corporation’s (IFC) EDGE and Regulatory Practices for Mortgage Refinance Corporations. The meeting was chaired by Cagamas Berhad’s President/ Chief Executive Officer, Datuk Chung Chee Leong, who is also the current Chairman of ISMMA, and was attended by 41 participants from 18 countries globally and the World Bank Group as well as other multilateral agencies.



HSBC Asia Credit Tour 2020: Virtual Investor/ Issuer Meeting

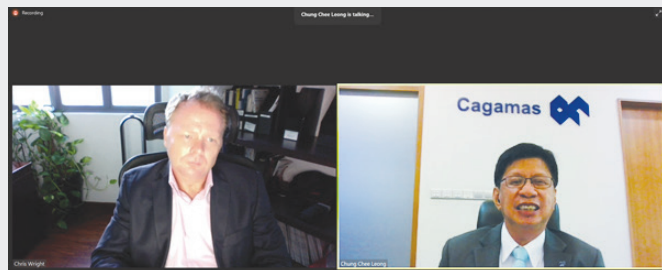
Cagamas, led by President/ Chief Executive Officer, Datuk Chung Chee Leong, held an Investor/ Issuer virtual meeting hosted by HSBC Bank, Hong Kong on the sidelines of the HSBC Asia Credit Tour 2020. The meeting covered various topics, including Cagamas’ credit profile and latest market developments. The meeting was attended by investors from across the region.



CORPORATE HIGHLIGHTS

(CONTINUED)

November



Real Estate Development Fund (“REDF”) Saudi Housing Finance Series

As part of the REDF Saudi Housing Finance Series, Cagamas Berhad’s President/ Chief Executive Officer, Datuk Chung Chee Leong was invited for an interview session to discuss on *Cagamas – A Model Mortgage Refinance Company* with Chris Wright, Euromoney’s Asia Editor. Well regarded by the World Bank as the most successful secondary mortgage market liquidity facility, Datuk Chung explained the background, business model and lessons learned from building Cagamas as an institution, and how it may be applied elsewhere. The interview session was broadcasted live on Euromoney’s website.

Workshop on Green Housing Finance 2020

Cagamas Berhad (“Cagamas”) in collaboration with Japan Housing Finance (“JHF”), organised a Workshop on Green Housing Finance 2020 (“Workshop”) to learn about developments in Japan’s housing finance market, particularly green housing initiatives and green bond issuances undertaken by JHF. The Workshop, sponsored by the Housing Bureau, Ministry of Land, Infrastructure, Transport and Tourism of Japan, is part of JHF’s knowledge-sharing engagements with other Mortgage Refinance Companies in the region. Cagamas was led by President/ Chief Executive Officer, Datuk Chung Chee Leong, and participants included representatives from Malaysian regulatory bodies.



IFN Asia OnAir Forum 2020

Cagamas Berhad’s President/ Chief Executive Officer, Datuk Chung Chee Leong, participated in the IFN Asia OnAir Forum 2020 as a panellist in the webinar session, *Putting Islamic Finance to Work: Capital Markets, Sustainable & Green Initiatives*, which highlighted how Islamic finance fits into the Environmental, Social and Governance and Sustainable and Responsible Investment (“SRI”) framework, and the role that Islamic finance can play post the COVID-19 pandemic. During the webinar, Datuk Chung provided his views on Cagamas’ experience with its most recent issuance of ASEAN Sustainability SRI Sukuk and what is needed to fuel more such issuances within the region.

IFN ASIA
OnAir
FORUM & REPORT 2020

Chung Chee Leong
President/CEO, Cagamas

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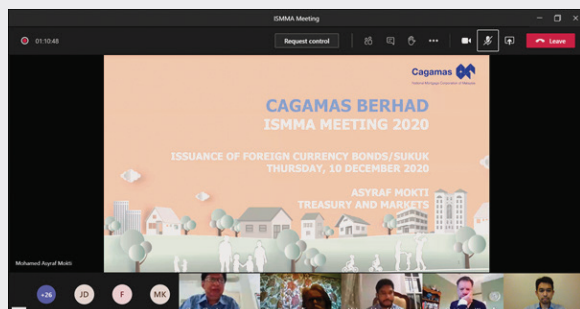
infoevents@redmoneygroup.com 603 2162 7800



CORPORATE HIGHLIGHTS

(CONTINUED)

December



» International Secondary Mortgage Market Association (“ISMMA”) 3rd Virtual Meeting for 2020

The ISMMA held their 3rd virtual meeting for 2020 and discussed matters related to green bonds and issuances of foreign currency debt securities. The meeting, attended by 36 participants from 18 countries globally and the World Bank Group, was chaired by Datuk Chung Chee Leong, the current Chairman of ISMMA.



7th Asian Secondary Mortgage Market Association (“ASMMA”) Virtual Meeting

The ASMMA held its 7th annual meeting which saw leaders of secondary mortgage institutions from Hong Kong, Indonesia, Japan, Kazakhstan, Korea, Malaysia, Mongolia, Pakistan and the Philippines gather virtually to discuss measures taken in each country to address the impact of COVID-19 on the financial and housing markets. Cagamas’ delegation was led by President/ Chief Executive Officer, Datuk Chung Chee Leong.

Gesture of fellowship between Korea Housing Finance Corporation (“KHFC”) and Cagamas Berhad (“Cagamas”) «

KHFC presented Cagamas with disposable KF94 facial masks for the entire organisation. The handover was done by Lee Dae Kwon, Finance Attache from the Embassy of the Republic of Korea. The gift from KHFC represents the fellowship and support of International Secondary Mortgage Market Association and Asian Secondary Mortgage Market Association members in their collective effort to respond to the COVID-19 pandemic.



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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 2020.

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 ("CSR"), 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 CSR 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 17 to the financial statements.



**DIRECTORS'
REPORT**
(CONTINUED)

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	383,782	30,029

DIVIDENDS

The dividends paid by the Group and Company since 31 December 2019 were as follows:

	Group RM'000	Company RM'000
In respect of the financial year ended 31 December 2020,		
On ordinary shares:		
– First dividend of 15 sen per share on 150,000,000 shares, paid on 5 June 2020	22,500	22,500
– Second dividend of 5 sen per share on 150,000,000 shares, paid on 1 September 2020	7,500	7,500
	30,000	30,000
On redeemable preference shares ("RPS"):		
– a dividend paid in specie on 30 December 2020	707,271	–
– a dividend paid in cash on 30 December 2020	179,419	–
	886,690	–

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

The dividends on RPS was approved by the Board of Directors of its subsidiary company, CMBS, on 28 December 2020 and paid in the current financial year.

Subsequent to the year end, the Board of Directors of CMBS on 23 January 2021 approved a further dividend in cash on RPS of RM5,691,890.20 and paid on 26 January 2021.

SHARE CAPITAL

On 17 December 2020, the Board of Directors of a subsidiary company, CMBS, had approved the issuance of 1 RPS of RM1 to facilitate the of distribution discretionary bonus fee to LPPSA upon full settlement of RMBS for Pool 2005-1.

There are no other changes in the issued ordinary share of 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 gA_2 /Stable/ $gP1$, $_{sea}AAA$ /Stable/ $_{sea}P1$ 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 a rating of AAA/Stable and P1 and AAA/Stable to the RMBS and IRMBS issued by the CMBS.

Meanwhile, Malaysian Rating Corporation Berhad (MARC) has assigned Cagamas' bonds and sukuk issues ratings at AAA/AAA_{IS} and MARC-1/MARC-1_{IS}, respectively. MARC has also assigned a rating of AAA to RMBS and AAA_{IS}/Stable to IRMBS issued by the CMBS.

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 $gA_2(s)$ /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 40 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 Ishak (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Datuk Abdul Farid Alias
Dato' Lee Kok Kwan
Wan Hanisah Wan Ibrahim
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
Datuk Siti Zauyah Md Desa
Chong Kin Leong (appointed w.e.f. 1 May 2020)
Datuk George Ratilal (retired w.e.f. 4 June 2020)

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

In accordance with Articles 23.5 and 23.6 of the Company's Constitution, Tan Sri Dato' Sri Tay Ah Lek, Datuk Abdul Farid Alias and Dato' Lee Kok Kwan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



DIRECTORS' REPORT

(CONTINUED)

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit and remuneration (other than Directors' remuneration as disclosed in Note 36 to the financial statements) by reason of a contract made by the Group or the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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 41.



DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

In the opinion of the Directors:

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

BUSINESS REVIEW FOR THE FINANCIAL YEAR 2020

In financial year 2020, the Group achieved a profit of RM383.8 million as compared to RM410.9 million in 2019. Cagamas remains the key operating subsidiary which contributes 59% of total group profit for the financial year. The Group total capital ratio ("TCR") stood at 59.1% (2019: 44.0%).

Cagamas recorded RM7.0 billion of purchases of loans/financings under PWR scheme (2019: RM5.0 billion) and no purchase of loans/financings under PWOR scheme (2019: Nil). Cagamas' net outstanding loans/financings declined by 12.2% to RM33.2 billion (2019: RM37.8 billion). As at the end of 2020, residential mortgage dominated Cagamas' portfolio at 98.0% (2019: 98.6%) and followed by hire purchase loans/financings at 2.0% (2019: 1.4%). Cagamas Islamic asset portfolio against conventional assets increased to a ratio of 45:55 (2019: 43:57), while PWR and PWOR loans/financings portfolios were at 68% and 32% respectively (2019: 70% and 30% respectively). The gross impaired loans/financings under the PWOR scheme stood at 0.61% (2019: 0.72%), while net impaired loans/financings is at 0.09% (2019: 0.11%).

As at the financial year end, CMBS achieved a pre-tax profit of RM204.0 million, compared with RM198.3 million in 2019. During the financial year, CMBS has redeemed RMBS/IRMBS totalling RM785.0 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.

CSRP registered a pre-tax profit of RM6.7 million as at financial year 2020 as compared to RM17.7 million in 2019. The total guarantee exposures that have been provided by CSRP to SRP and SPB schemes was RM1.2 billion compared with RM706.5 million in 2019. 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. In 2020, cumulative loans/financing approved under SRP and SPB increased by 57% from 2019, with 18,787 loans/financing worth RM4.2 billion, helping approximately 52,000 Malaysians own their first home, of which 87% were from the B40 group.



**DIRECTORS'
REPORT**
(CONTINUED)

SUBSIDIARIES

Details of subsidiaries are set out in Note 17 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of the significant event during the financial year are set out in Note 53 to the financial statements.

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Details of the significant event after the financial year are set out in Note 54 to the financial statements.

AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out in Note 37 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 25 March 2021.

Signed on behalf of the Board of Directors:

DATO' BAKARUDIN ISHAK
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR



STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Cash and short-term funds	5	244,508	568,729	802	652
Deposits and placements with financial institutions	6	490,585	1,017,767	1,625	1,751
Financial asset at fair value through profit or loss ("FVTPL")	7	193,466	141,383	—	—
Financial asset at fair value through other comprehensive income ("FVOCI")	8	3,898,881	3,570,619	—	—
Derivative financial instruments	9	57,904	58,422	—	—
Amount due from counterparties	10	14,069,195	16,657,154	—	—
Islamic financing assets	11	9,662,661	10,842,232	—	—
Mortgage assets:					
– Conventional	12	5,509,163	6,212,124	—	—
– Islamic	13	5,947,232	7,209,409	—	—
Hire purchase assets:					
– Islamic	14	34	136	—	—
Other assets	15	6,637	7,171	—	—
Tax recoverable		87,888	—	3	—
Deferred taxation	16	49,511	32,498	—	—
Investment in subsidiaries	17	—	—	4,181,628	4,181,628
Investment in structured entity	18	—*	—*	—*	—*
Property and equipment	19	3,245	3,923	—	—
Intangible assets	20	20,344	21,380	—	—
Right-of-use asset	21	3,043	3,980	—	—
TOTAL ASSETS		40,244,297	46,346,927	4,184,058	4,184,031
LIABILITIES					
Short-term borrowings		125,145	—	—	—
Derivative financial instruments	9	45,963	152,309	—	—
Other liabilities	22	149,484	125,481	46	52
Lease liability	23	4,583	4,791	—	—
Provision for taxation		55,924	21,024	—	—
Deferred taxation	16	627,210	613,691	7	3
Unsecured bearer bonds and notes	24	17,482,979	20,661,027	—	—
Sukuk	25	14,063,392	15,849,883	—	—
RMBS	26	622,652	1,008,979	—	—
IRMBS	27	612,273	1,015,463	—	—
Deferred guarantee fee income		16,278	10,058	—	—
Deferred Wakalah fee income		69,469	35,723	—	—
TOTAL LIABILITIES		33,875,352	39,498,429	53	55

* Denotes RM2

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



STATEMENTS OF FINANCIAL POSITION

as at for the financial year ended 31 December 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Share capital	28	150,000	150,000	150,000	150,000
Reserves**	29	6,218,945	6,698,498	4,034,005	4,033,976
SHAREHOLDERS' FUNDS		6,368,945	6,848,498	4,184,005	4,183,976
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		40,244,297	46,346,927	4,184,058	4,184,031
NET TANGIBLE ASSETS PER SHARE (RM)	30	42.32	45.51	27.89	27.89

** Included in the reserves of the Group is RM1,910,514,000 (2019: RM2,642,463,000) which relates to retained profits of CMBS that may be subject to a discretionary bonus fee to LPPSA upon full settlement of each RMBS/IRMBS pool via payment of dividend on RPS to be held in trust by CSRP.



INCOME STATEMENTS

for the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	31	1,114,621	1,428,867	121	166
Interest expense	32	(790,300)	(1,014,104)	—	—
Income from Islamic operations	51	215,720	235,657	—	—
Non-interest income/(expense)	33	6,848	(41,073)	30,000	30,000
		546,889	609,347	30,121	30,166
Administration and general expenses		(26,245)	(25,587)	(58)	(53)
Personnel costs	34	(31,298)	(31,308)	—	—
OPERATING PROFIT		489,346	552,452	30,063	30,113
Write-back/(allowance) of impairment losses	35	22,874	(18,298)	—	—
PROFIT BEFORE TAXATION AND ZAKAT	37	512,220	534,154	30,063	30,113
Zakat		(1,475)	(1,037)	—	—
Taxation	38	(126,963)	(122,185)	(34)	(39)
PROFIT FOR THE FINANCIAL YEAR*		383,782	410,932	30,029	30,074
EARNINGS PER SHARE (SEN)	30	255.85	273.95	20.02	20.05
DIVIDEND PER SHARE (SEN)	39	20.00	20.00	20.00	20.00

* Profit for the financial year of the Group includes profit from CMBS of RM154,741,000 (2019: RM156,751,000) 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.



STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the financial year	383,782	410,932	30,029	30,074
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Financial asset at FVOCI				
– Net gain from change in fair value	65,169	68,357	–	–
– Deferred taxation	(15,608)	(16,406)	–	–
Cash flow hedge				
– Net gain on cash flow hedge	4,992	56,550	–	–
– Deferred taxation	(1,198)	(13,572)	–	–
Other comprehensive income for the financial year, net of taxation	53,355	94,929	–	–
Total comprehensive income for the financial year	437,137	505,861	30,029	30,074

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



STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Group	Note	Issued ordinary shares of RM1 each	Non-distributable			Distributable			Total equity RM'000
			Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	
Balance as at 1 January 2020		150,000		56,921	7,267	109,779	3,882,068	2,642,463	6,848,498
Profit for the financial year		-	-	-	-	-	229,041	154,741	383,782
Other comprehensive income		-	49,561	3,794	-	-	-	-	53,355
Total comprehensive income for the financial year		-	49,561	3,794	-	-	229,041	154,741	437,137
Transfer to retained profits		-	-	-	(10,001)	10,001	-	-	-
Discretionary dividend on RPS		-	-	-	-	-	-	(886,690)	(886,690)
paid during the year	39	-	-	-	-	-	-	-	-
Issuance of RPS **	28	-	-	-	-	-	-	-	-
Dividends paid	39	-	-	-	-	-	(30,000)	-	(30,000)
Balance as at 31 December 2020	28 & 29	150,000	106,482	11,061	99,778	4,091,110	1,910,514	6,368,945	

* 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/IRMS pool via payment of dividend on RPS to be held in trust by CSRP.

** Denotes the RPS issued by CMBS of RM1 on 17 December 2020.

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



STATEMENTS OF CHANGES IN EQUITY

(CONTINUED)

for the financial year ended 31 December 2020

Group	Note	Issued ordinary shares of RM1 each	Non-distributable			Distributable			Total equity RM'000
			Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Other reserves* RM'000	
Balance as at 1 January 2019		150,000	150,000	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	39	—	—	—	—	—	—	(111)	(111)
Redemption of RPS **	28	(—)	(—)	—	—	—	—	—	(—)
Dividends paid	39	—	—	—	—	—	(30,000)	—	(30,000)
Balance as at 31 December 2019	28 & 29	150,000	150,000	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/IRMS 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 2020

Company	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	
Balance as at 1 January 2020		150,000	3,831,628	202,348	4,183,976
Profit for the financial year		—	—	30,029	30,029
Total comprehensive income for the financial year		—	—	30,029	30,029
Dividends paid	39	—	—	(30,000)	(30,000)
Balance as at 31 December 2020	28 & 29	150,000	3,831,628	202,377	4,184,005
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	39	—	—	(30,000)	(30,000)
Balance as at 31 December 2019	28 & 29	150,000	3,831,628	202,348	4,183,976

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



STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES				
Profit before taxation and zakat	512,220	534,154	30,063	30,113
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	(7,878)	(12,474)	–	–
– Unsecured bearer bonds and notes	(3,409)	(3,598)	–	–
– Sukuk	(7,568)	(13,149)	–	–
Accretion of discount on:				
– Mortgage assets - Conventional	(142,467)	(175,035)	–	–
– Mortgage assets - Islamic	(158,637)	(133,566)	–	–
(Write-back)/allowance for impairment losses on:				
– Cash and short-term funds	(105)	105	–	–
– Financial asset at FVOCI	(94)	232	–	–
– Amount due from counterparties/ Islamic financing assets	(594)	18	–	–
– Mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets	(28,380)	17,051	–	–
Write-back on mortgage assets and Islamic mortgage assets	(3,174)	–	–	–
Write-off on mortgage assets and Islamic mortgage assets	1,464	–	–	–
Guarantee/Wakalah exposures	8,009	892	–	–
Interest income	(953,655)	(1,230,455)	(121)	(166)
Interest income - derivative	(101,763)	(250,423)	–	–
Income from Islamic operations	(743,528)	(760,863)	–	–
Interest expense - bonds	737,346	948,756	–	–
Interest expense - derivative	110,754	261,346	–	–
Interest expense - RMBS	53,924	62,825	–	–
Profit attributable to sukuk holders	666,583	641,755	–	–
Profit attributable to derivative	38,293	47,423	–	–
Profit attributable to IRMBS holders	38,649	51,004	–	–
Guarantee/Wakalah fee income	(7,089)	(11,291)	–	–
Guarantee/Kafalah expense	153	43	–	–
Depreciation of property and equipment	1,582	1,828	–	–
Amortisation of intangible assets	3,608	3,563	–	–
Amortisation of right-of-use asset	937	936	–	–
Interest on lease liability	2,441	2,523	–	–
Gain on disposal of:				
– Property and equipment	(10)	(23)	–	–
– Financial asset at FVOCI	(9,572)	(7,636)	–	–



STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating profit/(loss) before working capital changes	8,040	(24,059)	29,942	29,947
Change in cash and short-term funds and deposits and placements with financial institutions	313,283	(316,818)	(1,659)	—
Change in amount due from counterparties	2,531,678	3,785,374	—	—
Change in Islamic financing assets	1,169,597	(813,711)	—	—
Change in mortgage assets:				
– Conventional	838,154	902,756	—	—
– Islamic	705,638	768,228	—	—
Change in Islamic hire purchase assets	103	647	—	—
Change in other assets	(198)	(8,374)	—	—
Change in derivative	6,983	357,238	—	—
Change in deferred financing fees	535	2,353	—	—
Change in amount due to related company	(44)	970	—	—
Change in short-term borrowings	124,826	—	—	—
Change in other liabilities	16,146	40,712	(5)	52
Cash generated from operating activities	6,422,012	4,695,316	28,278	29,999
Interest received	942,806	1,192,515	121	166
Interest received on derivative	118,301	208,544	—	—
Guarantee/Wakalah fee income received	47,055	27,903	—	—
Profit received from Islamic assets	740,851	748,378	—	—
Profit received on derivative	45,712	49,957	—	—
Interest paid	(348)	(884)	—	—
Interest paid on derivative	(133,898)	(267,785)	—	—
Profit paid on derivative	(44,003)	(48,042)	—	—
Guarantee/Kafalah paid	(153)	(57)	—	—
Payment of:				
– Zakat	(1,060)	(812)	—	—
– Taxation	(200,219)	(98,178)	—	—
Net cash generated from operating activities	7,229,785	6,506,855	28,399	30,165



STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
INVESTING ACTIVITIES				
Purchase of:				
– Financial asset at FVOCI	(4,141,145)	(3,573,581)	–	–
– Financial asset at FVTPL	(280,000)	(142,766)	–	–
– Property and equipment	(904)	(1,058)	–	–
– Intangible assets	(2,572)	(2,094)	–	–
Net proceeds from sale/redemption of:				
– Financial asset at FVOCI	3,887,034	3,879,566	–	–
– Financial asset at FVTPL	226,006	–	–	–
Income received from:				
– Financial asset at FVOCI	94,409	90,209	–	–
– Financial asset at FVTPL	2,713	1,383	–	–
Proceeds from disposal of property and equipment	10	23	–	–
Net cash (utilised in)/generated from investing activities	(214,449)	251,682	–	–
FINANCING ACTIVITIES				
Proceeds from issuance of:				
– unsecured bearer bonds and notes	8,581,426	6,247,983	–	–
– sukuk	3,085,000	3,995,000	–	–
Redemption of:				
– unsecured bearer bonds and notes	(11,802,132)	(11,613,748)	–	–
– sukuk	(4,845,000)	(2,932,000)	–	–
– RMBS	(385,000)	(260,000)	–	–
– IRMBS	(400,000)	(245,000)	–	–
Interest paid on:				
– unsecured bearer bonds and notes	(793,078)	(1,002,576)	–	–
– RMBS	(55,251)	(64,164)	–	–
Profit paid on:				
– sukuk	(685,506)	(650,195)	–	–
– IRMBS	(41,839)	(51,894)	–	–
Dividends paid to:				
– shareholders	(30,000)	(30,000)	(30,000)	(30,000)
– RPS holder	(179,419)	(111)	–	–
Issuance of RPS	–*	–	–	–
Redemption of RPS	–	–*	–	–
Lease rental paid	(2,649)	(2,648)	–	–
Net cash utilised in financing activities	(7,553,448)	(6,609,353)	(30,000)	(30,000)

* denotes RPS of RM1



STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2020

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net change in cash and cash equivalents		(538,112)	149,184	(1,601)	165
Effect of foreign exchange translation		—	(5)	—	—
Cash and cash equivalents as at 1 January		782,620	633,441	2,403	2,238
Cash and cash equivalents as at 31 December		244,508	782,620	802	2,403
Analysis of cash and short-term funds as at 31 December:					
Cash and short-term funds	5	244,508	568,729	802	652
Deposits and placements with financial institutions	6	490,585	1,017,767	1,625	1,751
Less:					
Cash and short-term funds and deposits and placements with financial institutions with original maturity of more than three months		(490,585)	(803,876)	(1,625)	—
		244,508	782,620	802	2,403

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



STATEMENTS OF CASH FLOWS

(CONTINUED)

for the financial year ended 31 December 2020

Group	Lease liability RM'000	Unsecured bearer bonds and notes RM'000	Sukuk RM'00	RMBS RM'000	IRMBS RM'000	Total RM'000
2020						
As at 1 January	4,791	20,661,027	15,849,883	1,008,979	1,015,463	38,540,143
Proceeds from issuance	—	8,581,426	3,085,000	—	—	11,666,426
Repayment and redemption	(2,649)	(11,802,132)	(4,845,000)	(385,000)	(400,000)	(17,434,781)
Interest/profit paid	—	(793,078)	(685,506)	(55,251)	(41,839)	(1,575,674)
Exchange fluctuation	—	101,931	—	—	—	101,931
Other non-cash movement	2,441	733,805	659,015	53,924	38,649	1,487,834
As at 31 December	4,583	17,482,979	14,063,392	622,652	612,273	32,785,879
2019						
As at 1 January	—	26,082,391	14,808,472	1,270,318	1,261,353	43,422,534
Effect of adopting MFRS 16	4,916	—	—	—	—	4,916
As at 1 January, as restated	4,916	26,082,391	14,808,472	1,270,318	1,261,353	43,427,450
Proceeds from issuance	—	6,247,983	3,995,000	—	—	10,242,983
Repayment and redemption	(2,648)	(11,613,748)	(2,932,000)	(260,000)	(245,000)	(15,053,396)
Interest/profit paid	—	(1,002,576)	(650,195)	(64,164)	(51,894)	(1,768,829)
Exchange fluctuation	—	(5,041)	—	—	—	(5,041)
Other non-cash movement	2,523	952,018	628,606	62,825	51,004	1,696,976
As at 31 December	4,791	20,661,027	15,849,883	1,008,979	1,015,463	38,540,143



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 SRP and SPB;
- (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 3 to the financial statements.

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

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The adoption of these standards and amendments did not have any impact on the current period or any prior period.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

- (b) Standards and amendments that have been issued but not yet effective:

Financial year beginning on 1 January 2021

- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts-cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Interbank Offered Rate ("IBOR") reform

The Group has established an IBOR Transition Working Group to implement the transition. The key objectives of the IBOR Transition Working Group include identifying all contracts affected by the benchmark reform, upgrading internal systems to support business in the alternative risk free rates ("RFRs") product suite, identifying and communicating to customers with whom repricing and/or re-papering IBOR-referenced contracts are required and executing the necessary change in contracts. The Group is closely monitoring the development of IBOR transition and will make adjustments to the contracts according to industry widely accepted practices.

The Group has applied the following relief from hedge accounting requirements as a result of the amendments made to MFRS 9:

- When considering the 'highly probable' requirement, the Group assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the IBOR reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the IBOR reform.

In applying the amendments, the Group assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

Certain IBOR rates are subject to replacement by RFRs. The Group and the Company has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks being USD LIBOR ("USD London Interbank Offered Rate").

As at 31 December 2020, the notional amount of hedging instruments referencing USD LIBOR is USD28.0 million for the Group.

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".



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

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 FRS 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Acquisition-related costs are expensed as incurred. (continued)

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

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

2.3 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 a 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 unaccreted discount. Interest/profit income on the assets are recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest. The discount arising from the difference between the purchase price and book value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets acquired is accreted to the income statements over the 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 3 details out the critical accounting estimates and assumptions.

2.7 Property and equipment and depreciation

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

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

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

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

At each statement of financial position date, the Group 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 derecognition

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").

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.

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.



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 (continued):

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statements. When the financial 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 statement of comprehensive income.

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.



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)

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.

Under MFRS 9, impairment model requires the recognition of ECL for all financial assets, except for financial asset classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment.

General approach

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

- Stage 1: 12-month ECL – non-credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

- Stage 2: Lifetime ECL – non-credit impaired

For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

- Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.



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)

Simplified approach

For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The Group 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.

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 unlikelihood 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



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)

Definition of default and credit impaired financial assets (continued)

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

Financial assets at FVOCI, amount due from counterparties, Islamic financing assets and debt instruments which are in default or credit impaired are assessed individually.

2.9.2 Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statements, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statements.

2.10 Write-off

The Group 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 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss and are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 2.19 on hedge accounting.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial liabilities (continued)

(b) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in income statements over the period of the borrowings using the effective interest method. All other borrowing costs are recognised in income statements in the period in which they are incurred.

Borrowings measured at amortised cost are short-term borrowings, unsecured bearer bonds and notes and sukuk.

(c) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest rate. Other financial liabilities measured at amortised cost are deferred guarantee fee income, deferred Wakalah fee income and other liabilities.

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

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

2.13 Income recognition on Guarantee and Wakalah fees

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

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

2.14 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.

2.15 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

2.17 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.

2.18 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.

2.19 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 9 to the financial statements.

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Derivative financial instruments and hedge accounting (continued)

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve and taken to the income statements in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statements under “non-interest (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 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 that was reported in equity is immediately reclassified to income statements under “non-interest (expense)/income”.

2.20 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.

2.21 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 for the financial year is 2.5% (2019: 2.5%) of the zakat base.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Zakat (continued)

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.

2.22 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.

2.23 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

2.25 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.

(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.

2.26 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 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 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.

2.28 Deferred financing fees

Deferred financing fees consist of expenses incurred in relation to the unsecured bond and notes/sukuk issuance. Upon unsecured bond and notes/sukuk issuance, deferred financing fees will be deducted from the carrying amount of the unsecured bond and notes/sukuk and amortised using the effective interest/profit rate method.

2.29 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.

2.30 Leases

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

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.

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 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

Lease liabilities (continued)

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

The Group 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.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) *Fair value of financial asset at FVTPL, FVOCI and derivative (Note 7, 8 and 9)*

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 derivative, unquoted financial asset at FVTPL and 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 (Note 12, 13 and 14)*

The Group makes allowances for losses on mortgage assets and 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) *Accretion of discount on mortgage assets and hire purchase assets (Note 12, 13 and 14)*

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

(d) *Securitisation and structured entities (Note 18)*

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 (Note 22)*

In determining ECL, management's judgement is applied, using objective, reasonable and supportable information about current and forecast economic conditions. Macroeconomic variables that are used in multiple scenarios (i.e. base, downside and upside), include (but are not limited to) real GDP growth rates, unemployment rates, consumer price index and housing price index.

Forward looking macroeconomic information and assumptions relating to COVID-19 have been considered in these scenarios, including potential impacts of COVID-19, recognising that uncertainty still exists in relation to the duration of COVID-19 related restrictions and the anticipated impact of government stimulus and regulatory actions. When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Group's historical loss experience. Consistent with industry guidance, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily result in a significant increase in credit risk, and therefore will not trigger an automatic migration from Stage 1 (12-month ECL) to Stage 2 (Lifetime ECL) in the credit impairment provision for such guarantee and Wakalah exposure.

The probability weighted ECL is a blended outcome after taking into consideration the multiple scenarios applied to the Group's guarantee and Wakalah exposure.

(f) *MFRS 16 Leases (Note 21 and 23)*

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 have considered an extension option of contract with incremental rental. The assessment is reviewed if there is a change of circumstances occurs which affects the current assessment and that is within the control of the Group.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4 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.

The Group constantly 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.

4.1 Risk management structure

The Board of Directors has ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors sets 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 monitoring and reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to 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, stipulate prudent eligibility criteria and conduct due diligence on loans and financing to be purchased. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to the management, Board Risk Committee and the Board of Directors for immediate remedy.

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



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices 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, CCS and ICCS to manage and hedge market risk exposures against fluctuations in the interest rates, profit rates and foreign currency exchange rates.

4.4 Liquidity risk management

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

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.

4.5 Operational Risk Management

Operational risk is defined as the potential loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes reputational risk associated with the Group's 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. To mitigate such operational risks, the Group 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)

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.5 Operational Risk Management (continued)

The day-to day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tiered authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pre-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

The Group minimises 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.

5 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balance with banks and other financial institutions	79,771	110,990	16	16
Money at call and deposits and placements maturing less than three months	111,274	321,461	786	636
Mudharabah money at call and deposits and placements maturing less than three months	53,463	136,383	—	—
	244,508	568,834	802	652
Less: Allowance for impairment losses	—	(105)	—	—
	244,508	568,729	802	652



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

5 CASH AND SHORT-TERM FUNDS (CONTINUED)

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		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Stage 1				
As at 1 January	105	—	—	—
(Write-back)/allowance during the year	(105)	105	—	—
As at 31 December	—	105	—	—

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	490,585	1,017,767	1,625	1,751

The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2020 (2019: Nil).

7 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group	
	2020 RM'000	2019 RM'000
Unit Trust	193,466	141,383



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group	
	2020 RM'000	2019 RM'000
<i>Debt instrument at fair value</i>		
Malaysian government securities	479,266	313,731
Corporate bonds	712,770	487,826
Government investment issues	952,770	816,675
Sukuk	828,266	942,572
Quasi government sukuk	925,809	1,009,815
	3,898,881	3,570,619
The maturity structure of financial asset at FVOCI are as follows:		
Maturing within one year	713,552	836,087
One to three years	1,460,849	1,000,372
Three to five years	734,868	905,126
More than five years	989,612	829,266
	3,898,881	3,570,851
Less: Allowance for impairment losses	—	(232)
	3,898,881	3,570,619



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (CONTINUED)

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
2020		
By stage of allocation:		
Stage 1 (12-months ECL; non-credit impaired)	3,898,881	138
As at 31 December	3,898,881	138
2019		
By stage of allocation:		
Stage 1 (12-months ECL; non-credit impaired)	3,525,607	232
Stage 3 (Lifetime ECL; credit impaired)	45,244	—
As 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 ("SESBS") as the holding company of KMCOB via Scomi Oilfield Limited (Bermuda) has triggered PN17 of the Listing Requirements as made in its Bursa announcement on 31 October 2019. KMCOB is a Danajamin Guaranteed investment.

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	2020 RM'000	2019 RM'000
Stage 1		
As at 1 January	232	—
Allowance during the year on new assets purchased	56	—
Loans derecognised during the year due to maturity of assets	(54)	—
(Write-back)/allowance during the year due to changes in credit risk	(96)	232
As at 31 December	138	232



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 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/sukuk holders.

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 effectiveness is assessed by comparing the changes in fair value of the interest/profit rate swaps and cross currency swaps with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follow:

- Differences in timing of cash flows between hedged item, interest/profit rate swaps and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of interest/profit rate swaps and cross currency swaps but not the hedged items.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivatives financial instruments entered by the Group which are all used as hedging instruments in cash flow hedges.

	Group					
	2020			2019		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivative designated as cashflow hedges:						
IRS/IPRS						
Maturing within						
one year	1,100,000	13,994	(2,803)	1,560,000	1,710	(5,603)
One to three years	1,355,000	—	(41,133)	1,645,000	7,265	(15,677)
Three to five years	—	—	—	110,000	—	(10,499)
More than five years	160,000	38,802	—	160,000	20,725	—
	2,615,000	52,796	(43,936)	3,475,000	29,700	(31,779)
CCS						
Maturing within one year	669,927	5,108	(2,027)	2,399,965	20,537	(120,530)
One to three years	—	—	—	273,687	8,185	—
	669,927	5,108	(2,027)	2,673,652	28,722	(120,530)
	3,284,927	57,904	(45,963)	6,148,652	58,422	(152,309)



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Group						
	Nominal amount RM'000	Fair value*		Changes in fair value used for calculating hedging effectiveness RM'000	Changes in fair value recognised in other comprehensive income RM'000	Hedge ineffectiveness recognised in income statement** RM'000	Amount reclassified from hedge reserve to income statement** RM'000
		Assets RM'000	Liabilities RM'000				
2020							
<u>Interest/profit rate risk</u>							
Interest rate swap	2,070,000	52,796	(34,649)	20,392	20,392	–	–
Islamic profit rate swap	545,000	–	(9,287)	(8,750)	(8,750)	–	–
<u>Foreign exchange risk</u>							
Cross currency interest rate swaps	669,927	5,108	(2,027)	2,914	(80,375)	–	73,725
2019							
<u>Interest/profit rate risk</u>							
Interest rate swap	2,170,000	27,990	(27,411)	6,101	6,101	–	–
Islamic profit rate swap	1,305,000	1,710	(4,368)	(2,839)	(2,839)	–	–
<u>Foreign exchange risk</u>							
Cross currency interest rate swaps	2,673,652	28,722	(120,530)	6,301	79,889	–	(26,601)

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

** All hedge ineffectiveness and reclassification from the 'Hedging reserve – cash flows hedge' to profit or loss are recognised in the 'Net non-interest income/(expenses)' in the income statement.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedged items are as follows:

		Group		
	Line items in the statements of financial position in which the hedged item is included	Changes in fair value used for calculating hedge effectiveness RM'000	Cash flow hedge reserve RM'000	Balance remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied RM'000
2020				
<u>Interest/profit rate/foreign exchange</u>				
Floating rate financial assets	Amount due from counterparties	(4,829)	(3,670)	—
Floating rate financial assets	Islamic financing assets	—	—	—
Floating rate financial liabilities	Unsecured bearer bonds and notes	56,624	43,033	—
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(28,489)	(21,652)	—
Fixed rate financial liabilities	Sukuk	(8,750)	(6,650)	—
2019				
<u>Interest/profit rate/foreign exchange</u>				
Floating rate financial assets	Amount due from counterparties	(104,219)	(79,207)	—
Floating rate financial assets	Islamic financing assets	1,362	1,035	—
Floating rate financial liabilities	Unsecured bearer bonds and notes	133,765	103,181	—
Fixed rate financial liabilities	Unsecured bearer bonds and notes	(19,144)	(14,549)	—
Fixed rate financial liabilities	Sukuk	(4,201)	(3,193)	—



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

9 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Reconciliation of components of equity

The following table provides reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

	Group	
	2020 RM'000	2019 RM'000
Cash flow hedge		
As at 1 January	7,267	(35,711)
Effective portion of changes in fair value:		
- Interest rate risk	(68,733)	83,151
Net amount reclassified to profit or loss:		
- Foreign exchange fluctuations (Note 33)	73,725	(26,601)
Income tax effects	(1,198)	(13,572)
As at 31 December	11,061	7,267

10 AMOUNT DUE FROM COUNTERPARTIES

	Group	
	2020 RM'000	2019 RM'000
Relating to:		
Mortgage loans	13,397,099	16,114,190
Hire purchase and leasing debts	672,096	542,964
	14,069,195	16,657,154
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	6,093,353	7,491,961
One to three years	7,338,049	8,527,330
Three to five years	226,133	—
More than five years	411,679	637,922
	14,069,214	16,657,213
Less: Allowance for impairment losses	(19)	(59)
	14,069,195	16,657,154



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

10 AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

The gross carrying value of amount due from counterparties and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2020 RM'000	2019 RM'000
Stage 1		
As at 1 January	59	67
Allowance during the year on new assets purchased	11	22
Loans derecognised during the year due to maturity of assets	(9)	(18)
Write-back during the year due to changes in credit risk	(42)	(12)
As at 31 December	19	59

11 ISLAMIC FINANCING ASSETS

	Group	
	2020 RM'000	2019 RM'000
Relating to:		
Islamic house financing	9,662,661	10,842,232
The maturity structure of Islamic financing assets are as follows:		
Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	9,662,760	10,842,885
Less:		
Allowance for impairment losses	(99)	(653)
	9,662,661	10,842,232



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

11 ISLAMIC FINANCING ASSETS (CONTINUED)

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group	
	2020 RM'000	2019 RM'000
Stage 1		
As at 1 January	653	627
Allowance during the year on new assets purchased	3	87
Financing derecognised during the year due to maturity of assets	(3)	(45)
Write-back during the year due to changes in credit risk	(554)	(16)
As at 31 December	99	653

12 MORTGAGE ASSETS – CONVENTIONAL

	Group	
	2020 RM'000	2019 RM'000
Purchase without recourse ("PWOR")	5,509,163	6,212,124
The maturity structure of mortgage assets – conventional are as follows:		
Maturing within one year	972,245	1,032,659
One to three years	1,304,939	1,350,617
Three to five years	1,068,546	1,139,690
More than five years	2,196,477	2,733,047
	5,542,207	6,256,013
Less:		
Allowance for impairment losses	(33,044)	(43,889)
	5,509,163	6,212,124



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

The gross carrying value of mortgage assets by stage of allocation are as follows:

By stage of allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2020		
Stage 1 (12-months ECL; non-credit impaired)	5,496,238	18,591
Stage 2 (Lifetime ECL; non-credit impaired)	2,056	366
Stage 3 (Lifetime ECL; credit impaired)	43,913	14,087
As at 31 December	5,542,207	33,044
Impairment allowance over gross carrying value (%)		0.60
2019		
Stage 1 (12-months ECL; non-credit impaired)	6,172,838	21,696
Stage 2 (Lifetime ECL; non-credit impaired)	24,616	3,400
Stage 3 (Lifetime ECL; credit impaired)	58,559	18,793
As at 31 December	6,256,013	43,889
Impairment allowance over gross carrying value (%)		0.70



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12 MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
As at 1 January	21,696	3,400	18,793	43,889
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	148	(3,019)	(8,058)	(10,929)
– Transfer to ECL non-credit impaired (Stage 2)	(7)	352	(73)	272
– Transfer to ECL credit impaired (Stage 3)	(86)	(160)	7,523	7,277
Total transfer between stages	55	(2,827)	(608)	(3,380)
Loans derecognised during the year (other than write-offs)	(512)	(189)	(2,754)	(3,455)
Write-back during the year due to changes in credit risk	(2,648)	(18)	(221)	(2,887)
Amount written off	–	–	(1,123)	(1,123)
As at 31 December	18,591	366	14,087	33,044
2019				
As 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 year (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)
As at 31 December	21,696	3,400	18,793	43,889



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13 MORTGAGE ASSETS - ISLAMIC

	Group	
	2020 RM'000	2019 RM'000
PWOR	5,947,232	7,209,409
The maturity structure of mortgage assets – Islamic are as follows:		
Maturing within one year	764,475	898,416
One to three years	1,026,576	1,270,415
Three to five years	957,448	1,192,778
More than five years	3,231,734	3,898,338
	5,980,233	7,259,947
Less:		
Allowance for impairment losses	(33,001)	(50,538)
	5,947,232	7,209,409

The gross carrying value of mortgage assets – Islamic by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2020		
Stage 1 (12-months ECL; non-credit impaired)	5,941,305	20,815
Stage 2 (Lifetime ECL; non-credit impaired)	2,086	367
Stage 3 (Lifetime ECL; credit impaired)	36,842	11,819
	5,980,233	33,001
As at 31 December		
Impairment allowance over gross carrying value (%)		0.55



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13 MORTGAGE ASSETS - ISLAMIC (CONTINUED)

The gross carrying value of mortgage assets – Islamic by stage of allocation are as follows: (continued)

	Group	
	2020 RM'000	2019 RM'000
2019		
Stage 1 (12-months ECL; non-credit impaired)	7,179,630	28,532
Stage 2 (Lifetime ECL; non-credit impaired)	23,830	3,892
Stage 3 (Lifetime ECL; credit impaired)	56,487	18,114
As at 31 December	7,259,947	50,538
Impairment allowance over gross carrying value (%)		0.70

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
2020				
As at 1 January	28,532	3,892	18,114	50,538
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	140	(3,111)	(5,629)	(8,600)
– Transfer to ECL non-credit impaired (Stage 2)	(19)	783	(37)	727
– Transfer to ECL credit impaired (Stage 3)	(68)	(225)	5,748	5,455
Total transfer between stages	53	(2,553)	82	(2,418)
Financing derecognised during the year (other than write-offs)	(4,504)	(944)	(5,932)	(11,380)
Write-back during the year due to changes in credit risk	(3,266)	(28)	(104)	(3,398)
Amount written off	–	–	(341)	(341)
As at 31 December	20,815	367	11,819	33,001



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

13 MORTGAGE ASSETS - ISLAMIC (CONTINUED)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows: (continued)

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2019				
As 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 year (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
As at 31 December	28,532	3,892	18,114	50,538

14 HIRE PURCHASE ASSETS - ISLAMIC

	Group	
	2020 RM'000	2019 RM'000
PWOR	34	136
The maturity structure of hire purchase assets – Islamic are as follows:		
Maturing within one year	46	148
Less:		
Allowance for impairment losses	(12)	(12)
	34	136



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

14 HIRE PURCHASE ASSETS - ISLAMIC (CONTINUED)

The gross carrying value of hire purchase assets – Islamic by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2020		
Stage 1 (12-months ECL; non-credit impaired)	10	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	46	12
Impairment allowance over gross carrying value (%)		26.09
2019		
Stage 1 (12-months ECL; non-credit impaired)	112	–
Stage 3 (Lifetime ECL; credit impaired)	36	12
As at 31 December	148	12
Impairment allowance over gross carrying value (%)		8.11

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
2020			
As at 1 January/31 December	–	12	12
2019			
As at 1 January	–	15	15
Financing derecognised during the year (other than write-offs)	–	(6)	(6)
Allowance during the year due to changes in credit risk	–	3	3
As at 31 December	–	12	12



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

15 OTHER ASSETS

	Group	
	2020 RM'000	2019 RM'000
Compensation receivable from originator on mortgage assets	415	469
Staff loans and financing	2,883	2,899
Deposits	898	931
Prepayments	2,422	2,713
Other receivables	19	159
	6,637	7,171

16 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets (before offsetting)	49,511	32,498	–	–
Deferred tax liabilities (before offsetting)	(627,210)	(613,691)	(7)	(3)
Deferred tax liabilities	(577,699)	(581,193)	(7)	(3)
The movements of deferred tax are as follows:				
As at 1 January	(581,193)	(579,141)	(3)	(4)
Recognised to income statement (Note 38)	20,300	27,926	(4)	1
Recognised to reserves	(16,806)	(29,978)	–	–
As at 31 December	(577,699)	(581,193)	(7)	(3)



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

16 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
2020				
Deferred tax assets				
Net unrealised losses on revaluation of derivative financial instrument under cash flow hedge accounting	1,472	–	3,986	5,458
Provisions	1,084	507	–	1,591
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	10	–	–	10
– ECL	17,795	2,978	–	20,773
– lease liability	1,150	(50)	–	1,100
– guarantee/Wakalah fees	10,987	9,592	–	20,579
	32,498	13,027	3,986	49,511
Deferred tax liabilities				
Net unrealised gains on revaluation of derivative financial instrument under cash flow hedge accounting	(3,767)	–	(5,184)	(8,951)
Revaluation reserves of financial asset at FVOCI	(17,980)	–	(15,608)	(33,588)
Accelerated depreciation	(1,237)	(1,019)	–	(2,256)
Unaccreted discount on mortgage assets	(586,500)	8,322	–	(578,178)
Temporary difference relating to:				
– interest/profit receivables on deposit and placements	(2,800)	(251)	–	(3,051)
– right-of-use asset	(951)	221	–	(730)
– ECL	(456)	–	–	(456)
	(613,691)	7,273	(20,792)	(627,210)



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

16 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	As at 31 December RM'000
2019				
Deferred tax assets				
Net unrealised losses on revaluation of derivative 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 derivative 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)

16 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
2020				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(3)	(4)	—	(7)
2019				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	(4)	1	—	(3)

17 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares at cost	4,181,628	4,181,628



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

17 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	
			2020 %	2019 %
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 SRP and SPB.	Malaysia	100	100
CMGP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection.	Malaysia	100	100
	The Company has remained dormant since 1 January 2014.			
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
	The Company has remained dormant since 10 October 2012.			

* indirect interest via investment in Cagamas



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

18 INVESTMENT IN STRUCTURED ENTITY

Unquoted shares at cost

* denotes RM2

The structured entity of the Company is as follows:

		Company	
		2020 RM'000	2019 RM'000
		—*	—*

Name	Principal activities	Direct and indirect interest in equity held by the Company	
		2020 %	2019 %
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Shariah 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 Shariah 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 Shariah 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)

19 PROPERTY AND EQUIPMENT

Group	Office equipments RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2020	9,817	4,681	703	15,201
Additions	900	4	–	904
Disposals	(591)	(5)	–	(596)
As at 31 December 2020	10,126	4,680	703	15,509
Accumulated depreciation				
As at 1 January 2020	(6,421)	(4,580)	(277)	(11,278)
Charge for the financial year	(1,460)	(16)	(106)	(1,582)
Disposals	591	5	–	596
As at 31 December 2020	(7,290)	(4,591)	(383)	(12,264)
Net book value				
As at 31 December 2020	2,836	89	320	3,245
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



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

20 INTANGIBLE ASSETS

Group	Service rights RM'000	Computer softwares RM'000	Computer software licenses RM'000	Work in progress RM'000	Total RM'000
Cost					
As at 1 January 2020	16,712	13,207	26,607	–	56,526
Additions	–	1,966	606	–	2,572
Write-offs	(9,022)	–	–	–	(9,022)
As at 31 December 2020	7,690	15,173	27,213	–	50,076
Accumulated amortisation					
As at 1 January 2020	(13,938)	(12,155)	(9,053)	–	(35,146)
Charge for the financial year	(487)	(228)	(2,893)	–	(3,608)
Write-offs	9,022	–	–	–	9,022
As at 31 December 2020	(5,403)	(12,383)	(11,946)	–	(29,732)
Net book value					
As at 31 December 2020	2,287	2,790	15,267	–	20,344
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

Service rights are amortised on a straight-line basis over the tenure of RMBS/IRMB pools. The remaining amortisation period of the intangible assets ranges from 2 to 7 years (2019: 1 to 8 years).



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

21 RIGHT-OF-USE ASSET

Right-of-use asset comprise of rental of office buildings and is being amortised over the tenure of rental period.

	Group	
	2020 RM'000	2019 RM'000
Cost		
As at 1 January	4,916	—
Effect of adoption of MFRS 16	—	4,916
As at 31 December	4,916	4,916
Accumulated amortisation		
As at 1 January	(936)	—
Charge for the financial year (Note 37)	(937)	(936)
As at 31 December	(1,873)	(936)
Net book value		
As at 31 December	3,043	3,980

22 OTHER LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
Provision for zakat	2,326	1,911
Amount due to GOM *	99,624	90,625
Other payables and accruals	36,164	29,584
Expected credit loss on guarantee exposure	3,389	1,230
Expected credit loss on Wakalah exposure	7,981	2,131
	149,484	125,481

* Amount due to GOM refers to fund provided by the Government for CSRP's SRP and SPB programme.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22 OTHER LIABILITIES (CONTINUED)

22.1 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:		
2020		
Stage 1 (12-months ECL; non-credit impaired)	99,737	1,124
Stage 2 (Lifetime ECL; non-credit impaired)	2,308	1,673
Stage 3 (Lifetime ECL; credit impaired)	592	592
As at 31 December	102,637	3,389
Impairment allowance over unexpired financial guarantee exposure (%)		3.30
2019		
Stage 1 (12-months 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
As at 31 December	63,354	1,230
Impairment allowance over unexpired financial guarantee exposure (%)		1.94



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22 OTHER LIABILITIES (CONTINUED)

22.1 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
2020				
As at 1 January	244	527	459	1,230
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	23	(352)	(182)	(511)
– Transfer to ECL not-credit impaired (Stage 2)	(12)	724	(74)	638
– Transfer to ECL credit impaired (Stage 3)	(3)	(57)	314	254
Total transfer between stages	8	315	58	381
Allowance during the year on new guarantee exposure	482	785	192	1,459
Guarantee amount derecognised during the year	(4)	(11)	(117)	(132)
Allowance during the year due to changes in credit risk	394	57	–	451
As at 31 December	1,124	1,673	592	3,389
2019				
As at 1 January	369	232	428	1,029
Transfer between stages:				
– Transfer to 12-months 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 year	(6)	(9)	(109)	(124)
(Write-back)/allowance during the year due to changes in credit risk	(470)	282	258	70
At as 31 December	244	527	459	1,230



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22 OTHER LIABILITIES (CONTINUED)

22.2 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:		
2020		
Stage 1 (12-months ECL; non-credit impaired)	388,356	4,226
Stage 2 (Lifetime ECL; non-credit impaired)	4,196	3,041
Stage 3 (Lifetime ECL; credit impaired)	714	714
As at 31 December	393,266	7,981
Impairment allowance over unexpired financial Wakalah exposure (%)		2.03
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
As at 31 December	187,105	2,131
Impairment allowance over unexpired financial Wakalah exposure (%)		1.14



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

22 OTHER LIABILITIES (CONTINUED)

22.2 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
2020				
As at 1 January	715	965	451	2,131
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	59	(626)	(127)	(694)
– Transfer to ECL not-credit impaired (Stage 2)	(34)	1,282	(23)	1,225
– Transfer to ECL credit impaired (Stage 3)	(5)	(69)	299	225
Total transfer between stages	20	587	149	756
Allowance during the year on new Wakalah exposure	2,276	1,311	196	3,783
Wakalah amount derecognised during the year	(4)	(39)	(82)	(125)
Allowance during the year due to changes in credit risk	1,219	217	–	1,436
As at 31 December	4,226	3,041	714	7,981
2019				
As 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 year	(9)	(19)	(72)	(100)
(Write-back)/allowance during the year due to changes in credit risk	(578)	340	182	(56)
As at 31 December	715	965	451	2,131



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

23 LEASE LIABILITY

	Group	
	2020 RM'000	2019 RM'000
As at 1 January	4,791	–
Effect of adoption of MFRS 16	–	4,916
As restated	4,791	4,916
Lease obligation interest expense (Note 32)	2,441	2,523
Lease obligation repayment	(2,649)	(2,648)
As at 31 December	4,583	4,791
The maturity structure of lease liability are as follows:		
Due within 1 year	495	208
Due in 2 to 5 years	4,088	4,583
Total present value of minimum lease payments	4,583	4,791



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24 UNSECURED BEARER BONDS AND NOTES

		Group			
		2020		2019	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate note					
	2020	–	–	100,000	3.460
Add:					
Interest payable		–		667	
		–		100,667	
(b) Commercial papers	2020	–	–	1,200,000	3.250 – 3.340
	2021	2,800,000	1.900 – 2.050	–	–
Add:					
Interest payable		6,388		3,213	
		2,806,388		1,203,213	
(c) Conventional medium-term notes					
	2020	–	–	7,595,307	2.520 – 6.000
	2021	4,483,959	0.850 – 5.380	2,552,426	3.035 – 5.380
	2022	6,850,000	2.130 – 4.650	5,850,000	3.380 – 4.650
	2023	570,000	2.180 – 6.050	525,000	4.250 – 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 – 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 – 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 – 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 – 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 – 5.750
	2035	160,000	5.070	160,000	5.070
		14,553,959		19,172,733	
Add:					
Interest payable		122,942		181,850	
Unaccreted premium		–		3,475	
Less:					
Deferred financing fees		(301)		(836)	
Unamortised discount		(9)		(75)	
		14,676,591		19,357,147	
		17,482,979		20,661,027	



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

24 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

The maturity structure of unsecured bearer bonds and notes are as follows:

	Group	
	2020 RM'000	2019 RM'000
Maturing within one year	7,412,979	9,083,664
One to three years	7,420,000	8,402,295
Three to five years	1,070,000	955,000
More than five years	1,580,000	2,220,068
	17,482,979	20,661,027

Cagamas issues debt securities, inclusive of sustainability, green and social bonds, to finance the purchase of housing mortgages and other consumer receivables for conventional loans.

(a) Floating rate notes ("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 paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(c) Fixed Rate Conventional Medium-term notes ("CMTN")

CMTNs are Ringgit denominated bonds with fixed coupon rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a coupon rate. Interest distributions of the CMTNs are normally made on half-yearly basis. The redemption of the CMTNs are at nominal value together with the interest due upon maturity.

Apart from Ringgit FRNs and CMTNs, Cagamas also issued FRNs and CMTNs in foreign currency ("EMTN"). Under the USD2.5 billion Multicurrency Medium Term Notes Programme, CGP may from time to time issue EMTNs in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas.

The unsecured bearer bonds and notes outstanding at the end of financial year which are not in the functional currencies of the Group are as follows:

	Group	
	2020 RM'000	2019 RM'000
HKD	163,218	352,201
USD	112,781	1,553,180
SGD	395,401	688,405
	671,400	2,593,786



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

25 SUKUK

		Group			
		2020		2019	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a)	Islamic commercial papers				
	2020	—	—	905,000	3.250 – 3.310
	2021	845,000	1.900 – 2.000	—	—
	Add:				
	Profit payable	2,256		1,587	
		847,256		906,587	
(b)	Islamic medium-term notes				
	2020	—	—	2,725,000	3.290 – 6.000
	2021	3,545,000	2.050 – 5.380	3,020,000	4.080 – 5.380
	2022	3,060,000	2.250 – 4.700	3,010,000	3.380 – 4.700
	2023	2,945,000	2.230 – 6.350	2,495,000	4.250 – 6.350
	2024	1,135,000	3.550 – 5.520	1,135,000	3.550 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 – 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
	2033	675,000	5.000	675,000	5.000
		13,110,000		14,810,000	
	Add:				
	Profit payable	106,136		125,728	
	Unaccreted premium	—		7,568	
		13,216,136		14,943,296	
		14,063,392		15,849,883	



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

25 SUKUK (CONTINUED)

The maturity structure of the sukuk are as follows:

	Group	
	2020 RM'000	2019 RM'000
Maturing within one year	4,498,392	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	14,063,392	15,849,883

Cagamas issues debt securities, inclusive of sustainability, green and social sukuk, to finance the purchase of housing mortgages and other consumer receivables for Islamic financing.

(a) Islamic commercial papers ("ICP")

ICPs are Ringgit denominated short-term Islamic instruments with maturities ranging from one to twelve months, issued with or without profit paid, at either a discount from the face value where the relevant ICPs are redeemable at their nominal value upon maturity or at par with profit is paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

(b) Fixed Profit Rate Islamic Medium-Term Notes ("IMTN")

IMTNs are Ringgit denominated sukuk with fixed profit rate with tenures of more than one year and are issued either at a premium, par or at a discount, with or without a profit rate. Profit distribution of the IMTNs are normally made on half-yearly basis. The redemption of the relevant IMTNs are at nominal value together with the profit due upon maturity.

(c) Variable Profit Rate Notes ("VRN")

VRNs are Ringgit denominated IMTNs with tenures of more than one year with variable profit rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate ("KLIBOR"). Profit distributions of the VRNs are normally made on quarterly or half-yearly basis. At maturity, the face value of the relevant VRNs are redeemed with any outstanding profit amounts due on maturity.

(d) Multicurrency Sukuk

Under the Multicurrency Sukuk Programme, foreign currency sukuk ("Islamic EMTN") is currently issued based on Shariah principle of Wakalah. The Islamic EMTN issuance is on a fully-paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Islamic EMTNs issued. There is no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26 RMBS

		Group			
		2020		2019	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
RMBS	2020	—	—	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
		620,000		1,005,000	
Add:					
Interest payable		2,652		3,979	
		622,652		1,008,979	

The maturity structure of the RMBS are as follows:

		Group	
		2020 RM'000	2019 RM'000
Maturing within one year		2,652	388,979
One to three years		250,000	250,000
Three to five years		265,000	—
More than five years		105,000	370,000
		622,652	1,008,979

The RMBS have the following features:

- The subsidiary, CMBS has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.
- The RMBS's interest is payable quarterly in arrears.
- The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.
- 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.
- 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)

27 IRMBS

		Group			
		2020		2019	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
IRMBS	2020	–	–	400,000	5.27
	2022	320,000	4.17	320,000	4.17
	2027	290,000	4.34	290,000	4.34
		610,000		1,010,000	
Add:					
Profit attributable		2,273		5,463	
		612,273		1,015,463	

The maturity structure of the IRMBS are as follows:

		Group	
		2020 RM'000	2019 RM'000
Maturing within one year		2,273	405,463
One year to three years		320,000	320,000
More than five years		290,000	290,000
		612,273	1,015,463

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)

28 SHARE CAPITAL

Group and Company			
2020		2019	
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
Group			
2020 RM'000		2019 RM'000	
Redeemable preference shares:			
As at 1 January *		—	
Issued during the year		— **	
Redeemed during the year		— (—) ***	
As at 31 December		—	

* denotes RM1

** denotes RPS of RM1 which was issued on 17 December 2020.

*** denotes RPS of RM1 which was fully redeemed and cancelled on 16 December 2019.

On 17 December 2020, 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 17 December 2020 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 2005-1.

The RPS issued by CMBS of RM1 to facilitate the distribution of discretionary bonus fee for Pool 2004-1 was fully redeemed and cancelled on 16 December 2019.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

29 RESERVES

(a) Financial asset at FVOCI reserves

This amount represents the unrealised fair value gains or losses on financial asset at FVOCI, net of taxation.

The amount of gain or loss recognised in OCI during the year and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the financial year are as per the following:

	Group	
	2020 RM'000	2019 RM'000
Financial assets at FVOCI		
– Net gain from change in fair value	74,510	75,993
– Net transfer to income statement on disposal	(9,467)	(7,636)
– Allowance of impairment losses	126	–
– Deferred taxation	(15,608)	(16,406)

(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 has adopted the BNM Guidelines on Financial Reporting issued on 2 February 2018 on voluntary basis. The Group 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.

30 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM6,348,601,000 of the Group and RM4,184,005,000 of the Company respectively (2019: RM6,827,118,000 of the Group and RM4,183,976,000 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 RM383,782,000 of the Group and RM30,029,000 of the Company respectively (2019: RM410,932,000 of the Group and RM30,074,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

31 INTEREST INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amount due from counterparties	581,518	819,265	—	—
Mortgage assets	248,297	283,409	—	—
Compensation from mortgage assets	20	14	—	—
Financial asset at FVOCI	113,330	121,845	—	—
Deposits and placements with financial institutions	26,790	21,919	121	166
	969,955	1,246,452	121	166
Accretion of discount less amortisation of premium (net)	144,666	182,415	—	—
	1,114,621	1,428,867	121	166

32 INTEREST EXPENSE

	Group	
	2020 RM'000	2019 RM'000
Floating rate notes	1,720	8,650
Medium-term notes	699,475	913,549
RMBS	53,924	62,825
Commercial paper	32,073	25,674
Short-term borrowings	667	883
Lease liability (Note 23)	2,441	2,523
	790,300	1,014,104



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

33 NON-INTEREST (EXPENSE)/INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net loss arising from derivatives	(7,933)	(55,571)	—	—
Gain on disposal of financial asset at FVOCI	9,572	7,636	—	—
Income from financial asset at FVTPL	1,976	1,383	—	—
Gain on disposal of property and equipment	10	23	—	—
Guarantee fee income	2,312	3,214	—	—
Net amount reclassified into profit or loss – cash flow hedge (Note 9)	73,725	(26,601)	—	—
Net (loss)/gain on foreign exchange	(74,805)	26,260	—	—
Dividend income	—	—	30,000	30,000
Other non-operating income	1,991	2,583	—	—
	6,848	(41,073)	30,000	30,000

34 PERSONNEL COSTS

	Group	
	2020 RM'000	2019 RM'000
Salary and allowances	15,536	15,391
Bonus	7,312	7,465
Overtime	46	66
EPF and SOCSO	3,652	4,026
Insurance	886	608
Others	3,866	3,752
	31,298	31,308



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

35 WRITE-BACK/(ALLOWANCE) OF IMPAIRMENT LOSSES

	Group	
	2020 RM'000	2019 RM'000
Cash and short-term funds	105	(105)
Financial asset at FVOCI	94	(232)
Amount due from counterparties	40	8
Islamic financing assets	554	(26)
Mortgage assets - Conventional	10,845	(2,440)
Mortgage assets - Islamic	17,537	(14,442)
Hire purchase assets - Islamic	—	3
Guarantee exposures	(2,159)	(201)
Wakalah exposures	(5,850)	(691)
Write-off of mortgage assets	(1,123)	(172)
Write-off of Islamic mortgage assets	(341)	—
Write-back of mortgage assets	3,172	—
Write-back/(allowance) of impairment losses	22,874	(18,298)

36 DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-Executive Directors

Dato' Bakarudin Ishak (Chairman)
 Tan Sri Dato' Sri Tay Ah Lek
 Datuk Abdul Farid Alias
 Dato' Lee Kok Kwan
 Wan Hanisah Wan Ibrahim
 Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani
 Datuk Siti Zauyah Md Desa
 Chong Kin Leong (appointed w.e.f. 1 May 2020)
 Datuk George Ratilal (retired w.e.f. 4 June 2020)



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

36 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate emoluments received by the Directors of the Group and the Company during the financial year is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' fees	1,207	1,216	597	576
Directors' other emoluments	1,939	2,021	171	204
	3,146	3,237	768	780

For the financial year ended 31 December 2020, a total of RM196,428 (2019: RM170,000) has been paid by the Group in relation to insurance premium paid for Directors and Officers of the Group and the Company.

37 PROFIT BEFORE TAXATION AND ZAKAT

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors' remuneration (Note 36)	3,146	3,237	—*	—*
short-term and low value assets expensed off	1,013	741	—	—
Auditors' remuneration:				
– Audit fees	477	432	—*	—*
– Non-audit fees	43	68	—*	—*
Depreciation of property and equipment	1,582	1,828	—	—
Amortisation of intangible assets	3,608	3,563	—	—
Amortisation of right-of-use asset (Note 21)	937	936	—	—
Servicers fees	2,524	3,044	—	—
Repairs and maintenance	5,095	6,982	—	—
Donations and sponsorship	200	115	—	—
Corporate expenses	744	892	—	—
Travelling expenses	(80)	476	—	—
(Write-back)/allowance of impairment losses	(22,874)	18,298	—	—

* Directors' remuneration of RM767,503 (2019: RM779,692) and auditors' remuneration of RM38,152 (2019: RM37,235) which include audit fee of RM32,130 and non-audit fee of RM6,022 respectively (2019: audit fees RM31,500 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)

38 TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Tax charge for the financial year				
Malaysian income tax:				
– Current tax	147,263	150,111	30	40
– Deferred taxation (Note 16)	(20,300)	(27,926)	4	(1)
	126,963	122,185	34	39
Current tax:				
– Current year	253,197	111,149	30	40
– (Over)/under provision in prior years	(105,934)	38,962	–	–
Deferred taxation:				
– (Reversal)/origination of temporary differences (Note 16)	(20,300)	(27,926)	4	(1)
	126,963	122,185	34	39

(b) Reconciliation of income tax expense

The tax on the Group and the Company 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	512,220	534,154	30,063	30,113
Tax calculated at Malaysian tax rate of 24% (2019: 24%)	122,933	128,197	7,215	7,227
Expenses not deductible for tax purposes	911	5,672	14	12
Income not subject to tax	–	–	(7,200)	(7,200)
Deductible tax losses from subsidiary utilised	(28)	(28)	–	–
(Over)/under provision in prior years	(105,934)	38,962	–	–
Deduction arising from zakat contribution	(254)	(393)	–	–
Origination/(reversal of) temporary differences recognised in prior years	109,307	(50,207)	–	–
Loss not subject to tax	28	1	–	–
Others	–	(19)	5	–
	126,963	122,185	34	39



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

39 DIVIDENDS

Dividends of the Group and the Company are as follows:

	Group and Company			
	2020		2019	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
On ordinary shares:				
First dividend	15.00	22,500	15.00	22,500
Second dividend	5.00	7,500	5.00	7,500
	20.00	30,000	20.00	30,000

The proposed dividend for the financial year ended 31 December 2020 is as disclosed in Directors' Report.

	Group	
	2020	2019
	Total amount RM'000	Total amount RM'000
On RPS:		
Dividend paid in specie	707,271	—
Dividend paid in cash	179,419	111
	886,690	111

The dividend on RPS for the financial year ended 31 December 2020 was approved by the Board of Directors of a subsidiary company, CMBS on 28 December 2020, 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 on RPS 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.

Subsequent to the year end, the Board of Directors on 23 January 2021 approved a further dividend in cash on RPS of RM5,691,890.20 and paid on 26 January 2021.



NOTES TO THE FINANCIAL STATEMENTS

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40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties and their relationships with the Group and the Company are as follows:

Related parties	Relationships
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 bearer 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 ended 31 December 2020, CMBS, LPPSA and CSRP (as trustee to LPPSA) have entered into a Tripartite Trust Deed to facilitate the distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon full settlement of IRMBS for Pool 2005-1. The Tripartite Trust Deed have been signed on 17 December 2020 prior to the issuance of the RPS.

During the financial year 31 December 2019, the RPS of RM1 issued for the purpose of distribution of discretionary bonus fee (in the form of dividend) to LPPSA upon settlement of RMBS for Pool 2004-1 was fully redeemed and cancelled on 16 December 2019.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

40 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

Set out below are significant related party transactions and balances of the Group.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other related party				
<u>Expenses:</u>				
Directors' fee and allowances	930	916	—	—
Servicer fees	2,524	3,044	—	—
<u>Amount due to:</u>				
Directors' fee and allowances	(72)	(65)	—	—
Servicer fees	(678)	(618)	—	—
Subsidiary				
<u>Expenses:</u>				
Management fee	—	—	58	52
<u>Amount due to:</u>				
Management fee	—	—	(46)	(52)

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 RM8,053,839 (2019: RM7,430,703).

The total remuneration paid to the Directors is disclosed in Note 36 to the financial statements.

(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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

41 CAPITAL COMMITMENT AND CONTINGENCY

(a) Capital commitment

	Group	
	2020 RM'000	2019 RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for	2,275	2,783
Authorised but not contracted for	3,116	741
	5,391	3,524
<i>Analysed as follows:</i>		
Equipment and others	472	24
Computer hardware and software	4,919	3,500
	5,391	3,524

(b) Contingency

As at the end of the financial year, the Group's guarantee exposure to the SRP and SPB schemes (with combination of guarantee and Wakalah contracts) amounted to RM394,090,837 (2019: RM165,257,798) and RM101,812,151 (2019: RM85,200,959) 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 RM917,477 (2019: RM534,193) and RM764,337 (2019: RM576,937). However, no provision is made as at year end as a reliable estimate of the provision cannot be made.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

42 FINANCIAL INSTRUMENTS BY CATEGORY

	Group	
	2020 RM'000	2019 RM'000
Financial assets		
<i>Financial asset at amortised cost:</i>		
Cash and short-term funds	244,508	568,729
Deposits and placements with financial institutions	490,585	1,017,767
Amount due from counterparties	14,069,195	16,657,154
Islamic financing assets	9,662,661	10,842,232
Mortgage assets		
– Conventional	5,509,163	6,212,124
– Islamic	5,947,232	7,209,409
Hire purchase assets		
– Islamic	34	136
	35,923,378	42,507,551
<i>Financial asset at FVOCI:</i>		
Debt instruments	3,898,881	3,570,619
<i>Financial asset at FVTPL:</i>		
Unit trust	193,466	141,383
Derivative financial instrument	57,904	58,422
	251,370	199,805
Financial liabilities		
<i>Financial liabilities at amortised cost:</i>		
Short-term borrowings	125,145	–
Unsecured bearer bonds and notes	17,482,979	20,661,027
Sukuk	14,063,392	15,849,883
RMBS	622,652	1,008,979
IRMS	612,273	1,015,463
	32,906,441	38,535,352
<i>Financial liabilities at FVTPL:</i>		
Derivative financial instrument	45,963	152,309



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

43 INTEREST/PROFIT RATE RISK

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group 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						
2020						
Financial assets						
Cash and short-term funds	164,737	–	–	–	79,771	244,508
Deposits and placements with financial institutions	490,585	–	–	–	–	490,585
Financial asset at FVOCI	713,552	1,337,022	858,695	989,612	–	3,898,881
Financial asset at FVTPL	193,466	–	–	–	–	193,466
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	–	(99)	9,662,661
Mortgage assets:						
– Conventional	972,245	1,304,939	1,068,546	2,196,477	(33,044)	5,509,163
– Islamic	764,475	1,026,576	957,448	3,231,734	(33,001)	5,947,232
Hire purchase assets:						
– Islamic	46	–	–	–	(12)	34
Other assets	19,119	–	–	38,802	170,651	228,572
	12,940,185	16,225,493	4,026,068	6,868,304	184,247	40,244,297
Financial liabilities						
Short-term borrowings	125,145	–	–	–	–	125,145
Other liabilities	4,830	41,133	–	–	837,201	883,164
Unsecured bearer bonds and notes	7,412,979	7,420,000	1,070,000	1,580,000	–	17,482,979
Sukuk	4,498,392	6,005,000	1,590,000	1,970,000	–	14,063,392
RMBS	2,652	250,000	265,000	105,000	–	622,652
IRMBS	2,273	320,000	–	290,000	–	612,273
Deferred guarantee fees	–	–	–	–	16,278	16,278
Deferred Wakalah fees	–	–	–	–	69,469	69,469
	12,046,271	14,036,133	2,925,000	3,945,000	922,948	33,875,352
Interest/profit sensitivity gap	893,914	2,189,360	1,101,068	2,923,304		
Cumulative gap	893,914	3,083,274	4,184,342	7,107,646		



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
Deposits and placements with financial institutions	1,017,767	—	—	—	—	1,017,767
Financial asset at FVOCI	836,087	1,000,372	905,126	829,266	(232)	3,570,619
Financial asset at FVTPL	141,383	—	—	—	—	141,383
Amount due from counterparties	7,491,961	8,527,330	—	637,922	(59)	16,657,154
Islamic financing assets	2,513,118	5,823,131	2,506,636	—	(653)	10,842,232
Mortgage assets:						
– Conventional	1,032,659	1,350,617	1,139,690	2,733,047	(43,889)	6,212,124
– Islamic	898,416	1,270,415	1,192,778	3,898,338	(50,538)	7,209,409
Hire purchase assets:						
– Conventional	2	—	—	—	(2)	—
– Islamic	148	—	—	—	(12)	136
Other assets	22,854	16,004	492	22,506	65,518	127,374
	<u>14,412,239</u>	<u>17,987,869</u>	<u>5,744,722</u>	<u>8,121,079</u>	<u>81,018</u>	<u>46,346,927</u>
Financial liabilities						
Other liabilities	126,133	15,677	10,499	—	764,987	917,296
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
	<u>13,769,075</u>	<u>15,017,972</u>	<u>4,595,499</u>	<u>5,305,115</u>	<u>810,768</u>	<u>39,498,429</u>
Interest/profit sensitivity gap	<u>643,164</u>	<u>2,969,897</u>	<u>1,149,223</u>	<u>2,815,964</u>		
Cumulative gap	<u>643,164</u>	<u>3,613,061</u>	<u>4,762,284</u>	<u>7,578,248</u>		



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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Impact to equity:</i>				
Financial asset at FVOCI reserves	(127,298)	(107,801)	137,637	115,006
Derivative financial instruments	—	(36)	—	36
Taxation effects on the above at tax rate of 24%	30,552	25,881	(33,033)	(27,610)
Effect on shareholder's funds	(96,746)	(81,956)	104,604	87,432
As percentage of shareholder's funds	(1.5%)	(1.2%)	1.6%	1.3%
<i>Impact to income statements:</i>				
Net interest/profit income	12,319	5,404	(12,316)	(5,398)
Taxation effects at the rate of 24%	(2,957)	(1,297)	2,956	1,296
Effect on net interest income	9,362	4,107	(9,360)	(4,102)
As percentage of profit after tax	2.4%	1.1%	(2.4%)	(1.1%)

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 2013 ("FSA") and the Islamic Financial Services Act 2013 ("IFSA") and Development Financial Institution Act 2002 ("DFIA") 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	
	Deposits and placements			Amount				Hire				
	Cash and short-term funds	with financial institutions	Derivative financial instruments	Financial asset at FVOCI	Financial asset at FVTPL	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
Group 2020												
Government bodies	-	-	-	1,557,438	-	-	-	-	-	415	-	1,557,853
Financial institutions:												
– Commercial banks	244,508	490,585	57,904	30,002	120,802	13,397,099	9,322,362	-	-	-	-	23,663,262
– Development Communication, electricity, gas and water	-	-	-	187,184	-	-	340,299	-	-	-	-	527,483
Transportation	-	-	-	312,932	-	-	-	-	-	-	-	312,932
Leasing	-	-	-	819,756	-	-	-	-	-	-	-	819,756
Consumers	-	-	-	-	-	672,096	-	-	-	-	-	672,096
Construction	-	-	-	-	-	-	5,509,163	5,947,232	34	-	495,903	11,952,332
Corporate	-	-	-	215,183	-	-	-	-	-	-	-	215,183
Related company	-	-	-	426,397	72,664	-	-	-	-	-	-	499,061
Others	-	-	-	96,609	-	-	-	-	-	-	-	96,609
	-	-	-	253,380	-	-	-	-	-	6,222	-	259,602
Total	244,508	490,585	57,904	3,898,881	193,466	14,069,195	9,662,661	5,509,163	5,947,232	6,637	495,903	40,576,169



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	
	Deposits and placements			Amount								Hire		
	Cash and short-term funds RM'000	with financial institutions RM'000	Derivative financial instruments RM'000	Financial asset at FVOCI RM'000	Financial asset at FVTPL RM'000	due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	purchase assets- Islamic RM'000	Other assets RM'000	Financial guarantee RM'000		Total 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	



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets

All 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 of 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 of 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 comprised of amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

Group	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 %
2020							
Amount due from counterparties	14,069,214	–	14,069,214	19	14,069,195	–	–
Islamic financing assets	9,662,760	–	9,662,760	99	9,662,661	–	–
Mortgage assets:							
– Conventional	5,498,294	43,913	5,542,207	33,044	5,509,163	43,913	75
– Islamic	5,943,391	36,842	5,980,233	33,001	5,947,232	36,842	90
Hire purchase assets:							
– Islamic	10	36	46	12	34	36	33
	35,173,669	80,791	35,254,460	66,175	35,188,285	80,791	

* These assets have been provided for under collective assessment.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets, Islamic mortgage assets and Islamic hire purchase assets (continued)

Group	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 %
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
	<u>40,901,124</u>	<u>115,084</u>	<u>41,016,208</u>	<u>95,153</u>	<u>40,921,055</u>	<u>115,084</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	2020		2019	
	Strong RM'000	Total RM'000	Strong RM'000	Total RM'000
Amount due from Counterparties	14,069,214	14,069,214	16,657,213	16,657,213
Islamic financing assets	9,662,760	9,662,760	10,842,885	10,842,885
Mortgage assets:				
– Conventional	5,498,294	5,498,294	6,197,454	6,197,454
– Islamic	5,943,391	5,943,391	7,203,460	7,203,460
Hire purchase assets:				
– Islamic	10	10	112	112
	<u>35,173,669</u>	<u>35,173,669</u>	<u>40,901,124</u>	<u>40,901,124</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
2020					
Mortgage assets:					
– Conventional	1,963	2,545	1,675	37,730	43,913
– Islamic	1,758	2,223	1,840	31,021	36,842
Hire purchase assets:					
– Islamic	–	–	–	36	36
	3,721	4,768	3,515	68,787	80,791
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

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

The impairment allowance on such loans is calculated on a collective basis, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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 movement in impairment allowance are as follows:

	Group			
	As at 1 January RM'000	(Write-back)/ allowance made RM'000	Allowance written-off to principal balance outstanding RM'000	As at 31 December RM'000
2020				
Amount due from counterparties	59	(40)	–	19
Islamic financing assets	653	(554)	–	99
Mortgage assets:				
– Conventional	43,889	(9,722)	(1,123)	33,044
– Islamic	50,538	(17,196)	(341)	33,001
Hire purchase assets:				
– Conventional	2	–	(2)	–
– Islamic	12	–	–	12
	95,153	(27,512)	(1,466)	66,175
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



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.3 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
2020						
Financial asset at FVOCI						
– Stage 1	2,356,895	1,008,739	533,247	–	3,898,881	138
Amount due from counterparties						
– Stage 1	–	7,596,290	6,472,924	–	14,069,214	19
Islamic financing assets						
– Stage 1	–	740,305	8,922,455	–	9,662,760	99
Mortgage assets						
– Stage 1	–	–	–	5,496,238	5,496,238	18,591
– Stage 2	–	–	–	2,056	2,056	366
– Stage 3	–	–	–	43,913	43,913	14,087
	–	–	–	5,542,207	5,542,207	33,044
Islamic mortgage assets						
– Stage 1	–	–	–	5,941,305	5,941,305	20,815
– Stage 2	–	–	–	2,086	2,086	367
– Stage 3	–	–	–	36,842	36,842	11,819
	–	–	–	5,980,233	5,980,233	33,001



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.3 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
2020						
Islamic hire purchase assets						
– Stage 1	–	–	–	10	10	–
– Stage 3	–	–	–	36	36	12
	–	–	–	46	46	12
Guarantee exposure						
– Stage 1	–	–	–	99,737	99,737	1,124
– Stage 2	–	–	–	2,308	2,308	1,673
– Stage 3	–	–	–	592	592	592
	–	–	–	102,637	102,637	3,389
Wakalah exposure						
– Stage 1	–	–	–	388,356	388,356	4,226
– Stage 2	–	–	–	4,196	4,196	3,041
– Stage 3	–	–	–	714	714	714
	–	–	–	393,266	393,266	7,981



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.3 Credit quality (continued)

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	–
	<u>1,191,263</u>	<u>1,950,685</u>	<u>428,903</u>	<u>–</u>	<u>3,570,851</u>	<u>232</u>
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	–	–	–	6,172,838	6,172,838	21,696
– Stage 2	–	–	–	24,616	24,616	3,401
– Stage 3	–	–	–	58,559	58,559	18,792
	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,256,013</u>	<u>6,256,013</u>	<u>43,889</u>
Islamic mortgage assets						
– Stage 1	–	–	–	7,179,630	7,179,630	28,532
– Stage 2	–	–	–	23,830	23,830	3,892
– Stage 3	–	–	–	56,487	56,487	18,114
	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,259,947</u>	<u>7,259,947</u>	<u>50,538</u>



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.3 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						
Hire purchase assets						
– Stage 3	–	–	–	2	2	2
Islamic hire purchase assets						
– Stage 1	–	–	–	111	111	–
– Stage 3	–	–	–	36	36	12
	–	–	–	147	147	12
Guarantee exposure						
– Stage 1	–	–	–	61,818	61,818	244
– Stage 2	–	–	–	1,078	1,078	527
– Stage 3	–	–	–	458	458	459
	–	–	–	63,354	63,354	1,230
Wakalah exposure						
– Stage 1	–	–	–	184,558	184,558	715
– Stage 2	–	–	–	2,096	2,096	965
– Stage 3	–	–	–	451	451	451
	–	–	–	187,105	187,105	2,131



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.4 Credit risk mitigation

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets and related collateral held to mitigate potential losses are shown below:

	Gross carrying value RM'000	Impairment allowance RM'000	Net carrying value RM'000	Fair value of collateral held RM'000
2020				
Mortgage assets				
- Conventional	5,542,207	(33,044)	5,509,163	28,622,458
- Islamic	5,980,233	(33,001)	5,947,232	19,146,648
	11,522,440	(66,045)	11,456,395	47,769,106
2019				
Mortgage assets				
- Conventional	6,256,013	(43,889)	6,212,124	30,679,898
- Islamic	7,259,947	(50,538)	7,209,409	26,595,786
	13,515,960	(94,427)	13,421,533	57,275,684



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

44 CREDIT RISK (CONTINUED)

44.5 Offsetting financial instruments

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Group				
	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off 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 instruments RM'000	Cash collateral placed RM'000
					Net amount RM'000
2020					
Derivative financial liabilities	(45,963)	—	(45,963)	—	—
					(45,963)
2019					
Derivative financial liabilities	(152,309)	—	(152,309)	—	—
					(152,309)

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	Deposits and placements with financial institutions	Derivative financial instruments	Financial asset at FVTPL	Financial asset at FVOCI	Mortgage assets	Islamic mortgage assets	Amount due from counterparties	Islamic financing assets	Other available liquidity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group											
2020	244,508	490,585	57,904	193,466	3,898,881	5,509,163	5,947,232	14,069,195	9,662,661	4,284	40,077,879
2019	568,729	1,017,767	58,422	141,383	3,570,619	6,212,124	7,209,409	16,657,154	10,842,232	4,629	46,282,468

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.

	Group					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Financial liabilities						
Unsecured bearer bonds and notes	451,740	1,361,537	5,966,897	9,362,359	1,886,402	19,028,935
Sukuk	306,672	1,957,445	2,631,008	8,578,556	2,455,570	15,929,251
RMBS	—	8,166	25,015	608,294	114,265	755,740
IRMBS	—	6,252	19,607	376,888	308,827	711,574
Unexpired financial guarantee contracts	495,903	—	—	—	—	495,903
Other liabilities	147,378	2,106	—	—	—	149,484
	1,401,693	3,335,506	8,642,527	18,926,097	4,765,064	37,070,887
Assets held for managing liquidity risk	808,559	2,856,060	10,525,250	22,391,753	8,300,553	44,882,175



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
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)

45.4 Derivative liabilities

The Group's derivatives comprise IRS, IPRS, CCS and ICCS entered by a subsidiary, Cagamas, for which cash flows are exchanged for hedging purposes.

The following table analyses the subsidiary's derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Group					
	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
2020						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	(1,016)	(5,553)	4,080	(6,053)	43,556	35,014
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	(3,433)	–	(1,028,926)	–	–	(1,032,359)
– Inflow	66	–	592,905	–	–	592,971



NOTES TO THE FINANCIAL STATEMENTS

(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						
<u>Net settled derivatives</u>						
Derivatives held for hedging:						
IRS/IPRS	–	(4,573)	12,791	(6,664)	19,452	21,006
<u>Gross settled derivatives</u>						
Derivatives held for hedging:						
CCS/ICCS						
– Outflow	–	–	(2,714,476)	–	–	(2,714,476)
– Inflow	–	–	2,460,503	168,044	–	2,628,547

46 FOREIGN EXCHANGE RISK

The Group is exposed to translation foreign exchange rate on its PWR assets, unsecured bearer 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 bearer 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.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

46 FOREIGN EXCHANGE RISK (CONTINUED)

46.1 Exposure to foreign currency risk

	Group		
	HKD RM'000	USD RM'000	SGD RM'000
2020			
Derivative financial instruments	165,763	113,083	395,772
Unsecured bearer bonds and notes	163,218	112,781	395,401
2019			
Derivative financial instruments	355,910	1,550,156	694,748
Unsecured bearer bonds and notes	352,201	1,553,180	688,405

46.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group 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			
	2020		2019	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
HKD	19	—	28	—
USD	2	—	(25)	—
SGD	1	—	45	1
	22	—	48	1



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS

47.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The 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 FVTPL and FVOCI is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS, 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).



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

47 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

47.1 Fair value of financial instruments carried at fair value (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows (continued):

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Assets				
Financial asset at FVOCI	–	3,898,881	–	3,898,881
Financial asset at FVTPL	–	193,466	–	193,466
Derivative financial Instruments	–	57,904	–	57,904
Liabilities				
Derivative financial Instruments	–	45,963	–	45,963
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

47.2 Fair value of financial instruments carried at other than fair value

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) *Cash and short-term funds and deposits and placements with financial institutions*

The carrying amount of cash and short-term funds and deposits and placements with financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to 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.



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 estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following:

	Group			
	2020		2019	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	14,069,195	14,306,042	16,657,154	16,928,121
Islamic financing assets	9,662,661	9,746,090	10,842,232	10,913,242
Mortgage assets:				
- Conventional	5,509,163	6,332,849	6,212,124	7,020,513
- Islamic	5,947,232	7,069,733	7,209,409	8,333,868
Hire purchase assets:				
- Islamic	34	48	136	250
	35,188,285	37,454,762	40,921,055	43,195,994
Financial liabilities				
Unsecured bearer bonds and notes	17,482,979	18,236,203	20,661,027	21,352,182
Sukuk	14,063,392	14,886,518	15,849,883	16,494,980
RMBS	622,652	683,114	1,008,979	1,062,015
IRMBS	612,273	642,220	1,015,463	1,031,281
	32,781,296	34,448,055	38,535,352	39,940,458

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.



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 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.

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
2020				
External revenue	1,096,225	916,367	15,868	2,028,460
External interest/profit expense	(896,481)	(591,483)	–	(1,487,964)
Profit from operations	165,530	339,949	6,741	512,220
Zakat	(897)	(358)	(220)	(1,475)
Taxation	(44,069)	(81,463)	(1,431)	(126,963)
Profit after taxation and zakat by segment	120,564	258,128	5,090	383,782
Segment assets	25,891,083	13,983,159	370,055	40,244,297
Segment liabilities	23,032,612	10,741,097	101,643	33,875,352
Other information:				
Capital expenditure	2,485	991	–	3,476
Depreciation and amortisation	4,380	1,747	–	6,127



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)

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
2020					
ASSETS					
Cash and short-term funds	109,873	80,540	54,095	—	244,508
Deposits and placements with financial institutions	104,511	345,900	40,174	—	490,585
Financial asset at FVTPL	193,466	—	—	—	193,466
Financial asset at FVOCI	2,383,316	1,262,691	252,874	—	3,898,881
Derivative financial instruments	57,904	—	—	—	57,904
Amount due from counterparties	14,069,195	—	—	—	14,069,195
Islamic financing assets	9,662,661	—	—	—	9,662,661
Mortgage assets:					
– Conventional	4,366,916	1,142,247	—	—	5,509,163
– Islamic	5,115,509	831,723	—	—	5,947,232
Hire purchase assets:					
– Islamic	34	—	—	—	34
Other assets	7,431	—	—	(794)	6,637
Tax recoverable	87,888	—	—	—	87,888
Deferred taxation	—	2,803	22,912	23,796	49,511
Investment in subsidiaries	4,181,628	—	—	(4,181,628)	—
Property and equipment	3,245	—	—	—	3,245
Intangible assets	20,344	—	—	—	20,344
Right-of-use asset	3,043	—	—	—	3,043
Amount due from a related company	1,375	—	—	(1,375)	—
TOTAL ASSETS	40,368,339	3,665,904	370,055	(4,160,001)	40,244,297
LIABILITIES					
Short-term borrowings	125,145	—	—	—	125,145
Derivative financial instruments	45,963	—	—	—	45,963
Other liabilities	133,351	5,844	12,493	(2,204)	149,484
Lease liability	4,583	—	—	—	4,583
Provision for taxation	41	54,341	1,542	—	55,924
Deferred taxation	170,087	431,466	1,861	23,796	627,210
Unsecured bearer bonds and notes	17,482,979	—	—	—	17,482,979
Sukuk	14,063,392	—	—	—	14,063,392
RMBS	—	622,652	—	—	622,652
IRMBS	—	612,273	—	—	612,273
Deferred guarantee fee income	—	—	16,278	—	16,278
Deferred Wakalah fee income	—	—	69,469	—	69,469
TOTAL LIABILITIES	32,025,541	1,726,576	101,643	21,592	33,875,352

* Total assets of CMGP and CSME were nil.

* Total liabilities of CMGP and CSME were nil.



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
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
Financial asset at FVTPL	141,383	—	—	—	141,383
Financial asset at FVOCI	2,308,565	1,060,464	201,590	—	3,570,619
Derivative financial instruments	58,422	—	—	—	58,422
Amount 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
Other assets	8,027	—	—	(856)	7,171
Deferred taxation	—	3,184	11,397	17,917	32,498
Investment in subsidiaries	4,181,628	—	—	(4,181,628)	—
Property and equipment	3,923	—	—	—	3,923
Intangible assets	21,380	—	—	—	21,380
Right-of-use asset	3,980	—	—	—	3,980
Amount due from a related company	1,420	—	—	(1,420)	—
TOTAL ASSETS	44,918,703	5,279,866	314,345	(4,165,987)	46,346,927
LIABILITIES					
Derivative financial instruments	152,309	—	—	—	152,309
Other liabilities	121,742	1,605	4,445	(2,311)	125,481
Lease liability	4,791	—	—	—	4,791
Provision for taxation	18,170	716	2,138	—	21,024
Deferred taxation	563	594,150	1,061	17,917	613,691
Unsecured bearer bonds and notes	20,661,027	—	—	—	20,661,027
Sukuk	15,849,883	—	—	—	15,849,883
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
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)

INCOME STATEMENTS

	The Company, Cagamas, CMGP, and CSME* RM'000	CMBS RM'000	CSRP RM'000	Consolidation adjustments RM'000	Total RM'000
2020					
Interest income	958,601	146,674	9,346	–	1,114,621
Interest expense	(736,376)	(53,924)	–	–	(790,300)
Income from Islamic operations	112,549	98,254	6,522	(1,605)	215,720
Non-interest income	38,766	105	2,312	(34,335)	6,848
	373,540	191,109	18,180	(35,940)	546,889
Administration and general expenses	(25,742)	(3,017)	(3,426)	5,940	(26,245)
Personnel costs	(31,298)	–	–	–	(31,298)
OPERATING PROFIT	316,500	188,092	14,754	(30,000)	489,346
Write-back/(allowance) of impairment losses	14,954	15,933	(8,013)	–	22,874
PROFIT BEFORE TAXATION AND ZAKAT	331,454	204,025	6,741	(30,000)	512,220
Zakat	(1,255)	–	(220)	–	(1,475)
Taxation	(76,248)	(49,284)	(1,431)	–	(126,963)
PROFIT FOR THE FINANCIAL YEAR	253,951	154,741	5,090	(30,000)	383,782

* CMGP and CSME's loss for the financial year were nil.



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	CSR RM'000	Consolidation adjustments RM'000	Total RM'000
2019					
Interest income	1,248,883	170,314	9,670	—	1,428,867
Interest expense	(951,279)	(62,825)	—	—	(1,014,104)
Income from Islamic operations	133,658	95,047	9,439	(2,487)	235,657
Non-interest (expense)/income	(8,834)	—	3,214	(35,453)	(41,073)
	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 of 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)

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:

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprises of two tiers:

- (a) Tier 1 capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and
- (b) Tier 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common Equity Tier 1 ("CET1") and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Total capital ratio ("TCR") is the ratio of total capital to risk-weighted assets.

50.1 Regulatory capital

	Group	
	2020 %	2019 %
<u>Before deducting dividend*</u>		
CET1 Capital Ratio	57.5	42.7
Tier 1 Capital Ratio	57.5	42.7
Total Capital Ratio	59.1	44.0
<u>After deducting dividend*</u>		
CET1 Capital Ratio	57.3	42.5
Tier 1 Capital Ratio	57.3	42.5
Total Capital Ratio	58.9	43.8

* refers to proposed first dividend 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	
	2020 RM'000	2019 RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	150,000	150,000
Retained profits	6,101,402	6,634,310
	6,251,402	6,784,310
Financial asset at FVOCI reserves	47,917	(56,921)
Deferred tax assets	(49,511)	(32,498)
Less: Regulatory reserves***	(99,778)	(109,779)
Total CET1/Tier 1 capital	6,150,030	6,585,112
Tier 2 capital		
Allowance for impairment losses	66,175	95,153
Add: Regulatory reserves***	99,778	109,779
Total Tier 2 capital	165,953	204,932
Total capital	6,315,983	6,790,044
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	9,540,017	14,252,495
Operational risk	1,148,944	1,181,945
Total risk-weighted assets	10,688,961	15,434,440

50.2 Proforma regulatory capital excluding CMBS

	Group	
	2020** %	2019** %
<u>Before deducting dividend*</u>		
CET1 Capital Ratio	43.9	30.0
Tier 1 Capital Ratio	43.9	30.0
Total Capital Ratio	45.5	31.4

* refers to proposed first dividend 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)

50 CAPITAL ADEQUACY (CONTINUED)

50.2 Proforma regulatory capital excluding CMBS (continued)

	Group	
	2020** %	2019** %
After deducting dividend*		
CET1 Capital Ratio	43.6	29.8
Tier 1 Capital Ratio	43.6	29.8
Total Capital Ratio	45.2	31.2

	Group	
	2020** RM'000	2019** RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital		
Issued share capital	150,000	150,000
Retained profits	4,190,888	3,991,847
	4,340,888	4,141,847
Financial asset at FVOCI reserves	34,951	(40,431)
Deferred tax assets	(46,708)	(29,314)
Less: Regulatory reserves***	(99,778)	(109,779)
Total CET1/Tier 1 capital	4,229,353	3,962,323
Tier 2 capital		
Allowance for impairment losses	54,546	70,803
Add: Regulatory reserves ***	99,778	109,779
Total Tier 2 capital	154,324	180,582
Total capital	4,383,677	4,142,905
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	8,876,838	12,419,144
Operational risk	766,211	785,020
Total risk-weighted assets	9,643,049	13,204,164

* refers to proposed first dividend 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 2020

		Group	
	Note	2020 RM'000	2019 RM'000
ASSETS			
Cash and short-term funds	(a)	161,712	136,940
Deposits and placements with financial institutions	(b)	164,342	777,057
Financial asset at FVTPL		120,802	–
Financial asset at FVOCI	(c)	550,879	617,783
Derivative financial instruments		–	1,711
Financing assets	(d)	9,662,661	10,842,232
Mortgage assets	(e)	5,944,990	7,206,514
Hire purchase assets	(f)	26	132
Tax recoverable		40,462	–
Deferred taxation		19,552	9,112
Other assets and prepayments		288,365	288,602
TOTAL ASSETS		16,953,791	19,880,083
LIABILITIES			
Derivative financial instruments		9,287	4,369
Other liabilities	(g)	23,063	13,669
Deferred taxation		179,421	293,073
Sukuk	(h)	14,063,392	15,849,883
IRMBS	(i)	612,273	1,015,463
Deferred Wakalah fees		69,469	35,723
Provision for taxation		58,878	8,391
TOTAL LIABILITIES		15,015,783	17,220,571
ISLAMIC OPERATIONS' FUNDS		1,938,008	2,659,512
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		16,953,791	19,880,083



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group	
	Note	2020 RM'000	2019 RM'000
Total income attributable		913,838	933,323
Income attributable to the sukuk holders	(j)	(697,664)	(692,759)
Non-profit expense		(454)	(4,907)
Total net income attributable	(k)	215,720	235,657
Administration and general expenses		(2,631)	(365)
Write-back/(allowance) for impairment losses		14,351	(15,328)
PROFIT BEFORE TAXATION AND ZAKAT		227,440	219,964
Zakat		(1,475)	(1,037)
PROFIT BEFORE TAXATION		225,965	218,927
Taxation		(60,405)	(77,008)
PROFIT FOR THE FINANCIAL YEAR		165,560	141,919
STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020			
Profit for the financial year		165,560	141,919
Other comprehensive income:			
Items that may be subsequently reclassified to income statement			
Financial asset at FVOCI			
- Net gain on fair value changes before taxation		5,408	5,891
- Deferred taxation		(1,290)	(1,415)
Cash flow hedge			
- Net (loss)/gain on cash flow hedge before taxation		(5,911)	766
- Deferred taxation		1,419	(184)
Other comprehensive (loss)/income for the financial year, net of taxation		(374)	5,058
Total comprehensive income for the financial year		165,186	146,977



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Allocated capital funds RM'000	Non-distributable			Distributable		Total 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	
Balance as at 1 January 2020	294,159	4,923	(2,157)	58,561	1,008,316	1,295,710	2,659,512
Profit for the financial year	–	–	–	–	83,193	82,367	165,560
Other comprehensive income	–	4,118	(4,492)	–	–	–	(374)
Total comprehensive income for the financial year	–	4,118	(4,492)	–	83,193	82,367	165,186
Discretionary dividend on RPS paid during the year	–	–	–	–	–	(886,690)	(886,690)
Transfer to retained profits	–	–	–	(4,626)	4,626	–	–
Balance as at 31 December 2020	294,159	9,041	(6,649)	53,935	1,096,135	491,387	1,938,008
Balance as at 1 January 2019	294,159	447	(2,739)	76,013	920,064	1,224,591	2,512,535
Profit for the financial year	–	–	–	–	70,800	71,119	141,919
Other comprehensive income	–	4,476	582	–	–	–	5,058
Total comprehensive income for the financial year	–	4,476	582	–	70,800	71,119	146,977
Transfer to retained profits	–	–	–	(17,452)	17,452	–	–
Balance as at 31 December 2019	294,159	4,923	(2,157)	58,561	1,008,316	1,295,710	2,659,512



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES		
Profit before taxation	227,440	219,964
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	(6,109)	(5,094)
– Sukuk	(7,568)	(13,149)
– Mortgage assets	(158,637)	(133,551)
Allowance/(write-back) for impairment losses on:		
– Cash and short-term funds	(105)	105
– Financial asset at FVOCI	10	25
– Financing assets	(554)	67
– Mortgage and hire purchase assets	(17,535)	14,439
– Wakalah exposure	5,850	692
Write-off on mortgage assets	550	–
Write-back on mortgage assets	(2,873)	–
Kafalah	74	5
Income from Islamic operations	(716,832)	(760,880)
Income from derivative	(39,284)	(46,307)
Wakalah fee income	(4,699)	(8,039)
Profit attributable to:		
– Sukuk holders	666,583	641,755
– IRMBS holders	38,649	51,004
– derivative	38,293	47,423
Gain on disposal of financial asset at FVOCI	(670)	(22)
Operating profit before working capital changes	22,583	8,437
Change in cash and short-term funds and deposits and placements with financial institutions	385,513	(105,983)
Change in financing assets	1,169,597	(1,354,168)
Change in mortgage assets	705,969	767,527
Change in hire purchase assets	106	158
Change in other assets and prepayments	240	(786,316)
Change in derivative	–	(3,532)
Change in other liabilities	2,844	1,082



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Group	
	2020 RM'000	2019 RM'000
OPERATING ACTIVITIES (CONTINUED)		
Cash generated from/(utilised in) operating activities	2,286,852	(1,472,795)
Profit received from assets	740,198	1,553,911
Profit received from derivative	45,712	49,957
Wakalah fee received	38,445	21,986
Profit paid on derivative	(44,003)	(48,042)
Payment of:		
– Taxation	(174,352)	(50,330)
– Zakat	(1,060)	(812)
Net cash generated from operating activities	3,599,063	53,875
INVESTING ACTIVITIES		
Purchase of:		
– Financial asset at FVOCI	(1,871,888)	(1,199,567)
– Financial asset at FVTPL	(280,000)	–
Net proceeds from sale/redemption of:		
– Financial asset at FVOCI	1,952,322	1,181,385
– Financial asset at FVTPL	159,402	–
Income received from:		
– Financial asset at FVOCI	12,002	11,004
– Financial asset at FVTPL	598	–
Net cash utilised in investing activities	(27,564)	(7,178)
FINANCING ACTIVITIES		
Proceeds from issuance of sukuk	3,085,000	3,995,000
Redemption:		
– Sukuk	(4,845,000)	(2,932,000)
– IRMBS	(400,000)	(245,000)
Profit paid on:		
– Sukuk	(685,506)	(650,195)
– IRMBS	(41,839)	(51,894)
Dividend paid to RPS holder	(179,419)	–
Net cash (utilised in)/generated from financing activities	(3,066,764)	115,911
Net change in cash and cash equivalents	(202,536)	162,608
Cash and cash equivalents as at 1 January	364,248	201,640
Cash and cash equivalents as at 31 December	161,712	364,248



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		Group	
	Note	2020 RM'000	2019 RM'000
Analysis of cash and short-term funds as at 31 December:			
Cash and short-term funds	(a)	161,712	136,940
Deposit and placements with financial institutions	(b)	164,342	777,057
Less:			
Cash and short-term funds and deposit and placements with financial institutions with original maturity of more than three months		(164,342)	(549,749)
		161,712	364,248
	Sukuk RM'000	IRMBS RM'000	Total RM'000
Group 2020			
As at 1 January	15,849,883	1,015,463	16,865,346
Proceeds from issuance	3,085,000	–	3,085,000
Repayment and redemption	(4,845,000)	(400,000)	(5,245,000)
Profit paid	(685,506)	(41,839)	(727,345)
Other non-cash movement	659,015	38,649	697,664
As at 31 December	14,063,392	612,273	14,675,665
2019			
As at 1 January	14,808,472	1,261,353	16,069,825
Proceeds from issuance	3,995,000	–	3,995,000
Repayment and redemption	(2,932,000)	(245,000)	(3,177,000)
Profit paid	(650,195)	(51,894)	(702,089)
Other non-cash movement	628,606	51,004	679,610
As at 31 December	15,849,883	1,015,463	16,865,346



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS

	Group	
	2020 RM'000	2019 RM'000
(a) <i>Cash and short-term funds</i>		
Cash and bank balances with bank and other financial institutions	60,198	662
Money at call and deposits and placements maturing less than three months	48,051	—
Mudharabah money at call and deposit placements maturing within one month	53,463	136,383
	161,712	137,045
Less:		
Allowance for impairment losses	—	(105)
	161,712	136,940

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	
	2020 RM'000	2019 RM'000
Stage 1		
As at 1 January	105	—
(Write-back)/allowance during the year	(105)	105
As at 31 December	—	105



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(b) Deposits and placements with financial institutions

	Group	
	2020 RM'000	2019 RM'000
Licensed banks	164,342	777,057

The gross carrying value of deposits and placements with financial institutions are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 31 December 2020 (2019: Nil).

	Group	
	2020 RM'000	2019 RM'000
(c) Financial asset at FVOCI		
At fair value:		
Government investment issues	154,374	229,850
Quasi government sukuk	129,040	173,525
Sukuk	267,465	214,408
	550,879	617,783

The maturity structure of financial asset at FVOCI are as follows:

Maturing within one year	167,357	437,444
One to three years	277,475	81,270
Three to five years	26,246	67,077
More than five years	79,801	32,024
	550,879	617,815
Less: Allowance for impairment losses	—	(32)
	550,879	617,783



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(c) *Financial asset at FVOCI (continued)*

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
By stage of allocation:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	550,879	10
2019		
Stage 1 (12-month ECL; non-credit impaired)	617,815	32
	Group	
	2020 RM'000	2019 RM'000
Movement in impairment allowances that reflects the ECL model on impairment are as follows:		
<u>Stage 1</u>		
As at 1 January	32	—
Allowance during the year on new assets purchased	5	—
Loans derecognised during the year due to maturity of assets	(17)	—
(Write-back)/allowance during the year due to changes in credit risk	(10)	32
As at 31 December	10	32



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2020 RM'000	2019 RM'000
(d) <i>Financing assets</i>		
House financing	9,662,661	10,842,232
The maturity structure of financing assets are as follows:		
Maturing within one year	3,528,607	2,513,118
One to three years	5,218,907	5,823,131
Three to five years	915,246	2,506,636
	9,662,760	10,842,885
Less:		
Allowance for impairment losses	(99)	(653)
	9,662,661	10,842,232

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	
	2020 RM'000	2019 RM'000
<u>Stage 1</u>		
As at 1 January	653	586
Allowance during the year on new assets purchased	3	87
Financing derecognised during the year due to maturity of assets	(3)	(4)
Write-back during the year due to changes in credit risk	(554)	(16)
As at 31 December	99	653



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2020 RM'000	2019 RM'000
(e) <i>Mortgage assets</i>		
PWOR	5,944,990	7,206,514
The maturity structure of mortgage assets are as follows:		
Maturing within one year	763,878	897,568
One to three years	1,025,565	1,269,490
Three to five years	956,579	1,192,119
More than five years	3,231,964	3,897,868
	5,977,986	7,257,045
Less:		
Allowance for impairment losses	(32,996)	(50,531)
	5,944,990	7,206,514
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:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	5,939,058	20,809
Stage 2 (Lifetime ECL; non-credit impaired)	2,086	367
Stage 3 (Lifetime ECL; credit impaired)	36,842	11,820
As at 31 December	5,977,986	32,996
Impairment allowance over gross carrying value (%)		0.55
2019		
Stage 1 (12-month ECL; non-credit impaired)	7,178,519	28,518
Stage 2 (Lifetime ECL; non-credit impaired)	23,291	3,892
Stage 3 (Lifetime ECL; credit impaired)	55,235	18,121
As at 31 December	7,257,045	50,531
Impairment allowance over gross carrying value (%)		0.70



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(e) Mortgage assets (continued)

The impairment allowance by stage allocation and movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
2020				
As at 1 January	28,518	3,892	18,121	50,531
Transfer between stages:				
Transfer to 12-month ECL (Stage 1)	140	(3,111)	(5,629)	(8,600)
Transfer to ECL non-credit impaired (Stage 2)	(19)	783	(37)	727
Transfer to ECL credit impaired (Stage 3)	(68)	(225)	5,748	5,455
Total transfer between stages	53	(2,553)	82	(2,418)
Financing derecognised during the year (other than write-offs)	(4,503)	(944)	(5,932)	(11,379)
Write-back during the year due to changes in credit risk	(3,259)	(28)	(110)	(3,397)
Amount written off	—	—	(341)	(341)
As at 31 December	20,809	367	11,820	32,996
2019				
As at 1 January	10,939	1,119	24,031	36,089
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 year (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
As 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)

	Group	
	2020 RM'000	2019 RM'000
(f) Hire purchase		
PWOR	26	132
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	37	143
Less:	37	143
Allowance for impairment losses	(11)	(11)
	26	132

The gross carrying value of hire purchase assets by stage of allocation are as follows:

	Gross carrying value RM'000	Impairment allowance RM'000
By stage of allocation:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	3	–
Stage 3 (Lifetime ECL; credit impaired)	34	11
As at 31 December	37	11
Impairment allowance over gross carrying value (%)		29.73
2019		
Stage 1 (12-month ECL; non-credit impaired)	107	–
Stage 3 (Lifetime ECL; credit impaired)	36	11
As at 31 December	143	11
Impairment allowance over gross carrying value (%)		7.69



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
2020				
As at 1 January/31 December	–	–	11	11
2019				
As at 1 January	–	–	14	14
Financing derecognised during the year (other than write-offs)	–	–	(10)	(10)
Allowance during the year due to changes in credit risk	–	–	7	7
As at 31 December	–	–	11	11

(g) *Other liabilities*

	Group	
	2020 RM'000	2019 RM'000
Zakat	2,326	1,911
Other payables	12,756	9,627
Expected credit loss on Wakalah exposure	7,981	2,131
	23,063	13,669



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) 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:		
2020		
Stage 1 (12-month ECL; non-credit impaired)	388,356	4,226
Stage 2 (Lifetime ECL; non-credit impaired)	4,196	3,041
Stage 3 (Lifetime ECL; credit impaired)	714	714
As at 31 December	393,266	7,981
Impairment allowance over unexpired financial Wakalah exposure (%)		2.03
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
As at 31 December	187,105	2,131
Impairment allowance over unexpired financial Wakalah exposure (%)		1.14



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

(g) *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
2020				
As at 1 January	715	965	451	2,131
Transfer between stages:				
– Transfer to 12-month ECL (Stage 1)	59	(626)	(127)	(694)
– Transfer to ECL non-credit impaired (Stage 2)	(34)	1,282	(23)	1,225
– Transfer to ECL credit impaired (Stage 3)	(5)	(69)	299	225
Total transfer between stages	20	587	149	756
Allowance during the year on new Wakalah fee	2,276	1,311	196	3,783
Wakalah amount derecognised during the year	(4)	(39)	(82)	(125)
Allowance during the year due to changes in credit risk	1,219	217	–	1,436
As at 31 December	4,226	3,041	714	7,981
2019				
As 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 fee	387	364	96	847
Wakalah amount derecognised during the year (Write-back)/allowance during the year due to changes in credit risk	(9)	(19)	(72)	(100)
	(578)	340	182	(56)
As at 31 December	715	965	451	2,131



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2020 RM'000	2019 RM'000
(h) <i>Sukuk</i>		
Commercial papers	847,256	906,587
Medium-term notes	13,216,136	14,943,296
	14,063,392	15,849,883
The maturity structures of sukuk are as follows:		
Maturing within one year	4,498,392	3,764,836
One to three years	6,005,000	6,030,000
Three to five years	1,590,000	3,630,000
More than five years	1,970,000	2,425,047
	14,063,392	15,849,883
(i) <i>IRMBS</i>		
IRMBS	612,273	1,015,463
The maturity structures of the IRMBS are as follows:		
Maturing within one year	2,273	405,463
One to three years	320,000	320,000
More than five years	290,000	290,000
	612,273	1,015,463
(j) <i>Income attributable to the sukuk holders</i>		
Mortgage assets	268,310	299,691
Financing assets	429,214	393,068
Hire purchase assets	140	—
	697,664	692,759
Income attributable to the sukuk holders analysed by concept are as follows:		
Bai Al-Dayn	659,015	641,755
Musyarakah	38,649	51,004
	697,664	692,759



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2020 RM'000	2019 RM'000
(k) <i>Total net income attributable</i>		
Income from:		
Mortgage assets	153,902	161,052
Hire purchase assets	(178)	—
Financing assets	5,588	17,798
Financial asset at FVOCI	24,470	27,922
Financial asset at FVTPL	800	—
Deposits and placements with financial institutions	26,968	25,758
Wakalah fee	4,698	8,039
Kafalah expenses	(74)	(5)
Non-profit expense	(454)	(4,907)
	215,720	235,657
Total net income attributable analysed by concept are as follows:		
Bai Al-Dayn	159,658	173,943
Mudharabah	9,477	11,390
Bai Bithaman Ajil	332	—
Murabahah	33,077	31,526
Musarakah	3,429	5,842
Wadiah Yad Dhamanah	—	348
Wakalah	5,841	9,984
Ijarah	849	624
Qard Al-Hassan	1,217	2,000
Tawarruq	1,840	—
	215,720	235,657



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

51 ISLAMIC OPERATIONS (CONTINUED)

NOTES TO ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2020 %	2019 %
(I) Capital adequacy		
Regulatory capital		
Before deducting dividend*		
CET1 Capital Ratio	34.4	33.3
Tier 1 Capital Ratio	34.4	33.3
Total Capital Ratio	36.0	34.7
After deducting dividend*		
CET1 Capital Ratio	34.4	33.3
Tier 1 Capital Ratio	34.4	33.3
Total Capital Ratio	36.0	34.7
	Group	
	2020 RM'000	2019 RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	294,159	294,159
Other reserves	1,641,457	2,362,587
	1,935,616	2,656,746
Financial asset at FVOCI reserves	4,068	2,215
Deferred tax assets	(19,552)	(9,112)
Less: Regulatory reserves**	(53,935)	(58,561)
Total CET1/Tier 1 capital	1,866,197	2,591,288
Tier 2 capital:		
Allowance for impairment losses	33,112	51,203
Add: Regulatory reserves **	53,935	58,561
Total Tier 2 capital	87,047	109,764
Total capital	1,953,244	2,701,052

* refers to proposed first dividend 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	
	2020 RM'000	2019 RM'000
Credit risk	5,003,966	7,345,862
Operational risk	418,948	427,606
Total risk-weighted assets	5,422,914	7,773,468

Proforma regulatory capital excluding CMBS

	Group	
	2020** %	2019** %
<u>Before deducting dividend*</u>		
CET1 Capital Ratio	27.5	19.9
Tier 1 Capital Ratio	27.5	19.9
Total Capital Ratio	29.2	21.4

After deducting dividend*

CET1 Capital Ratio	27.5	19.9
Tier 1 Capital Ratio	27.5	19.9
Total Capital Ratio	29.2	21.4

* refers to proposed first dividend 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)

(I) Capital adequacy (continued)

Proforma regulatory capital excluding CMBS (continued)

	Group	
	2020** RM'000	2019** RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
CET1/Tier 1 capital:		
Allocated capital funds	294,159	294,159
Other reserves	1,150,692	1,066,318
	1,444,851	1,360,477
Financial asset at FVOCI reserves	2,889	1,758
Deferred tax assets	(18,364)	(9,112)
Less: Regulatory reserves ***	(53,935)	(58,561)
Total CET1/Tier 1 capital	1,375,441	1,294,562
Tier 2 capital:		
Allowance for impairment losses	28,557	35,749
Add: Regulatory reserves ***	53,935	58,561
Total Tier 2 capital	82,492	94,310
Total capital	1,457,933	1,388,872
The breakdown of risk-weighted assets by each major risk category is as follows:		
Credit risk	4,767,378	6,254,722
Operational risk	233,741	245,477
Total risk-weighted assets	5,001,119	6,500,199

** excludes CMBS's risk-weighted assets and total capital

*** comprise qualifying regulatory reserves for non-impaired financing of Cagamas

The Group is 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 consult and obtains endorsements/clearance from an independent Shariah Advisor for all the Islamic products, transactions and operations to ensure compliance with Shariah requirements. From regulatory standpoint, the Group does not have direct access to the Shariah Advisory Council ("SAC") of BNM and/or the Securities Commission of Malaysia ("SC") (collectively referred as "SACs") for Shariah ruling/advice. Where applicable, the Group will obtain the approval of the SACs through counterparty or intermediary that falls under the purview of BNM, and/or through the principal advisor of sukuk programme for submission of the Islamic financial products.

52 CHANGE IN COMPARATIVES

Certain comparatives were reclassified to conform to the current financial year's presentation. The Group's retained profit brought forward and net assets are not affected by the reclassification made.

The impact of the above on the financial statements of the Group are set out as follows:

i) Impact on the income statements for the financial year ended 31 December 2019

	Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Interest expense	(1,011,581)	(2,523)	(1,014,104)
Non-interest expense	(43,596)	2,523	(41,073)

The reclassification was made to classify interest expense on lease liability from non-interest expense into interest expense.

ii) Impact on the statement of cash flows for the financial year ended 31 December 2019

	Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Cash generated from operations	4,692,668	2,648	4,695,316
Net cash generated from operating activities	6,504,207	2,648	6,506,855
Net cash utilised from financing activities	(6,606,705)	(2,648)	(6,609,353)

The reclassification was made to classify interest expense on lease liability from operating activities into financing activities.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

52 CHANGE IN COMPARATIVES (CONTINUED)

iii) Impact on the disclosure notes to the financial statements for the financial year ended 31 December 2019

		Group		
		As previously reported RM'000	Reclassification RM'000	As restated RM'000
a) Mortgage assets – Conventional				
PWOR		6,212,124	–	6,212,124
The maturity structure of mortgage assets – Conventional are as follows:				
Maturing within one year		1,189,583	(156,924)	1,032,659
One to three years		1,583,150	(232,533)	1,350,617
Three to five years		1,303,414	(163,724)	1,139,690
More than five years		2,931,508	(198,461)	2,733,047
		7,007,655	(751,642)	6,256,013
Less:				
Unaccreted discount		(739,521)	739,521	–
Net advance received		(12,121)	12,121	–
Allowance for impairment losses		(43,889)	–	(43,889)
		6,212,124	–	6,212,124

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

52 CHANGE IN COMPARATIVES (CONTINUED)

iii) Impact on the disclosure notes to the financial statements for the financial year ended 31 December 2019 (continued)

	Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
b) Mortgage assets – Islamic			
PWOR	7,209,409	–	7,209,409
The maturity structure of mortgage assets – Islamic are as follows:			
Maturing within one year	1,029,702	(131,286)	898,416
One to three years	1,472,055	(201,640)	1,270,415
Three to five years	1,345,069	(152,291)	1,192,778
More than five years	4,169,236	(270,898)	3,898,338
	8,016,062	(756,115)	7,259,947
Less:			
Unaccreted discount	(745,095)	745,095	–
Net advance received	(11,020)	11,020	–
Allowance for impairment losses	(50,538)	–	(50,538)
	7,209,409	–	7,209,409

The reclassification was made to comply with MFRS 9 definition of gross carrying amount for financial assets carried at amortised cost.

c) Lease liability

	Group		
	As previously reported RM'000	Reclassification RM'000	As restated RM'000
2019			
As at 1 January	4,916	–	4,916
Lease liability interest charged	(125)	125	–
Lease obligation interest expense	–	2,523	2,523
Lease obligation repayment	–	(2,648)	(2,648)
As at 31 December	4,791	–	4,791



NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

53 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections. Measures taken by the Government of Malaysia to contain the virus have affected economic activity. The Group has taken a number of safety and health measures to prevent the spread of the COVID-19 virus such as social distancing and working from home. For the financial year ended 31 December 2020, this event has impacted one of the Group's subsidiaries, CSRP, resulting in an additional ECL of RM8 million in CSRP's books.

On 17 December 2020, the Board of Directors of CMBS approved the issuance of 1 RPS of RM1 as disclosed in Note 28 to the financial statements. CMBS, LPPSA and CSRP, a related company (as trustee to LPPSA) have entered into a Tripartite Trust Deed to facilitate the distribution of discretionary bonus fee to LPPSA upon full settlement of IRMBS for Pool 2005-1. The Tripartite Trust Deed have been signed on 17 December 2020 prior to the issuance of the RPS.

On 28 December 2020, the Board of Directors of CMBS approved a dividend of RM886,690,459.88 on the RPS issued by the CMBS for the financial year ended 31 December 2020. The dividend has been paid in cash and in specie as disclosed in Note 39 to the financial statements.

54 SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

On 13 January 2021, the Government of Malaysia re-instituted a movement control order. At this juncture, the impact on the Group's businesses and results is limited. Based on a preliminary assessment, the Group expects that the current situation may have a negative ECL impact on CSRP for the financial year ending 31 December 2021.

The Group will continue to follow various government policies and advice and in parallel will do its utmost to continue the Group's operations in the best and safest way possible without jeopardising the health of our employees.

On 23 January 2021, the Board of Directors of CMBS approved a further dividend in cash on the RPS issued by CMBS of RM5,691,890.20 and paid on 26 January 2021.

55 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 March 2021.



STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of The Companies Act 2016

We, Dato' Bakarudin 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 112 to 254 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 2020 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 ISHAK
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION

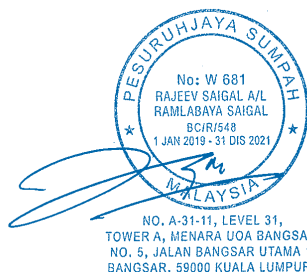
Pursuant to Section 251(1) of The Companies Act 2016

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 112 to 254 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 25 March 2021.

Before me,
COMMISSIONER FOR OATHS





INDEPENDENT SHARIAH ADVISOR'S REPORT

In the name of Allah, The Most Compassionate, The Most Merciful.

All praise is due to Allah, Lord of the worlds, and peace and blessings be upon the Prophet of Allah (Muhammad SAW), on his family and all his companions.

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholders of the Cagamas Holdings Berhad:

Amanie Advisors Sdn Bhd ("Amanie") have acted as the Independent Shariah Advisor to Cagamas Berhad ("Cagamas") in relation to all Shariah matters within the scope of general Shariah advisory and Shariah advisory in the development of new Islamic products which are related to Islamic business offerings of the Cagamas Holdings Berhad and its subsidiaries ("the Group").

We, the Independent Shariah Advisor of Cagamas, hereby confirm that we have vetted, deliberated and endorsed on Shariah matters related to the Group's Islamic business and Islamic products offerings from 1 January 2020 until 31 December 2020 (the "Islamic Business Offerings").

We have provided appropriate Shariah advisories and consultation to Cagamas in various aspects of the Islamic Business Offerings in order to ensure compliance with Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of Bank Negara Malaysia and Securities Commission of Malaysia. It is our responsibility to deliberate and form an independent opinion and highlight the Shariah advice to Cagamas.

In performing our roles and responsibilities, we have obtained all the information and explanations from Cagamas which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Islamic Business Offerings have complied with the Shariah rules and principles.

Cagamas' management is responsible to ensure the operation of the Islamic Business Offerings is in accordance with Shariah rules and principles.

For the Group's financial year ended 31 December 2020, we have been consulted and have advised and endorsed on the following aspects of the Islamic Business Offerings:

1. The Group's Islamic products including enhancement of the existing products, preliminary new product assessment, legal documentation, structure, marketing of Islamic financial products, activities and services;
2. The contracts, transactions and dealings entered into by the Group in relation to the Islamic Business Offerings during the year; and
3. The funding sources and investments in relation to the Islamic Business Offerings.



INDEPENDENT SHARIAH ADVISOR'S REPORT

(CONTINUED)

Cagamas has carried out Shariah audit on the Group's Islamic business and operations and the report were presented and deliberated in the Shariah meeting. We note that based on the Shariah audit findings, there has been no Shariah Non-Compliance event for the financial year ended 31 December 2020.

We hereby confirm that to the best of our knowledge, we have obtained sufficient and appropriate evidence to form our Shariah compliant opinion that all Shariah advice issued by us have been complied with during the financial year ended 31 December 2020.

We beg Allah the Almighty to grant us all the Success and Guidance and Allah Knows Best.

For **Amanie Advisors Sdn Bhd**,

DATUK DR MOHD DAUD BAKAR

Executive Chairman
25 March 2021



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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 112 to 254.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 2020 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 on the other information that we obtained prior to the date of this auditors' report, 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

LEE TZE WOON KELVIN
03482/01/2022 J
Chartered Accountant

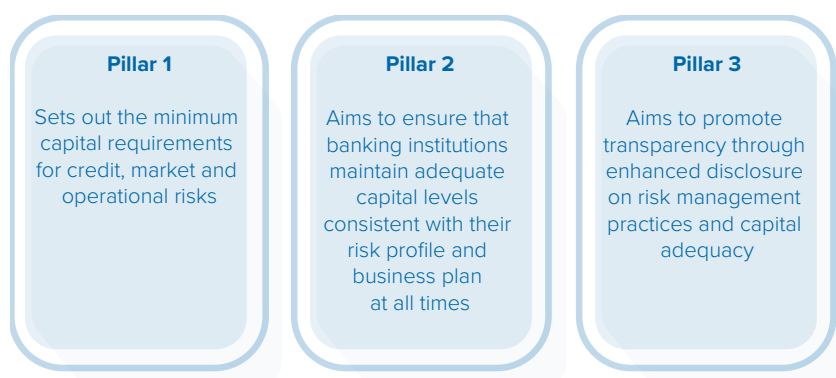
Kuala Lumpur
25 March 2021



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:



From the regulatory standpoint, Cagamas Berhad and 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 ("BIA") 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 significant restrictions or impediments to the transfer of funds or regulatory capital within the Cagamas Holdings Group ("The Group"). 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 2020 and is based on the consolidated financial statement 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

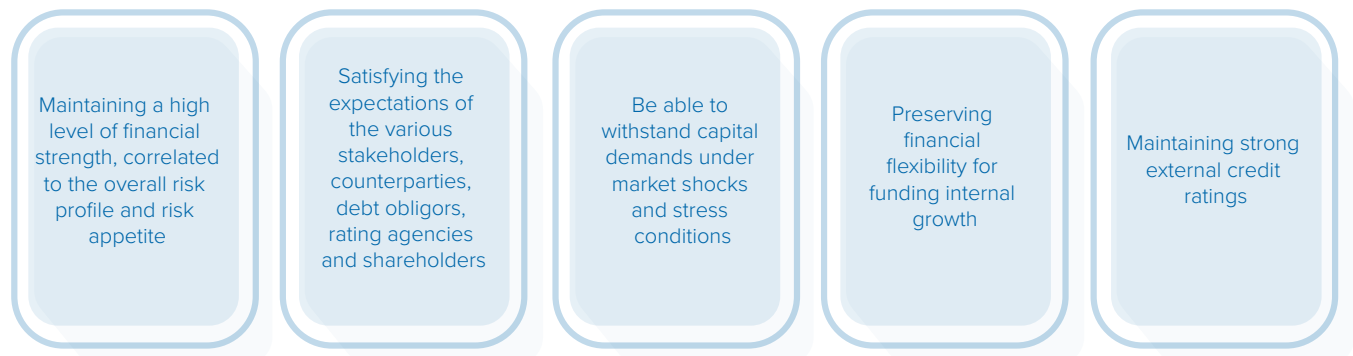
Cagamas' capital management is guided by its Capital Management Framework which sets out the minimum policies and procedures required to be put in place to ensure adequate capital is maintained to support the development of its businesses.

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 as well as 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 as well as takes into account the business environment that impacts the needs and value 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 which is assessed based on the following key objectives:



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").



**PILLAR 3
DISCLOSURE**
(CONTINUED)

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Capital Adequacy Ratios

The following table details the capital adequacy ratios for Cagamas:

	2020	2019
<i>Before deducting the proposed final dividend</i>		
CET1 Capital Ratio	43.6%	29.3%
Tier 1 Capital Ratio	43.6%	29.3%
TCR	45.3%	30.7%
<i>After deducting the proposed final dividend</i>		
CET1 Capital Ratio	43.4%	29.1%
Tier 1 Capital Ratio	43.4%	29.1%
TCR	45.0%	30.5%

Common Equity Tier 1 ("CET1") and Tier 1 Capital Ratios refer to the Total Tier 1 capital to RWA. Total Capital Ratio ("TCR") is the total capital to RWA.

3.2 Capital Structure

The following table details the capital structure of Cagamas:

	2020 RM'000	2019 RM'000
<i>CET1/ Tier 1 Capital</i>		
Issued capital	150,000	150,000
Retained profits	3,925,320	3,731,398
	4,075,320	3,881,398
Financial assets at FVOCI* reserves	32,585	16,909
Less: Deferred tax assets	(23,330)	(17,451)
Less: Regulatory reserves**	(99,778)	(109,779)
Total CET1/ Tier 1 Capital	3,984,797	3,771,077
<i>Tier 2 Capital</i>		
Allowance for impairment losses	54,623	71,037
Add: Regulatory reserves**	99,778	109,779
Total Tier 2 Capital	154,401	180,816
Total Capital	4,139,198	3,951,893

* Fair Value through Other Comprehensive Income ("FVOCI")

** comprise qualifying regulatory reserves for non-impaired loans and financing of Cagamas



PILLAR 3 DISCLOSURE

(CONTINUED)

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Minimum Regulatory Capital Requirement

The following table presents the minimum capital requirements to support Cagamas' RWA:

Exposure Class Risk-weighted assets	2020 RM'000	2019 RM'000
i) Credit Risk	8,464,774	12,197,228
ii) Operational Risk	673,290	694,875
Total RWA	9,138,064	12,892,103
Minimum capital requirement at 10.5%		
i) Credit Risk	888,802	1,280,709
ii) Operational Risk	70,695	72,962
Total	959,497	1,353,671

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	Operations	Financial	Reporting & Compliance
high-level goals, aligned with and supporting the Group's mission	effective and efficient use of resources	profitability and sustainability of performance	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 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 Division ("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><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>		
<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>		
<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>	<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>	
<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>		
<div><div>First Line of Defence 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>	<div><div>Second Line of Defence Risk Management & Compliance Division ("RMD")</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>	<div><div>Third Line of Defence Internal Audit Division ("IAD")</div><div>Responsible for independently reviewing the adequacy and effectiveness of risk management processes, system of internal controls and compliance with internal policies.</div></div>



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

A 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 senior 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 President/ Chief Executive Officer ("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 Department of the RMD. The Credit Department will independently assess the counterparty taking into consideration the credit strength of the counterparty and business requirement prior to recommendation to the MEC. The Credit Department 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 credit review are documented. These standards cover credit origination, measurement and documentation as well as problem recognition, classification and remedial actions.

Credit risk is managed via a thorough assessment of the counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financings to be purchased. Credit limits are reviewed periodically and are determined based on the combination of external ratings, internal credit assessment and business requirements. Cagamas has in place an internal credit rating methodology and Management Credit Approving Limit, which sets out the maximum credit approving limit by the MEC.

All credit exposures are monitored on a regular basis and non-compliance is independently reported to the Management and BRC/ BOD for remedy. 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.



**PILLAR 3
DISCLOSURE**
(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

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, the portion of the exposure 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.

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	RWA RM'000	Minimum Capital Requirement at 10.5% RM'000
2020				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Bank	1,705,080	1,705,080	—	—
Banks, Development Financial Institutions & Multilateral Development Banks	23,521,588	23,521,588	5,765,590	605,387
Corporates & Leasing Companies	1,351,831	1,351,831	345,464	36,274
Mortgage Assets	9,418,233	9,418,233	1,948,445	204,587
Other Assets	123,323	123,323	123,323	12,949
Defaulted Exposures	64,226	64,226	257,547	27,042
Total	36,184,281	36,184,281	8,440,369	886,239
Off-balance sheet exposure:				
Derivative Financial Instruments	122,027	122,027	24,405	2,563
Total Credit Exposures	36,306,308	36,306,308	8,464,774	888,802



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 (continued):

	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	RWA RM'000	Minimum Capital Requirement at 10.5% RM'000
2019				
Exposure Class Credit Risk				
On-balance sheet exposure:				
Sovereign & Central Bank	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



**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 its industrial distribution;

	Cash and short-term funds	Deposits and placements with financial institutions	Derivative financial instruments	Financial assets at FVOCI*	Financial assets at FVTPL**	Amount due from counter parties	Islamic financing assets	Mortgage assets- Conventional	Mortgage assets- Islamic	Hire purchase assets- Islamic	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020												
Government bodies	-	-	-	1,345,939	-	-	-	-	-	-	415	1,346,354
Financial institutions:												
- Commercial banks	109,071	102,886	57,904	30,002	120,802	13,397,099	9,322,362	-	-	-	-	23,140,126
- Development banks	-	-	-	61,731	-	-	340,299	-	-	-	-	402,030
Communications, electricity, gas and water	-	-	-	166,516	-	-	-	-	-	-	-	166,516
Transportation	-	-	-	389,730	-	-	-	-	-	-	-	389,730
Leasing	-	-	-	-	-	672,096	-	-	-	-	-	672,096
Consumers	-	-	-	-	-	-	-	4,366,916	5,115,509	34	-	9,482,459
Corporate	-	-	-	238,790	72,664	-	-	-	-	-	-	311,454
Construction	-	-	-	62,703	-	-	-	-	-	-	-	62,703
Others	-	-	-	87,905	-	-	-	-	-	-	8,391	96,296
Total	109,071	102,886	57,904	2,383,316	193,466	14,069,195	9,662,661	4,366,916	5,115,509	34	8,806	36,069,764

* Fair Value through Other Comprehensive Income ("FVOCI")

** Fair Value through Profit or Loss ("FVTPL")



PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

5.2 Distribution of Credit Exposures (continued)

(a) Industrial analysis based on its industrial distribution (continued);

2019	Cash and short-term funds RM'000	Derivative financial instruments RM'000	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Amount						Total 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		
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
Corporate	-	-	221,164	141,383	-	-	-	-	-	-	362,547
Construction	-	-	35,615	-	-	-	-	-	-	-	35,615
Others	-	-	167,778	-	-	-	-	-	-	8,978	176,756
Total	341,307	58,422	2,308,565	141,383	16,657,154	10,842,232	4,836,313	5,510,428	136	9,447	40,705,387

(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

2020	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	89,355	–	–	–	19,716	109,071
Deposits and placements with financial institutions	102,886	–	–	–	–	102,886
Financial assets at FVOCI	342,574	727,173	334,100	979,469	–	2,383,316
Financial assets at FVTPL	193,466	–	–	–	–	193,466
Amount due from counterparties	6,093,353	7,338,049	226,133	411,679	(19)	14,069,195
Islamic financing assets	3,528,607	5,218,907	915,246	–	(99)	9,662,661
Mortgage assets:						
– Conventional	729,768	923,536	774,026	1,965,556	(25,970)	4,366,916
– Islamic	637,751	806,481	766,538	2,933,185	(28,446)	5,115,509
Hire purchase assets:						
– Islamic	46	–	–	–	(12)	34
Other assets	19,119	–	–	38,802	123,306	181,227
Total on-balance sheet exposure	11,736,925	15,014,146	3,016,043	6,328,691	88,476	36,184,281
Off-balance sheet exposure:						
IRS/ IPRS	16,294	17,650	–	61,202	–	95,146
CCS	26,881	–	–	–	–	26,881
Total	11,780,100	15,031,796	3,016,043	6,389,893	88,476	36,306,308



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
2019						
<i>On-balance sheet exposure:</i>						
Cash and short-term funds	230,501	–	–	–	110,806	341,307
Financial assets at FVOCI	587,652	538,057	500,125	682,859	(128)	2,308,565
Financial assets at FVTPL	141,383	–	–	–	–	141,383
Amount due from counterparties	7,491,962	8,527,330	–	637,921	(59)	16,657,154
Islamic financing assets	2,513,118	5,823,131	2,506,636	–	(653)	10,842,232
Mortgage assets:						
– Conventional	879,063	1,114,449	933,455	2,527,182	(617,836)	4,836,313
– Islamic	732,210	967,240	905,246	3,557,112	(651,380)	5,510,428
Hire purchase assets:						
– Conventional	2	–	–	–	(2)	–
– Islamic	147	–	–	–	(11)	136
Other assets	22,854	16,004	492	22,506	35,296	97,152
Total on-balance sheet exposure	12,598,892	16,986,211	4,845,954	7,427,580	(1,123,967)	40,734,670
<i>Off-balance sheet exposure:</i>						
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



**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	RWA RM'000
2020				
Derivative Financial Instruments	3,284,927	57,904	122,027	24,405
IRS/ IPRS				
– Less than 1 year	1,100,000	13,994	16,295	3,259
– 1 year to less than 5 years	1,355,000	–	17,650	3,530
– 5 years and above	160,000	38,802	61,202	12,240
CCS				
– Less than 1 year	669,927	5,108	26,880	5,376
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



PILLAR 3 DISCLOSURE

(CONTINUED)

5.0 CREDIT RISK (CONTINUED)

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, IRS/ IPRS and CCS/ ICCS 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").

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 an ECAI 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 Bank RM'000	FI & DFI* RM'000	Corporates & Leasing Companies RM'000	Other Assets RM'000	RWA RM'000
2020					
0%	1,705,080	—	—	1	—
10%	—	—	—	—	—
20%	—	20,106,044	1,101,504	—	4,241,510
50%	—	3,537,571	250,327	—	1,893,950
100%	—	—	—	123,322	123,322
Total	1,705,080	23,643,615	1,351,831	123,323	6,258,782
Average Risk Weights	0.0%	24.5%	25.6%	100.0%	23.3%
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%

* Financial Institutions ("FI")
Development Financial Institutions ("DFI")



**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:

Rating of Counterparties by Approved ECAs					
Exposure class:					
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	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>On and Off-balance sheet exposure</i>					
2020					
Sovereign/ Central Bank #	1,705,080	—	—	—	—
FI and DFI	20,106,044	3,537,571	—	—	—
Corporates and Leasing Companies	1,101,504	250,327	—	—	—
Other Assets	—	—	—	—	123,323
Total	22,912,628	3,787,898	—	—	123,323
2019					
Sovereign/ Central Bank #	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

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. Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") to quantify credit risk.

The risk estimates are developed based on internal historical data wherein 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
2020				
<u>Mortgage assets</u>				
PD range:				
up to 3%	10,466,525	32.08%	18.56%	1,942,523
>3% to <100%	3,332	32.08%	177.68%	5,920
100%	64,191	32.08%	401.00%	257,407
<u>Hire purchase assets</u>				
PD range:				
up to 3%	11	32.08%	18.56%	2
>3% to <100%	—	—	—	—
100%	35	32.08%	401.00%	140
Total	10,534,094			2,205,992
2019				
<u>Mortgage assets</u>				
PD range:				
up 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 3%	112	32.08%	40.95%	46
>3% to <100%	—	—	—	—
100%	38	32.08%	396.84%	151
Total	11,600,056			5,091,710



**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 and financing. This credit impairment policy is applicable to the Group.

(a) The following table is a summary of the impairment allowance by economic purpose:

	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
2020					
Purchase of mortgage assets	32,532,522	64,190	32,596,712	54,527	32,542,185
Purchase of motor vehicles/ equipment	672,113	36	672,149	19	672,130
	33,204,635	64,226	33,268,861	54,546	33,214,315
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



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
2020					
Amount due from counterparties	14,069,214	—	14,069,214	19	14,069,195
Islamic financing assets	9,662,760	—	9,662,760	99	9,662,661
Mortgage assets:					
– Conventional	4,360,127	32,759	4,392,886	25,970	4,366,916
– Islamic	5,112,524	31,431	5,143,955	28,446	5,115,509
Hire purchase assets:					
– Islamic	10	36	46	12	34
	33,204,635	64,226	33,268,861	54,546	33,214,315
2019					
Amount due from counterparties	16,657,213	—	16,657,213	59	16,657,154
Islamic financing assets	10,842,885	—	10,842,885	653	10,842,232
Mortgage assets:					
– Conventional	4,826,374	44,932	4,871,306	34,993	4,836,313
– 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



**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 comprise 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 is also monitored.



PILLAR 3 DISCLOSURE

(CONTINUED)

6.0 MARKET & LIQUIDITY RISK (CONTINUED)

6.1 Management of Interest/ Profit Rate Risk in the Banking Book

The interest/ profit 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/ profit income is simulated and the following table summarises the impact arising from a 100 basis points parallel shift.

Impact on position as at 31 December	(-100 basis points) Parallel Shift	(+100 basis points) Parallel Shift
	Decline in Net Interest/ Profit Income RM'000	Increase in Net Interest/ Profit Income RM'000
2020	(12,316)	12,319
2019	(5,398)	5,404

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 between 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 Department 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.



PILLAR 3 DISCLOSURE (CONTINUED)

7.0 OPERATIONAL RISK (CONTINUED)

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.

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 Senior 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.

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 BIA is used for calculating Operational Risk Capital.



PILLAR 3 DISCLOSURE

(CONTINUED)

8.0 SHARIAH GOVERNANCE DISCLOSURE

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

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. Any 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.

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 Fourteenth (14th) 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 Friday, 30 April 2021 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 14 th to the 15 th AGM	(Ordinary Resolution No. 1)		
2.	Payment of Directors' benefits comprising meeting allowances from the 14 th to the 15 th AGM	(Ordinary Resolution No. 2)		
3.	Re-election of Tan Sri Dato' Sri Tay Ah Lek under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 3)		
4.	Re-election of Datuk Abdul Farid Alias under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 4)		
5.	Re-election of Dato' Lee Kok Kwan under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 5)		
6.	Appointment of Auditors	(Ordinary Resolution No. 6)		

Dated this _____ day of _____ 2021

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/ her 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/ her 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



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 Fourteenth (14th) 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 Friday, 30 April 2021 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 14 th to the 15 th AGM	(Ordinary Resolution No. 1)	
2.	Payment of Directors' benefits comprising meeting allowances from the 14 th to the 15 th AGM	(Ordinary Resolution No. 2)	
3.	Re-election of Tan Sri Dato' Sri Tay Ah Lek under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 3)	
4.	Re-election of Datuk Abdul Farid Alias under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 4)	
5.	Re-election of Dato' Lee Kok Kwan under Articles 23.5 and 23.6 of the Company's Constitution	(Ordinary Resolution No. 5)	
6.	Appointment of Auditors	(Ordinary Resolution No. 6)	

Dated this _____ day of _____ 2021

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/her 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/her 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.

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STAMP

Company Secretary
CAGAMAS HOLDINGS BERHAD
Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

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Cagamas Holdings Berhad

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