

NEWS RELEASE

SPECIAL PURPOSE VEHICLE (SPV) WILL NORMALISE TABUNG HAJI'S FINANCIAL POSITION

SPEED UP FINANCIAL RECOVERY

KUALA LUMPUR, 11 December 2018: The transfer of Lembaga Tabung Haji's (**TH**) under-performing assets to a Special Purpose Vehicle (SPV) will normalise its balance sheet and speed up its financial recovery, its Group Managing Director and Chief Executive Officer, Dato' Sri Zukri Samat said today.

Speaking at a media briefing, he said an estimated RM19.9 billion of assets, comprising a mix of properties and equities, would be transferred to the SPV, which would be owned by the Government.

The assets to be carved out would be identified using two criteria. For properties, it would be those with a yield of less than 2%, and for equities, the value impaired would have exceeded 20%.

In exchange for the assets, the SPV would issue RM10.0 billion 7-year Sukuk and RM9.9 billion of Islamic Redeemable Convertible Preference Shares (RCPS-i).

TH is targeting to complete the exercise by end of December. Once the transfer is completed, **TH** would have a clean balance sheet with assets equal to liabilities.

With a restructured balance sheet, **TH** would be poised to move forward to generate sustainable profits to distribute *hibah*, and this would be in full compliance with the Tabung Haji Act 1995, Dato' Sri Zukri added.

At the briefing he also shared details of measures to be taken to strengthen **TH**'s governance, operations and to refine its business model.

"Another major component of the Turnaround Plan, is our risk management capability, which is critical to the quality of our investments. We are in the process of instituting a risk management framework to ensure that future investment policies will be suited to our new business model. In this regard, we

have hired a very experienced new Head of Risk Management to ensure we have a very robust evaluation process, before we undertake new investments."

He said that **TH** is also reviewing its investment portfolio and may exit some sectors which are not doing well.

"On the other hand, our hajj operations, which has received par excellence rating by all external parties, will continue as usual. Having said that, we are looking at areas, where we can reduce the cost of hajj operations, so that we can contain the costs of performing the hajj. In fact, cost-cutting measures have been initiated to reduce overheads."

He said **TH** welcomed the decision by the Government to put **TH** under the supervision of Bank Negara Malaysia, because the Central Bank has a very robust risk management and liquidity framework, which institutions under its supervision must comply. This would enhance confidence of depositors.

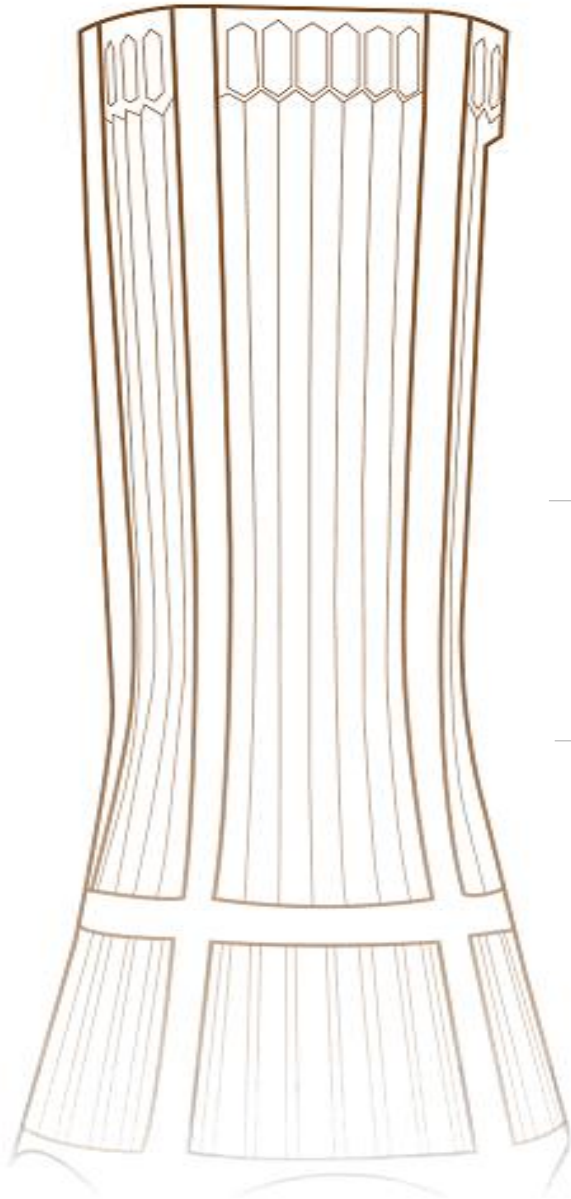
-End-

Lembaga Tabung Haji

Lembaga Tabung Haji (**TH**) is a statutory body governed by Tabung Haji Act, 1995 (Act 535). TH's main activities are Hajj Management & Depository Services and Investment. Among TH core investment sectors are Plantation, Islamic Banking & Takaful, Property Development & Construction, Tourism, Information Technology & Communications, Oil & Gas and Halal Food. TH has 125 branches, worldwide. For more information on **TH's** services, please visit www.tabunghaji.gov.my or contact Tabung Haji Contact Centre at 03-6207 1919.

For more information and enquiries about this news release, media may wish to contact:

Encik Idrus Ismail Secretary to the Tabung Haji Board Menara TH Tun Razak 201 Jalan Tun Razak Kuala Lumpur Tel: +603 20544312 Fax: +603 21660191 Email: idrussmail@lth.gov.my	Encik Hizamuddin Jamaludin Chief Strategy Officer and Chief of Staff Menara TH Tun Razak 201 Jalan Tun Razak Kuala Lumpur Tel: +603 20543392 Fax: +603 21610164 Email: hizamuddin@lth.gov.my
---	--



TABUNG HAJI
حي على الفلاح

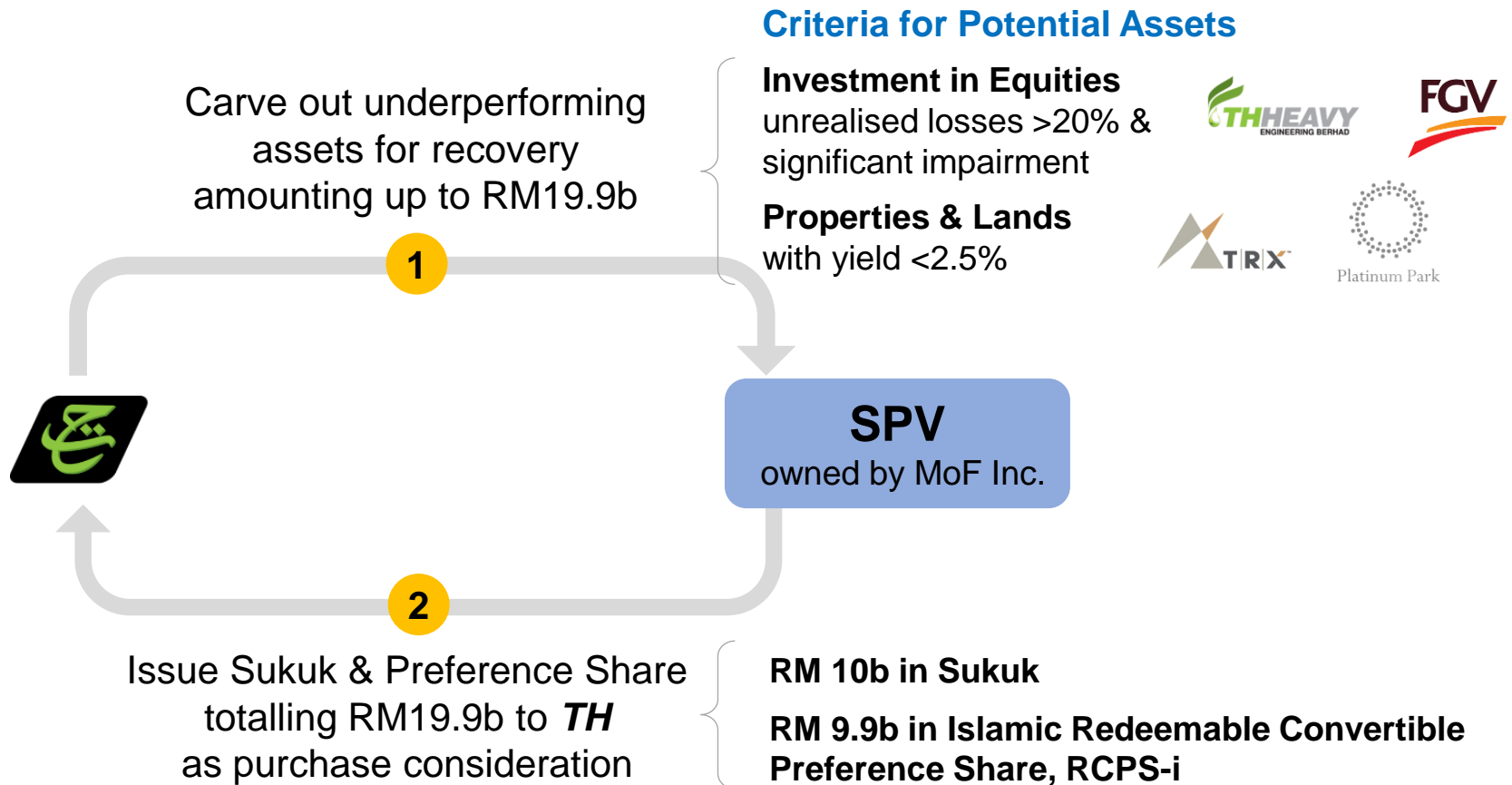
PRESS CONFERENCE ON

REHABILITATION & RESTRUCTURING PLAN

11 DECEMBER 2018

Carving out underperforming assets to maximise recovery over time

Restoring the balance sheet to enable hibah distribution



Salient features of transaction

- Not a cash transaction
- No government's guarantee
- Non-tradeable, fully subscribed by **TH**
- Redeemable at any time without penalty
- Sukuk – 7-year maturity with zero-coupon to be issued at discount yielding 5% p.a.
- RCPS-i with no maturity and no dividend

Restoring the balance sheet to enable hibah distribution

Forecasted Balance Sheet post
carve-out as at

31 Dec
2018

RM b

LIABILITIES

incl. deposits

77

ASSETS

- Good assets 57.1
- SPV Sukuk* 10.0
- SPV RCPS-i* 9.9

77

* To be recorded as receivable
pending issuance of the instruments

- No more deficit as negative reserve is removed
- Balance sheet is re-instated



Assets equal to Liabilities

Any future hibah distribution will
be in accordance to Section
22(3)(a) of Tabung Haji Act 1995

Clarification on Media Statements

No	Media Reporting	Clarification
1	2017 Financial statements were audited by PwC	<ul style="list-style-type: none">• The financial statements were audited by Jabatan Audit Negara• PwC only performed financial position review
2	Siasatan telah diambil oleh PwC ke atas TH	<ul style="list-style-type: none">• PwC only performed financial position review to establish the true financial position of TH as at December 2017 because of Emphasis of Matter raised by Auditor General.
3	Comprehensive turnaround plan and SPV set up had been recommended by PwC	<ul style="list-style-type: none">• The comprehensive turnaround plan including the setting up of the SPV were initiated by the new TH Board and Management. The plan has been approved and endorsed by the Government.
4	PwC has been appointed as TH auditors	<ul style="list-style-type: none">• TH is audited by Jabatan Audit Negara