

CAGAMAS BERHAD
(Company No. 157931-A)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2019

Domiciled in Malaysia.
Registered Office:
Level 32, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.

Company No:

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group		Company	
		30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
ASSETS					
Cash and short-term funds	1	415,056	186,792	399,070	172,046
Derivative financial instruments	2	413,234	362,078	413,234	362,078
Financial investment at fair value through other comprehensive income (FVOCI)	3	2,562,741	2,476,285	2,562,741	2,476,285
Amount due from counterparties	4	18,844,236	20,404,924	18,844,236	20,404,924
Islamic financing assets	5	9,457,929	10,029,953	9,457,929	10,029,953
Mortgage assets					
- Conventional	6	5,105,946	5,344,710	5,105,946	5,344,710
- Islamic	7	5,717,045	5,915,527	5,717,045	5,915,527
Hire purchase assets					
- Islamic	8	697	781	697	781
Amount due from					
- Related company		330	294	330	294
- Subsidiaries		-	-	3,328	5,379
Other assets	9	8,161	7,357	8,153	7,333
Property and equipment		4,619	4,694	4,619	4,694
Intangible assets		21,913	22,849	21,913	22,849
Right of use of assets		4,448	-	4,448	-
Tax recoverable		47,935	40,812	48,002	40,832
Investment in subsidiaries		-	-	-*	-*
TOTAL ASSETS		42,604,290	44,797,056	42,591,691	44,787,685
LIABILITIES					
Unsecured bearer bonds and notes	10	24,325,559	26,082,391	19,622,277	21,401,449
Sukuk	11	14,170,832	14,808,472	14,170,832	14,808,472
Loans/financing from subsidiaries	12	-	-	4,705,930	4,684,797
Derivative financial instruments	2	141,271	154,614	141,271	154,614
Deposits and placements from financial Institution		30,199	-	30,199	-
Deferred tax liabilities		45,379	27,348	45,379	27,348
Lease liabilities		4,861	-	4,861	-
Other liabilities	13	98,761	86,991	97,638	85,787
TOTAL LIABILITIES		38,816,862	41,159,816	38,818,387	41,162,467
Share capital		150,000	150,000	150,000	150,000
Reserves		3,637,428	3,487,240	3,623,304	3,475,218
SHAREHOLDER'S FUNDS		3,787,428	3,637,240	3,773,304	3,625,218
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		42,604,290	44,797,056	42,591,691	44,787,685
NET TANGIBLE ASSETS PER SHARE (RM)		25.10	24.10	24.84	24.02

* denotes USD1 in CGP and RM2 in CGS.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 10 to 48 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 16 August 2019.

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CAGAMAS BERHAD
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CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	Group		Company	
		6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000
Interest income	14	634,363	669,932	634,363	669,932
Interest expense	15	(486,453)	(503,027)	(488,791)	(505,438)
Income from Islamic operations	19	58,529	67,183	58,529	67,179
Non-interest expense	16	(22,079)	(39,316)	(22,080)	(39,316)
		<u>184,360</u>	<u>194,772</u>	<u>182,021</u>	<u>192,357</u>
Administration and general expenses		(18,702)	(13,501)	(18,532)	(13,075)
Personnel costs		(14,440)	(13,584)	(14,440)	(13,584)
OPERATING PROFIT		<u>151,218</u>	<u>167,687</u>	<u>149,049</u>	<u>165,698</u>
Write-back/(allowance) for impairment losses		2	(176)	2	(176)
PROFIT BEFORE TAXATION		<u>151,220</u>	<u>167,511</u>	<u>149,051</u>	<u>165,522</u>
Taxation		(35,839)	(39,725)	(35,772)	(39,725)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>115,381</u></u>	<u><u>127,786</u></u>	<u><u>113,279</u></u>	<u><u>125,797</u></u>
EARNINGS PER SHARE (SEN)		<u><u>77.80</u></u>	<u><u>85.19</u></u>	<u><u>76.40</u></u>	<u><u>83.86</u></u>
DIVIDEND PER SHARE (SEN)		<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes on pages 10 to 48 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 16 August 2019

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2019**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2019 RM'000</u>	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2019 RM'000</u>	<u>6 Months to 30 Jun 2018 RM'000</u>
Profit for the financial period	115,381	127,786	113,279	125,797
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain/(loss) on fair value changes before taxation	32,654	(7,475)	32,654	(7,475)
- Deferred taxation	(7,862)	1,524	(7,862)	1,524
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	42,783	(42,892)	42,783	(42,892)
- Deferred taxation	(10,268)	10,294	(10,268)	10,294
Other comprehensive income for the financial period, net of taxation	57,307	(38,549)	57,307	(38,549)
Total comprehensive income for the financial period	172,688	89,237	170,586	87,248

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Group	Issued and fully paid ordinary shares of RM1 each	Non-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	
Balance as at 1 January 2019	150,000	1,952	(35,710)	144,472	3,376,526	3,637,240
Profit for the financial period	-	-	-	-	115,381	115,381
Other comprehensive income/(loss)	-	24,792	32,515	-	-	57,307
Total comprehensive income/(loss) for the financial period	-	24,792	32,515	-	115,381	172,688
Transfer from regulatory reserve during the financial period	-	-	-	(29,107)	29,107	-
Final dividend in respect of financial year ended 31 December 2018	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2019	150,000	26,744	(3,195)	115,365	3,498,514	3,787,428

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

Group	Issued and fully paid ordinary shares of RM1 each	Non-distributable					Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,139,614	3,421,565
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,146,237	3,428,188
Profit for the financial period	-	-	-	-	-	127,786	127,786
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	127,786	89,237
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,257,181	3,494,925

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Company	Issued and fully paid ordinary shares of RM1 each	Non-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	
Balance as at 1 January 2019	150,000	1,952	(35,710)	144,472	3,364,504	3,625,218
Profit for the financial period	-	-	-	-	113,279	113,279
Other comprehensive income/(loss)	-	24,792	32,515	-	-	57,307
Total comprehensive income/(loss) for the financial period	-	24,792	32,515	-	113,279	170,586
Transfer from regulatory reserve during the financial period	-	-	-	(29,107)	29,107	-
Final dividend in respect of financial year ended 31 December 2018	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2019	150,000	26,744	(3,195)	115,365	3,484,390	3,773,304

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)

Company	Issued and fully paid ordinary shares of RM1 each	Non-distributable					Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,131,876	3,413,827
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,138,499	3,420,450
Profit for the financial period	-	-	-	-	-	125,797	125,797
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	125,797	87,248
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,247,453	3,485,198

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Company	
	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000
OPERATING ACTIVITIES				
Profit for the financial period	115,381	127,786	113,279	125,797
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- Financial investment at FVOCI	(4,523)	(10,204)	(4,523)	(10,204)
Accretion of discount on:				
Mortgage assets				
- Conventional	(52,748)	(60,539)	(52,748)	(60,539)
- Islamic	(37,133)	(55,610)	(37,133)	(55,610)
Hire purchase assets				
- Islamic	-	(1)	-	(1)
Islamic commercial paper and medium term note	-	333	-	333
Allowance for impairment losses	(2)	176	(2)	176
Unrealised gain/(loss) on foreign exchange	497	(143)	497	(143)
Interest income	(579,575)	(591,844)	(579,575)	(591,844)
Income from Islamic operations	(340,477)	(286,552)	(340,477)	(286,552)
Interest expense	486,453	505,295	488,791	505,295
Profit attributable to Sukuk holders	321,564	288,054	321,564	288,054
Depreciation of property and equipment	877	460	877	460
Amortisation of intangible assets	1,776	785	1,776	785
Amortisation of right of use of assets	468	-	468	-
Interest on lease liabilities	1,270	-	1,270	-
Gain on disposal of:				
- Property and equipment	(22)	-	(22)	-
- Financial investment at FVOCI	(4,484)	(1,464)	(4,484)	(1,464)
Taxation	35,839	39,725	35,772	39,725
Operating loss before working capital changes	(54,839)	(43,743)	(54,670)	(45,732)
Increase in deposits and placements of other FI's	30,130	-	30,130	-
Decrease in amount due from counterparties	1,537,295	14,628	1,537,295	14,628
Decrease/(increase) in Islamic financing assets	555,383	(3,270,712)	555,383	(3,270,712)
Decrease in mortgage assets				
- Conventional	294,577	319,316	294,577	319,316
- Islamic	241,660	233,483	241,660	233,483
Decrease in hire purchase assets				
- Islamic	84	344	84	344
(Decrease)/increase in other assets	(584)	96	14,441	1,578
Increase in right of use of assets	(4,916)	-	(4,916)	-
(Decrease)/increase in unsecured bearer bonds and notes	(1,790,699)	354,658	(1,749,160)	1,653,576
(Decrease)/increase in Sukuk	(628,141)	2,768,173	(628,141)	2,921,017
Increase in lease liabilities	3,591	-	3,591	-
Increase in other liabilities	12,504	7,058	12,585	7,054

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019
(CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2018 RM'000
Increase/(decrease) in loans/financing from subsidiaries	-	4,251	-	(1,449,349)
Decrease in derivatives	13,770	224,866	13,770	224,866
Cash generated from operations	209,815	612,418	266,629	610,069
Interest received	572,085	535,751	572,085	610,069
Profit received from Islamic assets	333,211	264,928	333,211	264,928
Interest paid	(452,515)	(481,093)	(510,589)	(481,093)
Interest paid on derivatives	(133,794)	(155,040)	(133,794)	(155,040)
Interest received on derivatives	98,720	111,981	98,720	111,981
Profit paid on derivatives	(24,243)	(24,494)	(24,243)	(24,494)
Profit received on derivatives	23,335	24,477	23,335	24,477
Profit attributable to Sukuk holders	(331,063)	(267,770)	(331,063)	(267,770)
Payment of:				
- Zakat	(734)	(927)	(734)	(927)
- Taxation	(43,062)	(29,770)	(43,042)	(29,750)
Net cash generated from operating activities	251,755	590,461	250,515	588,132
INVESTING ACTIVITIES				
Purchase of financial investment at FVOCI	(770,543)	(2,811,848)	(770,543)	(2,811,848)
Proceeds from sale/redemption of				
- Financial investment at FVOCI	726,078	1,964,930	726,078	1,964,930
Purchase of:				
- Property and equipment	(780)	(366)	(780)	(366)
- Intangible assets	(840)	(1,624)	(840)	(1,624)
Income received from:				
Financial investment at FVOCI	45,094	41,304	45,094	41,304
Net cash utilised in investing activities	(991)	(807,604)	(991)	(807,604)
FINANCING ACTIVITY				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Net cash utilised in financing activity	(22,500)	(22,500)	(22,500)	(22,500)
Net increase in cash and cash equivalents	228,264	(239,643)	227,024	(241,972)
Cash and cash equivalents as at 1 January	186,792	534,591	172,046	524,185
Cash and cash equivalents as at 30 June	415,056	294,948	399,070	282,213
Analysis of cash and cash equivalents As at 30 June				
Cash and short-term funds	415,056	294,948	399,070	282,213

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CAGAMAS BERHAD
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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019

A1 General information

The principal activities of the Company consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issuance of bonds and notes to finance these purchases. The Company also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk. The ultimate holding company is Cagamas Holdings Berhad, a company incorporated in Malaysia. Subsidiary companies of the Company are Cagamas Global PLC ("CGP") and Cagamas Global Sukuk Berhad ("CGS"):

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

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

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI") and derivative financial instruments.

The unaudited condensed interim financial statements of the Group and the Company for the financial period 30 June 2019 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Company since financial year ended 31 December 2018. The Group's and the Company's unaudited interim financial statements include the financial statements of the Company and its subsidiaries.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2018.

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CAGAMAS BERHAD
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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

A2 Basis of preparation (Continued)

i. Standards and amendments to published standards that are effective and applicable

The new accounting standards and amendments to published accounts that are effective and applicable to the Company for the financial year beginning on 1 January 2019 are as follows:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Annual Improvements to MFRSs 2015 - 2017 Cycle:

Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in income statement, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in income statement when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2018 (Continued)

A3 Changes in Accounting Policies

The Group and the Company have adopted MFRS 16 'Leases' issued by MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations. As permitted by MFRS 16, the Group and the Company have adopted the simplified transitional approach and will not restate comparative amounts for the year prior to first adoption.

Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Company's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Company was at 4.32%.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

	Group and Company		
	<u>As previously reported</u> RM'000	<u>Effect of adoption of MFRS 16</u> RM'000	<u>As restated</u> RM'000
Group			
Right-of-use assets	-	4,916	4,916
Lease liabilities	-	(4,916)	(4,916)
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>

The recognised right-of-use assets relate to the following types of assets:

	RM'000
<u>Group and Company</u>	
Property	4,916
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A4 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

A5 Seasonality or Cyclical factors

The business operations of the Group and the Company are not subject to material seasonal or cyclical fluctuations.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

A6 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Company for the financial period ended 30 June 2019.

A7 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Company for the financial period 30 June 2019.

A8 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2018 was paid on 30 March 2019.

A9 Subsequent events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the interim financial statements.

A10 Changes in the composition of the Group

There were no material changes in the composition of the Group during the financial period.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

1. CASH AND SHORT-TERM FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and balances with banks and other financial institutions	83,754	70,255	67,768	55,509
Money at call and deposit placements maturing within one month	204,476	116,480	204,476	116,480
Mudharabah money at call and deposit placements maturing within one month	126,826	57	126,826	57
	<u>415,056</u>	<u>186,792</u>	<u>399,070</u>	<u>172,046</u>

2. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

	<u>Group and Company</u>					
	<u>30 Jun 2019</u>			<u>31 Dec 2018</u>		
	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
Derivatives designated as cash flow hedges:						
IRS						
Maturing within one year	500,000	-	(6,137)	-	-	-
One to three years	2,160,000	8,348	(2,939)	2,660,000	856	(9,792)
Three to five years	655,000	-	(24,142)	655,000	-	(17,471)
More than five years	160,000	15,389	-	160,000	5,139	-
	<u>3,475,000</u>	<u>23,737</u>	<u>(33,218)</u>	<u>3,475,000</u>	<u>5,995</u>	<u>(27,263)</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

2. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group and Company					
	30 Jun 2019			31 Dec 2018		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
CCS/ICCS						
Maturing within one year	3,268,500	340,374	(108,053)	1,725,000	319,325	-
One to three years	1,130,152	49,123	-	2,673,652	36,758	(127,351)
	<u>4,398,652</u>	<u>389,497</u>	<u>(108,053)</u>	<u>4,398,652</u>	<u>356,083</u>	<u>(127,351)</u>
	<u>7,873,652</u>	<u>413,234</u>	<u>(141,271)</u>	<u>7,873,652</u>	<u>362,078</u>	<u>(154,614)</u>

3. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME (FVOCI)

	Group and Company	
	30 Jun 2019 RM'000	31 Dec 2018 RM'000
<i>At fair value:</i>		
Malaysian government securities	249,257	149,365
Corporate bonds	445,296	592,529
Government investment issues	721,188	708,712
Sukuk	616,687	591,143
Quasi government Sukuk	530,313	434,536
	<u>2,562,741</u>	<u>2,476,285</u>

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

Maturing within one year	674,070	518,227
One to three years	483,306	475,208
Three to five years	569,781	676,771
More than five years	835,584	806,079
	<u>2,562,741</u>	<u>2,476,285</u>

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at reporting date. There was no impairment at this category of asset under the expected credit loss ("ECL") model as at reporting date as the impact of change in credit of financial asset is immaterial.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

4. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Relating to:		
Mortgage loans	18,353,374	19,875,905
Hire purchase and leasing debts	490,862	529,019
	<u>18,844,236</u>	<u>20,404,924</u>

The maturity structure of amount due from counterparties are as follows:

Maturing within one year	7,194,490	6,004,319
One to three years	7,871,343	8,420,632
Three to five years	3,143,424	5,345,008
More than five years	635,036	635,032
	<u>18,844,293</u>	<u>20,404,991</u>
Less: Allowance for impairment losses	(57)	(67)
	<u>18,844,236</u>	<u>20,404,924</u>

As at reporting date, 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 and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
At 1 January	67	41
Allowance during the year on new assets purchased	8	28
Loans derecognised during the period due to maturity of assets	(2)	(38)
Allowance during the year due to changes in credit risk	(16)	36
	<u>57</u>	<u>67</u>
At 30 June/ 31 Dec	<u>57</u>	<u>67</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

5. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Relating to:		
Islamic house financing	9,440,122	10,011,058
Islamic personal financing	17,807	18,895
	<u>9,457,929</u>	<u>10,029,953</u>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	1,294,951	1,835,052
One to three years	5,119,629	4,269,044
Three to five years	3,043,912	3,926,484
	<u>9,458,492</u>	<u>10,030,580</u>
Less: Allowance for impairment losses	(563)	(627)
	<u>9,457,929</u>	<u>10,029,953</u>

As at reporting date, 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 and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
At 1 January	627	222
Allowance during the year on new assets purchased	-	275
Allowance during the year due to changes in credit risk	(64)	130
	<u>563</u>	<u>627</u>
At 30 June/ 31 Dec	<u>563</u>	<u>627</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

6. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Purchase without Recourse ("PWOR")	5,105,946	5,344,710
The maturity structure of mortgage assets - conventional are as follows		
Maturing within one year	886,755	893,068
One to three years	1,104,027	1,150,650
Three to five years	977,930	1,007,432
More than five years	2,804,518	3,013,592
	<u>5,773,230</u>	<u>6,064,742</u>
Less: Unaccreted discount	(639,074)	(691,822)
Allowance for impairment losses	(28,210)	(28,210)
	<u>5,105,946</u>	<u>5,344,710</u>

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

	Gross carrying value	Gross carrying value	Impairment allowance
	30 Jun 2019	31 Dec 2018	30 Jun 2019/
	RM'000	RM'000	31 Dec 2018
			RM'000
By stage allocation:			
Stage 1 (12-months ECL; non credit impaired)	5,720,664	5,992,111	7,687
Stage 2 (Lifetime ECL; non credit impaired)	12,166	12,022	1,200
Stage 3 (Lifetime ECL; credit impaired)	40,400	60,609	19,323
	<u>5,773,230</u>	<u>6,064,742</u>	<u>28,210</u>
At 30 June/ 31 Dec			
Impairment allowance over gross carrying value (%)	<u>0.49</u>	<u>0.47</u>	

There was no movement in ECL recognised for the financial period ended 30 June 2019.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

7. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
PWOR	5,717,045	5,915,527
The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	715,782	732,631
One to three years	944,600	986,926
Three to five years	898,595	944,979
More than five years	3,849,755	3,979,811
	<u>6,408,732</u>	<u>6,644,347</u>
Less: Unaccreted discount	(667,426)	(704,559)
Allowance for impairment losses	(24,261)	(24,261)
	<u>5,717,045</u>	<u>5,915,527</u>

The gross carrying value of Islamic mortgage assets by stage of are as follows;

	Gross carrying value	Gross carrying value	Impairment allowance
	30 Jun 2019	31 Dec 2018	30 Jun 2019/
	RM'000	RM'000	31 Dec 2018
			RM'000
By stage allocation:			
Stage 1 (12-months ECL; non credit impaired)	6,365,137	6,589,742	8,484
Stage 2 (Lifetime ECL; non credit impaired)	7,975	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	35,620	46,882	15,002
	<u>6,408,732</u>	<u>6,644,347</u>	<u>24,261</u>
At 30 June/ 31 Dec			
Impairment allowance over gross carrying value (%)	<u>0.38</u>	<u>0.37</u>	

There was no movement in ECL recognised for the financial period ended 30 June 2019.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

8. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
PWOR	697	781
	<u>697</u>	<u>781</u>
The maturity structure of hire purchase assets - Islamic are as follows:		
Maturing within one year	711	795
Less:		
Unaccreted discount	1	1
Allowance for impairment losses	(15)	(15)
	<u>697</u>	<u>781</u>

The gross carrying value of Islamic hire purchase assets by stage of are as follows;

	Gross carrying value	Gross carrying value	Impairment allowance
	30 Jun 2019	31 Dec 2018	30 Jun 2019/
	RM'000	RM'000	31 Dec 2018
	RM'000	RM'000	RM'000
By stage allocation:			
Stage 1 (12-months ECL; non credit impaired)	665	740	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-	-
Stage 3 (Lifetime ECL; credit impaired)	46	55	15
	<u>711</u>	<u>795</u>	<u>15</u>
At 30 June/ 31 Dec	<u>711</u>	<u>795</u>	<u>15</u>
Impairment allowance over gross carrying value (%)	<u>2.11</u>	<u>1.89</u>	

There was no movement in ECL recognised for the financial period ended 30 June 2019.

9. OTHER ASSETS

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	3,356	3,269	3,356	3,269
Deposits	890	906	882	882
Prepayments	2,615	1,500	2,615	1,500
Other receivables	152	300	152	300
Management fee receivable	548	619	548	619
Compensation receivable from originator on mortgage assets	600	763	600	763
	<u>8,161</u>	<u>7,357</u>	<u>8,153</u>	<u>7,333</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

10. UNSECURED BEARER BONDS AND NOTES

				Group
	Year of maturity	Amount outstanding RM'000	30 Jun 2019 Effective interest rate %	31 Dec 2018 Effective interest rate %
	Year of maturity	Amount outstanding RM'000	30 Jun 2019 Effective interest rate %	31 Dec 2018 Effective interest rate %
(a) Floating rate notes	2019	150,000	3.84	450,000
Add: Interest payable		252		1,391
		<u>150,252</u>		<u>451,391</u>
(b) Commercial paper	2019	950,000	3.430-3.620	750,000
Add:				
Interest payable		3,631		2,929
		<u>953,631</u>		<u>752,929</u>
(c) Medium-term notes				
	2019	5,807,536	2.745 – 5.280	7,643,000
	2020	5,986,424	4.100 – 6.000	5,845,965
	2021	2,490,548	4.150 – 5.380	2,464,535
	2022	5,550,000	3.900 – 4.650	5,510,000
	2023	525,000	4.250 – 6.050	525,000
	2024	430,000	4.000 – 5.520	430,000
	2025	640,000	4.550 – 4.850	640,000
	2026	10,000	4.410	10,000
	2027	275,000	4.140 – 4.900	275,000
	2028	890,000	4.750 – 6.500	890,000
	2029	245,000	5.500 – 5.750	245,000
	2035	160,000	5.070	160,000
		<u>23,009,508</u>		<u>24,638,500</u>
Add:				
Interest payable		211,329		235,762
Unaccreted premium		3,090		8,417
Less:				
Deferred financing fees		(1,999)		(3,189)
Unamortised discount		(252)		(1,419)
		<u>23,221,676</u>		<u>24,878,071</u>
		<u>24,325,559</u>		<u>26,082,391</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2019</u> <u>Effective</u> <u>interest rate</u> %	<u>Amount outstanding</u> RM'000	<u>Company</u> <u>31 Dec 2018</u> <u>Effective</u> <u>interest rate</u> %
(a) Floating rate notes	2019	150,000	3.84	450,000	3.480-3.840
Add:					
Interest payable		252		1,391	
		<u>150,252</u>		<u>451,391</u>	
(b) Commercial paper	2019	950,000	3.430-3.620	750,000	3.560-3.800
Add:					
Interest payable		3,631		2,929	
		<u>953,631</u>		<u>752,929</u>	
(c) Medium-term notes					
	2019	3,735,000	3.650 – 5.280	5,575,000	3.650 – 5.280
	2020	3,660,000	3.800 – 6.000	3,530,000	3.950 – 6.000
	2021	2,210,000	3.900 – 5.380	2,185,000	4.050 – 5.380
	2022	5,550,000	3.900 – 4.650	5,510,000	3.900 – 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 – 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 – 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 – 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 – 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 – 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 – 5.750
	2035	160,000	5.070	160,000	5.070
		<u>18,330,000</u>		<u>19,975,000</u>	
Add:					
Interest payable		185,556		215,131	
Unaccreted premium		3,090		8,417	
Less:					
Unamortised discount		(252)		(1,419)	
		<u>18,518,394</u>		<u>20,197,129</u>	
		<u>19,622,277</u>		<u>21,401,449</u>	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	8,078,583	9,084,032	6,004,604	6,997,713
One to three years	9,786,976	8,313,359	7,157,673	5,718,736
Three to five years	3,960,000	6,035,000	3,960,000	6,035,000
More than five years	2,500,000	2,650,000	2,500,000	2,650,000
	<u>24,325,559</u>	<u>26,082,391</u>	<u>19,622,277</u>	<u>21,401,449</u>

(a) Floating rate notes

Bonds with variable coupon plus a spread redeemable at par on the due dates.

(b) Commercial paper

Commercial papers are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(c) Medium-term notes

The medium-term notes are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

Included in medium term notes are medium term-notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP and are unconditionally and irrevocably guaranteed by the Company. The unsecured bearer bonds and notes outstanding as at the date of statement of financial position that are not in the functional currencies of the Group are as follows:

	Group	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
HKD	360,847	353,648
USD	3,648,773	3,640,217
SGD	693,663	687,077
	<u>4,703,283</u>	<u>4,680,942</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

11. SUKUK

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2019</u> <u>Effective</u> <u>interest rate</u> %	<u>Amount outstanding</u> RM'000	<u>Group</u> <u>31 Dec 2018</u> <u>Effective</u> <u>interest rate</u> %
(a) Islamic commercial papers	2019	305,000	3.440	405,000	3.510-3.800
Add:					
Interest payable		1,121		1,358	
		<u>306,121</u>		<u>406,358</u>	
(b) Islamic medium-term					
	2019	1,042,000	3.750 – 5.280	1,612,000	3.750 – 5.280
	2020	2,230,000	4.150 – 6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.150 – 5.380	3,020,000	4.080 – 5.380
	2022	2,200,000	3.900 – 4.480	2,150,000	3.900 – 4.470
	2023	2,495,000	4.250 – 6.350	2,495,000	4.250 – 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 – 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
	2035	675,000	5.000	675,000	5.000
		<u>13,727,000</u>		<u>14,247,000</u>	
Add:					
Interest payable		125,135		134,397	
Unaccreted premium		12,576		20,717	
		<u>13,864,711</u>		<u>14,402,114</u>	
		<u>14,170,832</u>		<u>14,808,472</u>	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

11. SUKUK (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2019</u> <u>Effective</u> <u>interest rate</u> %	<u>Amount outstanding</u> RM'000	<u>Company</u> <u>31 Dec 2018</u> <u>Effective</u> <u>interest rate</u> %
(a) Islamic commercial papers	2019	305,000	3.440	405,000	3.510-3.800
Add:					
Interest payable		1,121		1,358	
		<u>306,121</u>		<u>406,358</u>	
(b) Islamic medium-term					
	2019	1,042,000	3.750 – 5.280	1,612,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 – 6.000
	2021	3,020,000	4.080 – 5.380	3,020,000	4.080 – 5.380
	2022	2,200,000	3.900 – 4.480	2,150,000	3.900 – 4.480
	2023	2,495,000	4.250 – 6.350	2,495,000	4.250 – 6.350
	2024	315,000	4.000 – 5.520	315,000	4.000 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	20,000	4.410 – 4.920	20,000	4.410 – 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 – 6.500	1,080,000	4.750 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
	2035	675,000	5.000	675,000	5.000
		<u>13,727,000</u>		<u>14,247,000</u>	
Add:					
Interest payable		125,135		134,397	
Unaccreted premium		12,576		20,717	
		<u>13,864,711</u>		<u>14,402,114</u>	
		<u>14,170,832</u>		<u>14,808,472</u>	

The maturity structure of Sukuk is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u> RM'000	<u>31 Dec 2018</u> RM'000	<u>30 Jun 2019</u> RM'000	<u>31 Dec 2018</u> RM'000
Maturing within one year	1,473,459	2,156,534	1,473,459	2,156,534
One to three years	6,162,373	5,266,938	6,162,373	5,266,938
Three to five years	3,950,000	4,645,000	3,950,000	4,645,000
More than five years	2,585,000	2,740,000	2,585,000	2,740,000
	<u>14,170,832</u>	<u>14,808,472</u>	<u>14,170,832</u>	<u>14,808,472</u>

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11. SUKUK (CONTINUED)

(a) Islamic commercial paper

Islamic commercial paper are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (profit-bearing).

(b) Islamic medium-term notes

Islamic medium-term notes are issued by the Group based on various Islamic principles. The IMTNs have tenures of more than 1 year and are issued at a discount or at par (profit-bearing). Profit distributions of the IMTNs are normally made of half year/quarterly basis.

(c) Islamic variable medium-term notes

Islamic variable medium-term notes are issued by the Group and the Company based on various Islamic principles. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at point of issuance. Profit distributions of the IMTNs are normally made of half year/quarterly basis.

12. LOANS/FINANCING FROM SUBSIDIARIES

Loans/financing from subsidiaries are unsecured and subject to interest/profit rates ranging from 2.520% to 3.735% per annum (Dec 2018: 2.520% to 3.735% per annum). Loans/financing from subsidiaries outstanding as at the date of statement of financial position that are not in the functional currencies of the Group is as follows:

	Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
HKD	361,214	354,124
USD	3,650,464	3,642,798
SGD	694,252	687,875
	<u>4,705,930</u>	<u>4,684,797</u>

The maturity structure of loans/financing from subsidiaries is as follows:

Maturing within one year	3,549,733	2,089,297
One to three years	1,156,197	2,595,500
	<u>4,705,930</u>	<u>4,684,797</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

13. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	RM'000	RM'000	RM'000	RM'000
Amount due to Government	67,418	54,893	67,418	54,893
Other payables and accruals	30,492	30,514	29,369	29,310
Provision for zakat	851	1,584	851	1,584
	<u>98,761</u>	<u>86,991</u>	<u>97,638</u>	<u>85,787</u>

14. INTEREST INCOME

	<u>Group and Company</u>	
	<u>6 months to 30 Jun 2019</u>	<u>6 months to 30 Jun 2018</u>
	RM'000	RM'000
Amount due from counterparties	420,189	432,000
Mortgage assets	116,665	128,278
Compensation from mortgage assets	8	16
Hire purchase assets	-	2
Financial assets designated as FVOCI	40,046	39,052
Deposits and placements with financial institutions	2,667	5,470
	<u>579,575</u>	<u>604,818</u>
Accretion of discount less amortisation of premium (net)	54,788	65,114
	<u>634,363</u>	<u>669,932</u>

15. INTEREST EXPENSE

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2019</u>	<u>6 Months to 30 Jun 2018</u>	<u>6 Months to 30 Jun 2019</u>	<u>6 Months to 30 Jun 2018</u>
	RM'000	RM'000	RM'000	RM'000
Medium-term	(464,432)	(478,765)	(400,552)	(412,031)
Floating rate notes	(4,654)	(5,440)	(4,654)	(5,440)
Commercial paper	(17,265)	(18,822)	(17,265)	(18,822)
Deposits and placements of financial Institutions	(102)	-	(102)	-
Loans/financing from subsidiaries	-	-	(66,218)	(69,145)
	<u>(486,453)</u>	<u>(503,027)</u>	<u>(488,791)</u>	<u>(505,438)</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

16. NON-INTEREST EXPENSE

Realised net loss on derivatives	(29,726)	(43,940)	(29,726)	(43,940)
Other non-operating income	3,660	3,017	3,659	3,017
Gain on disposal of financial investment at FVOCI	4,462	1,464	4,462	1,464
Gain on disposal of property and equipment	22	-	22	-
Unrealised (loss)/gain on foreign exchange	(497)	143	(497)	143
	<u>(22,079)</u>	<u>(39,316)</u>	<u>(22,080)</u>	<u>(39,316)</u>

17. SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of the Company makes strategic decisions and allocation of resources on behalf of the Group. The Group and the Company has determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions;

- (a) Purchase With Recourse ("PWR")
- (b) Purchase Without Recourse ("PWOR")

There were no changes in the reportable segments during the financial period.

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17. SEGMENT REPORTING (CONTINUED)

	PWR RM'000	PWOR RM'000	Total RM'000
30 Jun 2019			
Group			
External revenue	668,180	346,276	1,014,456
External interest expense	(565,892)	(242,125)	(808,017)
Profit from operations	54,079	97,141	151,220
Taxation	(12,142)	(23,697)	(35,839)
Net profit by segment	41,937	73,444	115,381
Segment assets	30,938,419	11,665,871	42,604,290
Segment liabilities	28,109,815	10,707,047	38,816,862
<u>Other information</u>			
Capital expenditure	1,192	450	1,642
Depreciation and amortisation	1,926	726	2,652
Amortisation of right of use of assets	340	128	468
Company			
External revenue	668,180	346,276	1,014,456
External interest expense	(568,232)	(242,123)	(810,535)
Profit from operations	51,909	97,142	149,051
Taxation	(12,076)	(23,696)	(35,772)
Net profit by segment	39,833	73,446	113,279
Segment assets	30,925,822	11,665,869	42,591,691
Segment liabilities	28,111,341	10,707,046	38,818,387
<u>Other information</u>			
Capital expenditure	1,192	450	1,642
Depreciation and amortisation	1,926	726	2,652
Amortisation of right of use of assets	340	128	468

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

17. SEGMENT REPORTING (CONTINUED)

	<u>PWR</u> <u>RM'000</u>	<u>PWOR</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
30 Jun 2018			
Group			
External revenue	626,527	393,882	1,020,409
External interest expense	(507,641)	(275,357)	(782,998)
Profit from operations	58,609	108,902	167,511
Taxation	(12,989)	(26,736)	(39,725)
Net profit by segment	45,620	82,166	127,786
Segment assets	31,600,917	12,787,978	44,388,895
Segment liabilities	30,147,030	10,746,940	40,893,970
<u>Other information</u>			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245
Company			
External revenue	626,527	393,882	1,020,409
External interest expense	(510,056)	(275,357)	(785,413)
Profit from operations	55,837	109,685	165,522
Taxation	(12,688)	(27,037)	(39,725)
Net profit by segment	43,149	82,648	125,797
Segment assets	31,593,431	12,787,978	44,381,409
Segment liabilities	30,149,270	10,746,941	40,896,211
<u>Other information</u>			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

18. CAPITAL ADEQUACY

Common equity tier 1 (“CET1”) and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio (“RWCR”) is the ratio of total capital to risk-weighted assets.

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	%	%	%	%
CET I capital ratio	31.3	28.3	31.2	28.2
Tier I capital ratio	31.3	28.3	31.2	28.2
Total capital ratio	32.8	29.9	32.6	29.8
	RM'000	RM'000	RM'000	RM'000
The capital adequacy ratios are as follows:				
CET 1/Tier I capital				
Paid up capital	150,000	150,000	150,000	150,000
Retained profits	3,613,879	3,520,998	3,599,755	3,508,976
	<u>3,763,879</u>	<u>3,670,998</u>	<u>3,749,755</u>	<u>3,658,976</u>
Financial investment at FVOCI	12,035	878	12,035	878
Deferred taxation assets	(29,179)	(29,179)	(29,179)	(29,179)
Less: Regulatory reserves	(115,365)	(144,472)	(115,365)	(144,472)
Total Tier I capital	<u>3,631,370</u>	<u>3,498,225</u>	<u>3,617,246</u>	<u>3,486,203</u>
Tier II capital				
Allowance for impairment losses	53,178	53,182	53,178	53,182
Add: Regulatory reserves	115,365	144,472	115,365	144,472
Total Tier II capital	<u>168,543</u>	<u>197,654</u>	<u>168,543</u>	<u>197,654</u>
Total capital	<u><u>3,799,913</u></u>	<u><u>3,695,879</u></u>	<u><u>3,785,789</u></u>	<u><u>3,683,857</u></u>
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	10,939,139	11,672,578	10,939,329	11,675,005
Operational risk	672,839	685,542	672,839	685,542
Total risk-weighted assets	<u><u>11,611,978</u></u>	<u><u>12,358,120</u></u>	<u><u>11,612,168</u></u>	<u><u>12,360,547</u></u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group		Company	
		30 Jun 2019 RM'000	31 Dec 2018 RM'000	30 Jun 2019 RM'000	31 Dec 2018 RM'000
ASSETS					
Cash and short-term funds	(a)	127,001	44,415	126,962	44,376
Derivative financial instruments		10,165	-	10,165	-
Financial investments at fair value through other comprehensive Income (FVOCI)	(b)	427,123	357,129	427,123	357,129
Financing assets	(c)	8,945,381	9,493,458	8,945,381	9,493,458
Mortgage assets	(d)	5,713,669	5,911,950	5,713,669	5,911,950
Hire purchase assets	(e)	205	287	205	287
Tax recoverable		20,538	18,153	20,538	18,153
Other assets and prepayments		289,358	289,338	291,667	291,643
TOTAL ASSETS		15,533,440	16,114,730	15,535,710	16,116,996
LIABILITIES					
Sukuk	(f)	14,170,832	14,808,472	14,170,832	14,808,472
Derivative financial instruments		12,511	3,924	12,511	3,924
Deferred taxation		14,747	13,481	14,747	13,481
Other liabilities	(g)	10,755	10,459	9,635	9,404
TOTAL LIABILITIES		14,208,845	14,836,336	14,207,725	14,835,281
ISLAMIC OPERATIONS' FUNDS		1,324,595	1,278,394	1,327,985	1,281,715
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		15,533,440	16,114,730	15,535,710	16,116,996

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	Group		Company	
		6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000
Total income attributable		380,093	350,477	380,093	350,477
Income attributable to the Sukuk holders	(h)	(321,564)	(279,971)	(321,564)	(279,975)
Non-profit expense		(1,596)	(3,323)	(1,596)	(3,323)
Total income attributable	(i)	56,933	67,183	56,933	67,179
Administration and general expenses		(1,424)	(2,109)	(1,355)	(1,974)
Writeback/(allowance) for impairment losses		33	919	33	919
PROFIT BEFORE TAXATION		55,542	65,993	55,611	66,124
Taxation		(13,347)	(15,870)	(13,347)	(15,870)
PROFIT FOR THE FINANCIAL PERIOD		42,195	50,123	42,264	50,254

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Note	Group		Company	
	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000
Profit for the financial period	42,195	50,123	42,264	50,254
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	3,625	(1,011)	3,625	(1,011)
- Deferred taxation	(871)	242	(871)	242
Cash flow hedge				
- Net loss on cash flow hedge before taxation	1,648	376	1,648	376
- Deferred taxation	(396)	(90)	(396)	(90)
Other comprehensive income/(loss) for the financial period, net of taxation	4,006	(483)	4,006	(483)
Total comprehensive loss for the financial period	46,201	49,640	46,270	49,771

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Group	<u>Non-distributable</u>						Total equity RM'000
	Allocated Capital funds RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2019	294,159	-	484	(2,739)	76,013	910,477	1,278,394
Profit for the financial period	-	-	-	-	-	42,195	42,195
Other comprehensive income	-	-	2,754	1,252	-	-	4,006
Total comprehensive income for the financial period	-	-	2,754	1,252	-	42,195	46,201
Transfer from regulatory reserve during the financial period	-	-	-	-	(14,878)	14,878	-
Balance as at 30 June 2019	<u>294,159</u>	<u>-</u>	<u>3,238</u>	<u>(1,487)</u>	<u>61,135</u>	<u>967,550</u>	<u>1,324,595</u>
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	821,580	1,195,648
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	<u>294,159</u>	<u>-</u>	<u>308</u>	<u>(4,054)</u>	<u>83,655</u>	<u>822,220</u>	<u>1,196,288</u>
Profit for the financial period	-	-	-	-	-	50,123	50,123
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,123	49,640
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	<u>294,159</u>	<u>-</u>	<u>(461)</u>	<u>(3,768)</u>	<u>80,737</u>	<u>875,261</u>	<u>1,245,928</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Company	<u>Non-distributable</u>						Total equity RM'000
	Allocated Capital funds RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2019	294,159	-	484	(2,739)	76,013	913,798	1,281,715
Profit for the financial period	-	-	-	-	-	42,264	42,264
Other comprehensive income	-	-	2,754	1,252	-	-	4,006
Total comprehensive income for the financial period	-	-	2,754	1,252	-	42,264	46,270
Transfer from regulatory reserve during the financial period	-	-	-	-	(14,878)	14,878	-
Balance as at 30 June 2019	<u>294,159</u>	<u>-</u>	<u>3,238</u>	<u>(1,487)</u>	<u>61,135</u>	<u>970,940</u>	<u>1,327,985</u>
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	824,696	1,198,764
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	<u>294,159</u>	<u>-</u>	<u>308</u>	<u>(4,054)</u>	<u>83,655</u>	<u>825,336</u>	<u>1,199,404</u>
Profit for the financial period	-	-	-	-	-	50,254	50,254
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,254	49,771
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	<u>294,159</u>	<u>-</u>	<u>(461)</u>	<u>(3,768)</u>	<u>80,737</u>	<u>878,508</u>	<u>1,249,175</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Company	
	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000
OPERATING ACTIVITIES	42,195	50,123	42,264	50,254
Profit for the financial period				
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- Financial investment at FVOCI	(2,483)	(5,630)	(2,483)	(5,630)
Accretion of discount on:				
Mortgage assets	(37,133)	(55,610)	(37,133)	(55,610)
Hire purchase assets	-	(1)	-	(1)
Sukuk	-	333	-	333
Allowance for impairment losses	(33)	(919)	(33)	(919)
Income from:				
- Financial investment at FVOCI	(5,380)	(6,329)	(5,380)	(6,329)
- Operations	(335,097)	(279,940)	(335,097)	(279,940)
Gain on disposal of:				
- Financial investment at FVOCI	(22)	-	(22)	-
Profit attributable to Sukuk holders	321,564	279,436	321,564	279,403
Taxation	13,347	15,870	13,347	15,870
Operating loss before working capital changes	(3,042)	(2,667)	(2,973)	(2,569)
Decrease/(increase) in financing assets	542,643	(2,728,097)	542,643	(2,728,097)
Decrease in mortgage assets	241,462	233,993	241,462	233,993
Decrease in hire purchase assets	83	330	83	330
Decrease in other assets and prepayments	148	893	144	(54)
(Decrease)/increase in Sukuk	(628,141)	2,768,141	(628,141)	2,921,017
Decrease in financing from subsidiary company		-		(152,882)
Increase in derivatives	69	-	69	-
Increase in other liabilities	1,031	2,624	966	3,449
Cash generated from operations	154,253	275,217	154,253	275,187

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19. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2019 (CONTINUED)**

	Group		Company	
	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2018 RM'000
Profit received from Islamic assets	334,347	265,029	334,347	265,029
Profit attributable to Sukuk holders	(331,063)	(259,119)	(331,063)	(259,119)
Payment of:				
- Zakat	(734)	(927)	(734)	(927)
- Taxation	(15,732)	(11,804)	(15,732)	(11,804)
Net cash generated from operating activities	<u>141,071</u>	<u>268,396</u>	<u>141,071</u>	<u>268,366</u>
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(166,375)	(1,371,011)	(166,375)	(1,371,011)
Sale of:				
- Financial investment at FVOCI	103,123	1,071,237	103,123	1,071,237
Derivative financial instruments	-	(4,701)	-	(4,701)
Income received from				
- Financial investment at FVOCI	4,767	6,329	4,767	6,329
Net cash utilised in investing activities	<u>(58,485)</u>	<u>(298,146)</u>	<u>(58,485)</u>	<u>(298,146)</u>
Net increase in cash and cash equivalents	82,586	(29,750)	82,586	(29,780)
Cash and cash equivalents as at 1 January	44,415	110,090	44,376	110,083
Cash and cash equivalents as at 30 June	<u><u>127,001</u></u>	<u><u>80,340</u></u>	<u><u>126,962</u></u>	<u><u>80,303</u></u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u><u>127,001</u></u>	<u><u>80,340</u></u>	<u><u>126,962</u></u>	<u><u>80,303</u></u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	RM'000	RM'000	RM'000	RM'000
<i>(a) Cash and short-term funds</i>				
Cash and bank balances with banks and other financial institutions	175	156	136	117
Mudharabah money at call and deposit placements maturing within one month	126,826	44,259	126,826	44,259
	<u>127,001</u>	<u>44,415</u>	<u>126,962</u>	<u>44,376</u>

(b) Financial investment at fair value through other comprehensive income (FVOCI)

	<u>Group and Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	RM'000	RM'000
At fair value:		
Sukuk	72,952	140,316
Government investment issues	161,114	40,580
Quasi government securities	193,057	176,233
	<u>427,123</u>	<u>357,129</u>

The maturity structure of FVOCI are as follows:

Maturing within one year	232,743	127,394
One to three years	91,306	144,208
Three to five years	56,371	75,503
More than five years	46,703	10,024
	<u>427,123</u>	<u>357,129</u>

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at reporting date. There was no impairment at this category of asset under the expected credit loss ("ECL") model as at reporting date as the impact of change in credit of financial asset is immaterial.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets*

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
Relating to:		
House financing	8,927,574	9,474,562
Personal financing	17,807	18,896
	<u>8,945,381</u>	<u>9,493,458</u>
The maturity structure of financing assets are as follows:		
Maturing within one year	782,394	1,298,515
One to three years	5,119,629	4,269,044
Three to five years	3,043,912	3,926,485
	<u>8,945,935</u>	<u>9,494,044</u>
Less: Allowance for impairment losses	(554)	(586)
	<u>8,945,381</u>	<u>9,493,458</u>

As at reporting date, 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:

At 1 January	586	222
Allowance during the year on new assets purchased	-	234
Allowance during the year due to changes in credit risk	(32)	130
	<u>554</u>	<u>586</u>
At 30 June/ 31 Dec	<u>554</u>	<u>586</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(d) *Mortgage assets*

	Group and Company	
	30 Jun 2019	31 Dec 2018
	RM'000	RM'000
PWOR	5,713,669	5,911,950
The maturity structure of mortgage assets are as follows:		
Maturing within one year	714,919	731,760
One to three years	943,325	985,492
Three to five years	897,824	944,252
More than five years	3,849,281	3,979,259
	<u>6,405,349</u>	<u>6,640,763</u>
Less:		
Unaccreted discount	(667,426)	(704,559)
Allowance for impairment losses	(24,254)	(24,254)
	<u>5,713,669</u>	<u>5,911,950</u>

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

	Gross carrying value	Gross carrying value	Impairment allowance
	30 Jun 2019	31 Dec 2018	30 Jun 2019/ 31 Dec 2018
	RM'000	RM'000	RM'000
Upon adoption of MFRS 9:			
By stage allocation:			
Stage 1 (12-months ECL; non credit impaired)	6,361,754	6,586,158	8,477
Stage 2 (Lifetime ECL; non credit impaired)	7,975	7,723	775
Stage 3 (Lifetime ECL; credit impaired)	35,620	46,882	15,002
	<u>6,405,349</u>	<u>6,640,763</u>	<u>24,254</u>
At 30 June/ 31 Dec			
Impairment allowance over gross carrying value (%)	<u>0.38</u>	<u>0.37</u>	

There was no movement in ECL recognised for the financial period ended 30 June 2019.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group and Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	RM'000	RM'000
<i>(e) Hire purchase assets</i>		
PWOR	205	287
	<u>205</u>	<u>287</u>
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	219	301
Less:		
Allowance for impairment losses	(14)	(14)
	<u>205</u>	<u>287</u>

The gross carrying value of Islamic hire purchase assets by stage of are as follows;

	Gross carrying value 30 Jun 2019 RM'000	Gross carrying value 31 Dec 2018 RM'000	Impairment allowance 30 Jun 2019/ 31 Dec 2018 RM'000
By stage allocation:			
Stage 1 (12-months ECL; non credit impaired)	176	246	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-	-
Stage 3 (Lifetime ECL; credit impaired)	43	55	14
	<u>219</u>	<u>301</u>	<u>14</u>
At 30 June/ 31 Dec			
Impairment allowance over gross carrying value (%)	<u>6.39</u>	<u>4.7</u>	

There was no movement in ECL recognised for the financial period ended 30 June 2019.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
<i>(f) Sukuk</i>				
Commercial papers	306,121	406,358	306,121	406,358
Medium-term notes	13,864,711	14,402,114	13,864,711	14,402,114
	<u>14,170,832</u>	<u>14,808,472</u>	<u>14,170,832</u>	<u>14,808,472</u>
	<u><u>14,170,832</u></u>	<u><u>14,808,472</u></u>	<u><u>14,170,832</u></u>	<u><u>14,808,472</u></u>
The maturity structure of Sukuk are as follows:				
Maturing within one year	1,473,459	2,156,534	1,473,459	2,156,534
One to three years	6,162,373	5,266,938	6,162,373	5,266,938
Three to five years	3,950,000	4,645,000	3,950,000	4,645,000
More than five years	2,585,000	2,740,000	2,585,000	2,740,000
	<u>14,170,832</u>	<u>14,808,472</u>	<u>14,170,832</u>	<u>14,808,472</u>
	<u><u>14,170,832</u></u>	<u><u>14,808,472</u></u>	<u><u>14,170,832</u></u>	<u><u>14,808,472</u></u>
<i>(g) Other liabilities</i>				
Other payables	9,903	8,875	8,783	7,820
Zakat	851	1,584	851	1,584
	<u>10,754</u>	<u>10,459</u>	<u>9,634</u>	<u>9,404</u>
	<u><u>10,754</u></u>	<u><u>10,459</u></u>	<u><u>9,634</u></u>	<u><u>9,404</u></u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(h) *Income attributable to the Sukuk holders*

	Group		Company	
	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Mortgage assets	(126,177)	(144,911)	(126,177)	(144,915)
Hire purchase assets	(96)	(108)	(96)	(108)
Financing assets	(195,291)	(134,952)	(195,291)	(134,952)
	<u>(321,564)</u>	<u>(279,971)</u>	<u>(321,564)</u>	<u>(279,975)</u>

Income attributable to the Sukuk holders by concept is as follows:

Bai Al-Dayn	<u>(321,564)</u>	<u>(279,971)</u>	<u>(321,564)</u>	<u>(279,975)</u>
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(i) *Total income attributable*

Income from:				
Mortgage assets	38,387	45,990	38,387	45,990
Financing assets	11,091	9,719	11,091	9,715
Deposit and placements with financial institutions	1,305	2,662	1,305	2,662
Financial assets designated as FVOCI	7,842	12,243	7,842	12,243
Hire purchase assets	(96)	(108)	(96)	(108)
Non-profit expense	(1,596)	(3,323)	(1,596)	(3,323)
	<u>56,933</u>	<u>67,183</u>	<u>56,933</u>	<u>67,179</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(j) *Total income attributable (continued)*

Total net income analysed by concept are as follows:

	Group		Company	
	6 months to 30 Jun 2019	6 months to 30 Jun 2018	6 months to 30 Jun 2019	6 months to 30 Jun 2018
	RM'000	RM'000	RM'000	RM'000
Bai Al-Dayn	49,382	56,388	49,382	56,384
Musyarakah	1,037	7,750	1,037	7,750
Murabahah	2,152	1,048	2,152	1,048
Wakalah	967	967	967	967
Mudharabah	3,291	714	3,291	714
Bai Bithaman Ajil	-	212	-	212
Ijarah	104	104	104	104
	<u>56,933</u>	<u>67,183</u>	<u>56,933</u>	<u>67,179</u>

(k) *Capital adequacy*

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	%	%	%	%
CET I capital ratio	23.8	21.8	23.8	21.8
Tier I capital ratio	23.8	21.8	23.0	21.8
Total capital ratio	<u>25.4</u>	<u>23.6</u>	<u>25.4</u>	<u>23.7</u>
	RM'000	RM'000	RM'000	RM'000
CET 1/Tier I capital				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	1,028,685	986,490	1,032,077	989,811
	<u>1,322,844</u>	<u>1,280,649</u>	<u>1,326,236</u>	<u>1,283,970</u>
Less: Regulatory reserves	(61,135)	(76,013)	(61,143)	(76,013)
Financial investment at FVOCI	1,457	218	1,457	218
Deferred tax assets	(6,850)	(6,850)	(6,850)	(6,850)
Total CET 1/Tier I capital	<u>1,256,316</u>	<u>1,198,004</u>	<u>1,259,700</u>	<u>1,201,325</u>
Tier II capital				
Add: Regulatory reserves	61,135	76,013	61,135	76,013
Allowance for impairment losses	24,821	24,854	24,821	24,854
Total Tier II capital	<u>85,956</u>	<u>100,867</u>	<u>85,956</u>	<u>100,867</u>
Total capital	<u>1,342,272</u>	<u>1,298,871</u>	<u>1,345,656</u>	<u>1,302,192</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	5,055,274	5,260,917	5,057,569	5,263,214
Operational risk	229,665	238,453	229,665	238,453
Total risk-weighted assets	<u>5,284,939</u>	<u>5,499,370</u>	<u>5,287,234</u>	<u>5,501,667</u>

22. BUSINESS REVIEW

Market environment

The global economy is projected to slowdown from 3.6% in 2018 to 3.2% in 2019 in the absence of positive developments from the trade war between the United States of America and China. The IMF is however positive that growth will return in 2020 at 3.5%¹. As at 1H2019, labour conditions in the advanced economies remain firm, while domestic demand continues to support growth in most parts of Asia. Meanwhile, growth in most emerging market and developing economies softened largely due to uncertainties developing around the ongoing trade tension.

The Malaysian economy was impacted by global headwinds chipping off growth to 4.5% in Q1 2019 (Q4 2018: 4.7%). Domestic activities particularly private consumption² propped up growth against the dragging slowdown in trade activities with major trading nations. In June 2019, headline inflation increased to 1.5% (June 2018: 0.8%) was influenced by a change in the tax regime with GST zerorisation that was implemented in June 2018³. For 2019 as a whole, average inflation is expected to be broadly stable with headline inflation trajectory being dependent on global oil prices and policy measures such as the timing of domestic retail fuel pricing mechanism.

As at June 2019, banking system capitalisation remained strong and well-positioned to withstand severe macroeconomic and financial shocks, with excess capital buffers of RM103 billion⁴. Net financing⁵ expanded by 5.9% in June 2019 (June 2018: 6.9%) while outstanding corporate bond growth moderated to 10.6% (June 2018: 12.4%). Outstanding household loans grew by 4.9% (June 2018: 5.8%) while total loans disbursed by the banking system is RM93.0 billion as at June 2019 with disbursements were across both the household and business segments, including SMEs. The banking system liquidity remains flushed with liquidity coverage ratio (LCR) stood at 155.2 per cent in May 2019 (159.9% in April 2019) due to lower placements with BNM.

¹ IMF, World Economic Outlook, July 2019

² BNM, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2019

³ Ministry of Finance Malaysia June 2019

⁴ BNM, Monthly Highlights June 2019

⁵ Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

20. BUSINESS REVIEW (CONTINUED)

Market environment (continued)

Domestic financial markets experienced a resumption of non-resident portfolio inflows in June 2019. This was mainly driven by improved investors' risk appetite towards the region amid rising market expectations for an interest rate reduction in the US and easing trade tensions. Subsequent to these developments, in June 2019, the ringgit appreciated by 1.3% against the US dollar, in line with regional currencies. The FBM KLCI increased by 1.3% and the 10- year MGS yield decreased by 15.5 basis points. Rising expectations of further monetary easing by global central banks, including India, South Korea, Indonesia, New Zealand and the Philippines, fuelled an MGS market rally in June 2019. Major central banks, including Federal Reserve and European central banks eased their monetary stance from already accommodative levels; this, coupled with weak US economic data, pushed MGS yields to their multi-year lows. The yield of 10-year MGS decreased by 49 basis points in 1H2019.

On 31 July 2019, The United States Federal Reserve has cut interest rates by 0.25% for the first time since 2008, citing concerns about the global economy and muted US inflation. It also signalled its readiness to provide more support as growth slows in the world's largest economy.

Financial performance

The Group registered a pre-tax profit of RM151.2 million for the 6 months ended 30 June 2019 as compared to RM167.5 million in the previous corresponding period.

The decrease in the Group's net interest income is contributed by maturity of PWR assets during the period of RM2.2 billion and rundown in Purchase without Recourse (PWOR) assets. The total assets of the Group as at 30 June 2019 stood at RM42.6 billion, a decline of 4.9% since 31 December 2018.

Purchase of Loans and Financing

Cagamas recorded RM0.2 billion of purchases of loans and financing (1H 2018: RM6.1 billion) in the 1H 2019. All purchases were under PWR scheme while residential mortgage continued to dominate Cagamas' portfolio at 98.7% (1H 2018: 98.4%), followed by hire purchase loans and financing at 1.3% (1H 2018: 0.1%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2019, Cagamas has issued a total of 13 new issuances totalling RM2.8 billion, comprising an aggregate of RM2.1 billion bonds and RM0.7 billion sukuk. Total issuance of RM2.8 billion was raised solely from the ringgit market under the Company's IMTN/MTN and ICP/CP Programme.

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 local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service Inc which is in line with Malaysian sovereign ratings.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2019 (Continued)

20. BUSINESS REVIEW (CONTINUED)

Capital management

The Group's core capital ratio as at 30 June 2019 improved to 31.3% as compared to 28.3% as at 31 December 2018. As at the reporting date, RWCR remains stable at 32.8%, above the minimum ratio of 20% as stipulated in the Guidelines on Capital Adequacy Ratio, computed in accordance with the Basel II Capital Adequacy Framework. The improvements in the Group's capital adequacy ratio is subsequent to adoption of local ratings in determining the risk weight for all counterparties under the standardised approach and consistent with risk assessment for MFRS 9 as well as maturity of assets since December 2018.

Total shareholder's funds for the Group had grown to RM3.8 billion from RM3.6 billion arising from profits generated during the period, while net tangible assets per share increased by 4% to RM25.10 per share as at 30 June 2019.

Information About Company Employees, Social And Community Issues Including The Impact Of The Company's Business On The Environment

Cagamas works to enhance education in our communities, build sustainable economic growth and invest in the future of the nation's workforce through its Corporate Social Responsibility (CSR) programmes and Zakat initiatives. In January 2019, a 'Back to School' programme organised by the Cagamas Zakat Committee provided 167 under-privileged students (under 'Fisabilillah' category) from Sekolah Menengah Kebangsaan Padang Tembak with school kits for the new school term. The Committee also assisted 30 urban poor students (under 'Asnaf' category) from Sekolah Kebangsaan Paloh Pintu Gang, Kelantan in March 2019 with cash contributions to purchase their school essentials. This is in line with the Company's efforts to promote sustainable, positive social and environmental change through education. The Cagamas Scholarship Programme (CSP) continues to see the Company reaching out to deserving Malaysians who need financial aid to pursue their education. Cagamas is proud that two scholars have graduated and are gainfully employed to be contributing members to their family, community and society.

Cagamas regularly organises and supports conferences to gain insights and feedbacks from policy makers and industry experts on issues relating to affordable housing, Islamic finance and capital markets. In April 2019, Cagamas together with The World Bank Group jointly organised the inaugural "Constructing and Financing Affordable Housing across Asia" Conference. This regional conference discussed innovative solutions and approaches to address affordable housing challenges in their respective countries. Contributing knowledge into the Islamic Capital Market, Cagamas launched its sponsored textbook in May 2019 entitled Economics: *Principles & Analysis* published by the International Shari'ah Research Academy (ISRA), in collaboration with the Centre for Islamic Economics, International Islamic University Malaysia (CIE IIUM). The textbook will provide significant benefits to the Islamic financial industry, particularly in strengthening the knowledge base by providing a source of reference for academicians, practitioners, policy makers as well as students.