

CAGAMAS BERHAD
Company No. 198601008739 (157931-A)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2020

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Group		Company	
		30 Jun 2020 RM'000	31 Dec 2019 RM'000	30 Jun 2020 RM'000	31 Dec 2019 RM'000
ASSETS					
Cash and short-term funds	1	558,663	341,307	538,462	322,000
Deposits and placement with financial Institutions	2	56,329	-	56,329	-
Derivative financial instruments	3	120,000	58,422	120,000	58,422
Financial asset at fair value through other comprehensive income (FVOCI)	4	2,709,062	2,308,565	2,709,062	2,308,565
Financial asset at fair value through profit or loss (FVTPL)	5	71,934	141,383	71,934	141,383
Amount due from counterparties	6	14,997,317	16,657,154	14,997,317	16,657,154
Islamic financing assets	7	10,412,863	10,842,232	10,412,863	10,842,232
Mortgage assets					
- Conventional	8	4,588,916	4,836,313	4,588,916	4,836,313
- Islamic	9	5,309,076	5,510,428	5,309,076	5,510,428
Hire purchase assets					
- Islamic	10	47	136	47	136
Amount due from					
- Related company		1,473	1,420	1,473	1,420
- Subsidiaries		-	-	3,447	3,431
Other assets	11	7,633	8,027	7,622	7,978
Property and equipment		3,390	3,923	3,390	3,923
Intangible assets		20,980	21,380	20,980	21,380
Right of use of assets		3,589	3,980	3,589	3,980
Investment in subsidiaries		-*	-*	-*	-*
TOTAL ASSETS		38,861,272	40,734,670	38,844,507	40,718,745
LIABILITIES					
Loans/financing from subsidiaries	12	-	-	1,191,704	2,594,966
Other liabilities	13	99,868	121,688	99,564	121,351
Derivative financial instruments	3	50,895	152,309	50,895	152,309
Unsecured bearer bonds and notes	14	19,067,820	20,661,027	17,876,536	18,067,241
Sukuk	15	15,544,372	15,849,883	15,544,372	15,849,883
Deferred tax liabilities		9,557	560	9,557	560
Provision for taxation		32,265	18,170	31,048	16,999
Lease liabilities	16	4,623	4,791	4,623	4,791
TOTAL LIABILITIES		34,809,400	36,808,428	34,808,299	36,808,100
Share capital		150,000	150,000	150,000	150,000
Reserves		3,901,872	3,776,242	3,886,208	3,760,645
SHAREHOLDER'S FUNDS		4,051,872	3,926,242	4,036,208	3,910,645
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		38,861,272	40,734,670	38,844,507	40,718,745
NET TANGIBLE ASSETS PER SHARE (RM)		26.9	26.0	26.8	25.9

* denotes USD1 in Cagamas Global P.L.C ("CGP") and RM2 in Cagamas Global Sukuk Berhad ("CGS").

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2019 and the accompanying explanatory notes on pages 10 to 62 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 26 August 2020.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Group		Company	
		6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000
Interest income	17	514,603	634,363	514,603	634,363
Interest expense	18	(395,601)	(487,723)	(395,908)	(490,061)
Income from Islamic operations	22	60,249	56,933	60,249	56,933
Non-interest expense	19	(579)	(20,483)	(579)	(20,484)
		<u>178,672</u>	<u>183,090</u>	<u>178,365</u>	<u>180,751</u>
Personnel costs		(15,422)	(14,440)	(15,422)	(14,440)
Administration and general expenses		(14,600)	(17,432)	(14,406)	(17,262)
OPERATING PROFIT		<u>148,650</u>	<u>151,218</u>	<u>148,537</u>	<u>149,049</u>
Write-back for impairment losses		8,792	2	8,792	2
PROFIT BEFORE TAXATION		<u>157,442</u>	<u>151,220</u>	<u>157,329</u>	<u>149,051</u>
Taxation		(37,805)	(35,839)	(37,759)	(35,772)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>119,637</u></u>	<u><u>115,381</u></u>	<u><u>119,570</u></u>	<u><u>113,279</u></u>
EARNINGS PER SHARE (SEN)		<u><u>79.76</u></u>	<u><u>76.92</u></u>	<u><u>79.71</u></u>	<u><u>75.52</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 2019 and the accompanying explanatory notes on pages 10 to 62 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 26 August 2020.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2020**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2020 RM'000</u>	<u>6 Months to 30 Jun 2019 RM'000</u>	<u>6 Months to 30 Jun 2020 RM'000</u>	<u>6 Months to 30 Jun 2019 RM'000</u>
Profit for the financial period	119,637	115,381	119,570	113,279
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	31,420	32,654	31,420	32,654
- Deferred taxation	(7,540)	(7,862)	(7,540)	(7,862)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	6,070	42,783	6,070	42,783
- Deferred taxation	(1,457)	(10,268)	(1,457)	(10,268)
Other comprehensive income for the financial period, net of taxation	28,493	57,307	28,493	57,307
Total comprehensive income for the financial period	148,130	172,688	148,063	170,586

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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 2020	150,000	37,576	7,268	109,779	3,621,619	3,926,242
Profit for the financial period	-	-	-	-	119,637	119,637
Other comprehensive income	-	23,880	4,613	-	-	28,493
Total comprehensive income for the financial period	-	23,880	4,613	-	119,637	148,130
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2020	150,000	61,456	11,881	109,779	3,718,756	4,051,872

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONTINUED)

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	-	24,792	32,515	-	-	57,307
Total comprehensive income for the financial period	-	24,792	32,515	-	115,381	172,688
Transfer to retained profits	-	-	-	(29,107)	29,107	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2019	150,000	26,744	(3,195)	115,365	3,498,514	3,787,428

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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 2020	150,000	37,576	7,268	109,779	3,606,022	3,910,645
Profit for the financial period	-	-	-	-	119,570	119,570
Other comprehensive income	-	23,880	4,613	-	-	28,493
Total comprehensive income for the financial period	-	23,880	4,613	-	119,570	148,063
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2020	150,000	61,456	11,881	109,779	3,703,092	4,036,208

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (CONTINUED)

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	-	24,792	32,515	-	-	57,307
Total comprehensive income for the financial period	-	24,792	32,515	-	113,279	170,586
Transfer to retained profits	-	-	-	(29,107)	29,107	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2019	150,000	26,744	(3,195)	115,365	3,484,390	3,773,304

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Group		Company	
	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000
OPERATING ACTIVITIES				
Profit before taxation	157,442	151,220	157,329	149,051
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	(5,470)	(4,523)	(5,470)	(4,523)
Accretion of discount on:				
Mortgage assets				
- Conventional	(50,907)	(52,748)	(50,907)	(52,748)
- Islamic	(44,451)	(37,133)	(44,451)	(37,133)
Islamic commercial paper and medium term note	-	-	-	-
Allowance for impairment losses	(8,833)	(2)	(8,833)	(2)
Unrealised loss on foreign exchange	1,227	497	1,227	497
Interest income	(464,229)	(579,575)	(464,229)	(579,575)
Income from Islamic operations	(351,364)	(340,477)	(351,364)	(340,477)
Interest expense	394,367	486,453	394,554	488,791
Profit attributable to Sukuk holders	340,782	321,564	340,782	321,564
Depreciation of property and equipment	787	877	787	877
Amortisation of intangible assets	1,752	1,776	1,752	1,776
Amortisation of right of use of assets	312	468	312	468
Interest on lease liabilities	1,234	1,270	1,234	1,270
Gain on disposal of:				
- Property and equipment	(8)	(22)	(8)	(22)
- Financial investment at FVOCI	(5,559)	(4,484)	(5,559)	(4,484)
Operating loss before working capital changes	<u>(32,918)</u>	<u>(54,839)</u>	<u>(32,844)</u>	<u>(54,670)</u>
Changes in deposits and placements of other FIs	-	30,130	-	30,130
Changes in amount due from counterparties	1,637,692	1,537,295	1,637,692	1,537,295
Changes in Islamic financing assets	428,979	555,383	428,979	555,383
Changes in mortgage assets				
- Conventional	297,601	294,577	297,601	294,577
- Islamic	249,528	241,660	249,528	241,660
Changes in hire purchase assets				
- Islamic	88	84	88	84
Changes in other assets	13,382	(584)	107,829	14,441
Changes in right of use of assets	78	(4,916)	78	(4,916)
Changes in unsecured bearer bonds and notes	(1,613,569)	(1,790,699)	(182,432)	(1,749,160)
Changes in Sukuk	(304,836)	(628,141)	(304,836)	(628,141)
Changes in other liabilities	(20,895)	12,504	(20,861)	12,585
Changes in loans/financing from subsidiaries	-	-	(1,525,650)	-
Changes in derivatives	(132,319)	13,770	(132,319)	13,770
Cash generated from operations	<u>522,811</u>	<u>206,224</u>	<u>522,853</u>	<u>263,038</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020
(CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2019 RM'000
Interest received	453,785	572,085	453,785	572,085
Profit received from Islamic assets	347,514	333,211	347,514	333,211
Interest paid	(374,005)	(452,515)	(374,941)	(510,589)
Interest paid on derivatives	(92,836)	(133,794)	(92,836)	(133,794)
Interest received on derivatives	66,656	98,720	66,656	98,720
Profit paid on derivatives	(22,325)	(24,243)	(22,325)	(24,243)
Profit received on derivatives	22,675	23,335	22,675	23,335
Profit paid to Sukuk holders	(341,457)	(331,063)	(341,457)	(331,063)
Payment of:				
- Zakat	(926)	(734)	(926)	(734)
- Taxation	(23,710)	(43,062)	(23,710)	(43,042)
Net cash generated from operating activities	<u>558,182</u>	<u>248,164</u>	<u>557,288</u>	<u>246,924</u>
INVESTING ACTIVITIES				
Purchase of financial investment at FVOCI	(869,708)	(770,543)	(869,708)	(770,543)
Proceeds from sale/redemption of				
- Financial investment at FVOCI	513,507	726,078	513,507	726,078
Purchase of:				
- Property and equipment	(246)	(780)	(246)	(780)
- Intangible assets	(1,352)	(840)	(1,352)	(840)
Income received from:				
Financial investment at FVOCI	40,875	45,094	40,875	45,094
Net cash utilised in investing activities	<u>(316,924)</u>	<u>(991)</u>	<u>(316,924)</u>	<u>(991)</u>
FINANCING ACTIVITIES				
Repayment of lease liability	(1,402)	3,591	(1,402)	3,591
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Net cash utilised in financing activities	<u>(23,902)</u>	<u>(18,909)</u>	<u>(23,902)</u>	<u>(18,909)</u>
Net increase in cash and cash equivalents	217,356	228,264	216,462	227,024
Cash and cash equivalents as at 1 January	341,307	186,792	322,000	172,046
Cash and cash equivalents as at 30 June	<u><u>558,663</u></u>	<u><u>415,056</u></u>	<u><u>538,462</u></u>	<u><u>399,070</u></u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u><u>558,663</u></u>	<u><u>415,056</u></u>	<u><u>538,462</u></u>	<u><u>399,070</u></u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020

A1 General information

The principal activities of the Company ("Cagamas") 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 2020 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 2020 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 2019. 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 2019. 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 2019.

A3 Economic entities in the Group

Subsidiaries

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

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A3 Economic entities in the Group (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

A4 Amount due from counterparties and Islamic financing assets

Note A1 to the financial statements describes the principal activities of the Group and the Company, which are inter alia, the purchases of mortgage loans, personal loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the Company.

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

A5 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

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

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A6 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note A10 to the financial statements describes the Group's and the Company's accounting policy on impairment of assets.

A7 Property and equipment and depreciation

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

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

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

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

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note A10.2 to the financial statements.

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

A8 Financial assets

(a) Classification

The Group and the Company classify their financial assets in the following measurement categories:

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

Those to be measured at amortised cost

(b) Recognition and de-recognition

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A8 Financial assets (continued)

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI"). There are no new financial assets with embedded derivatives for financial period 2020 and 2019.

Debt instruments

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

There are three measurement categories into which the Group and the Company classify their debt instruments:

(i) Amortised cost

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

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in income statements. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to income statements and recognised in non-interest income/(expense).

Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in non-interest income/(expense) 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 and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in income statements and presented net within non-interest income/(expense) in the period which it arise.

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A8 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group and the Company 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 or the Company'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.

A9 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 de-recognised when extinguished.

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised 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 A18 on hedge accounting.

(b) Borrowings measured at amortised cost

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

Borrowings measured at amortised cost are 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.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A10 Impairment of assets

A10.1 Financial assets

The Group and the Company have four of their financial assets that are subject to the expected credit loss ('ECL') model:

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

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 months ECL – not 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 – not credit impaired**
For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.
- **Stage 3: Lifetime ECL – credit impaired**
Financial assets are assessed as credit impaired when one or more 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.

Simplified approach

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

Significant increase in credit risk

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A10 Impairment of assets (continued)

A10.1 Financial assets (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparties
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the counterparty.

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

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

Definition of default and credit impaired financial assets

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

Quantitative criteria:

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

Qualitative criteria:

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

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

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

Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have been grouped based on shared credit risk characteristics and the days past due for the purpose of ECL measurement. Mortgage assets/Islamic mortgage assets and Islamic hire purchase assets have substantially the same risk characteristics and the Group and the Company have therefore concluded that these assets to be assessed on a collective basis. Financial assets at FVOCI and financial instruments that are credit impaired are assessed on individual basis.

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A10 Impairment of assets (continued)

A10.2 Non-financial assets

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

A11 Write-off

The Group and the Company write off financial assets, in whole or in part, when 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.

A12 Income recognition on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

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

A13 Premium and discount on unsecured bearer bonds, notes and Sukuk

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

A14 Current and deferred tax

Current tax expense represents taxation at the current rate based on taxable profit earned during the financial year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A15 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.

A16 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.

A17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The chief operating decision maker is the person or group that allocated resources and assesses the performance of the operating segments of the Group and the Company. The Group and the Company have determined the Chief Executive Officer of the Company to be the chief operating decision maker.

A18 Derivative financial instruments and hedge accounting

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 and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate.

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exchange rate are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

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

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

The Group's and Company's documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Company document their risk management objective and strategy for undertaking its hedge transactions.

The Group and the Company also document its assessment, both at hedge inception and on an ongoing basis, on whether the derivative is highly effective in offsetting changes in the fair value or cash flows of the hedged items.

Cash flow hedge

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A18 Derivative financial instruments and hedge accounting (continued)

Amounts accumulated in equity are reclassified to income statements in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in income statements within the line item "Non-interest income/(expense)" at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to income statements in the same period that the hedged cash flows affect income statements. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to income statements under "Non-interest income/(expense)".

A19 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract) the reimbursement is recognised as separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

A20 Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group and the Company.

(b) Defined contributions plans

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A21 Intangible assets

(a) Computer software

Acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised when the costs are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and the Company, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

(b) Service rights to transaction administrator and administrator fees

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

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

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 2.8.2 to the financial statements.

A22 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

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

(b) Dividends to the shareholder of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the 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.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A23 Currency translations

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

A24 Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but 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.

A25 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.

A26 Leases

Accounting policies applied from 1 January 2019

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

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A26 Leases (continued)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

The amount of the initial measurement of lease liability;

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

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

Lease liabilities

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

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

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

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A26 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 and the Company present the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the non-interest expense in the income statements.

Reassessment of lease liabilities

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

Short term leases and leases of low value assets

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

A27 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

A28 Seasonality or Cyclical factors

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

A29 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Company for the financial period ended 30 June 2020.

A30 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Company for the financial period 30 June 2020.

A31 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2019 was paid on 5 May 2020.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

A32 Subsequent events

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

A33 Changes in the composition of the Group

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

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

1. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	22,481	110,911	2,280	91,604
Money at call and deposit and placements maturing within three month	158,548	94,118	158,548	94,118
Mudharabah money at call and deposit and placements maturing within three month	377,746	136,383	377,746	136,383
	<u>558,775</u>	<u>341,412</u>	<u>538,574</u>	<u>322,105</u>
Less: Allowance for impairment losses	(112)	(105)	(112)	(105)
	<u><u>558,663</u></u>	<u><u>341,307</u></u>	<u><u>538,462</u></u>	<u><u>322,000</u></u>

As at reporting date, 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 and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	105	-
Allowance during the year	7	105
	<u>112</u>	<u>105</u>
At 30 June/ 31 Dec	<u><u>112</u></u>	<u><u>105</u></u>

2. Deposits and placements with financial institutions

Licensed Banks	<u>56,329</u>	<u>-</u>
----------------	---------------	----------

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

3. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30 Jun 2020			Group and Company 31 Dec 2019		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cash flow hedges:						
IRS/IPRS						
Maturing within one year	1,360,000	4,833	(4,870)	1,560,000	1,710	(5,603)
One to three years	1,745,000	18,461	(32,691)	1,645,000	7,265	(15,677)
Three to five years	110,000	-	(13,334)	110,000	-	(10,499)
More than five years	160,000	33,390		160,000	20,725	-
	<u>3,375,000</u>	<u>56,684</u>	<u>(50,895)</u>	<u>3,475,000</u>	<u>29,700</u>	<u>(31,779)</u>
CCS/ICCS						
Maturing within one year	856,465	37,160	-	2,399,965	20,537	(120,530)
One to three years	273,687	26,156	-	273,687	8,185	-
	<u>1,130,152</u>	<u>63,316</u>	<u>-</u>	<u>2,673,652</u>	<u>28,722</u>	<u>(120,530)</u>
	<u>4,505,152</u>	<u>120,000</u>	<u>(50,895)</u>	<u>6,148,652</u>	<u>58,422</u>	<u>(152,309)</u>

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

	Group and Company	
	30 Jun 2020 RM'000	31 Dec 2019 RM'000
<i>Debt instruments:</i>		
Malaysian government securities	405,579	293,486
Corporate bonds	352,806	281,064
Government investment issues	787,791	676,051
Sukuk	768,016	564,499
Quasi government Sukuk	394,870	493,465
	<u>2,709,062</u>	<u>2,308,565</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

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

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
The maturity structure of financial asset at FVOCI are as follows:		
Maturing within one year	674,721	587,652
One to three years	679,273	538,057
Three to five years	420,184	500,125
More than five years	935,052	682,859
	<hr/>	<hr/>
	2,709,230	2,308,693
Less: Allowance for impairment losses	(168)	(128)
	<hr/>	<hr/>
	<u>2,709,062</u>	<u>2,308,565</u>

As at reporting date, the gross carrying value of FVOCI 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 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	128	-
Allowance during the year	40	128
	<hr/>	<hr/>
At 30 June/ 31 Dec	<u>168</u>	<u>128</u>

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

Unit trust	<u>71,934</u>	<u>141,383</u>
------------	---------------	----------------

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

6. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Relating to:		
Mortgage loans	14,298,081	16,114,190
Hire purchase and leasing debts	699,236	542,964
	<u>14,997,317</u>	<u>16,657,154</u>

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

Maturing within one year	5,425,339	7,491,962
One to three years	8,934,281	8,527,330
More than five years	637,756	637,921
	<u>14,997,376</u>	<u>16,657,213</u>
Less: Allowance for impairment losses	(59)	(59)
	<u>14,997,317</u>	<u>16,657,154</u>

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 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	59	67
Allowance during the year on new assets purchased	15	22
Loans derecognised during the period due to maturity of assets	(2)	(18)
Write-back during the year due to changes in credit risk	(13)	(12)
	<u>59</u>	<u>59</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

7. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Relating to:		
Islamic house financing	10,412,863	10,842,232
	<u>10,412,863</u>	<u>10,842,232</u>
The maturity structure of Islamic financing assets are as follows:		
Maturing within one year	3,702,163	2,513,118
One to three years	5,752,809	5,823,131
Three to five years	958,516	2,506,636
	<u>10,413,488</u>	<u>10,842,885</u>
Less: Allowance for impairment losses	(625)	(653)
	<u>10,412,863</u>	<u>10,842,232</u>

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 and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	653	627
Allowance during the year on new assets purchased	3	87
Loans derecognised during the period due to maturity of assets	(1)	(45)
Write-back during the year due to changes in credit risk	(30)	(16)
	<u>625</u>	<u>653</u>
At 30 June/ 31 Dec	<u>625</u>	<u>653</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

8. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Purchase without Recourse ("PWOR")	4,588,916	4,836,313
The maturity structure of mortgage assets - conventional are as follows:		
Maturing within one year	720,302	770,697
One to three years	937,752	949,648
Three to five years	810,810	810,201
More than five years	2,149,375	2,340,760
	<u>4,618,239</u>	<u>4,871,306</u>
Less: Allowance for impairment losses	(29,323)	(34,993)
	<u>4,588,916</u>	<u>4,836,313</u>

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage allocation:		
<u>2020</u>		
Stage 1 (12-months ECL; non credit impaired)	4,569,104	13,972
Stage 2 (Lifetime ECL; non credit impaired)	3,272	638
Stage 3 (Lifetime ECL; credit impaired)	45,863	14,713
	<u>4,618,239</u>	<u>29,323</u>
At 30 June	<u>4,618,239</u>	<u>29,323</u>
Impairment allowance over gross carrying value (%)		<u>0.63</u>
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	4,805,936	17,640
Stage 2 (Lifetime ECL; non credit impaired)	20,438	2,932
Stage 3 (Lifetime ECL; credit impaired)	44,932	14,421
	<u>4,871,306</u>	<u>34,993</u>
At 31 December	<u>4,871,306</u>	<u>34,993</u>
Impairment allowance over gross carrying value (%)		<u>0.72</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

9. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
PWOR	5,309,076	5,510,428

The maturity structure of mortgage assets - Islamic are as follows:

Maturing within one year	616,083	638,625
One to three years	813,584	817,499
Three to five years	776,753	786,254
More than five years	3,130,863	3,303,134
	<u>5,337,283</u>	<u>5,545,512</u>
Less: Allowance for impairment losses	(28,207)	(35,084)
	<u>5,309,076</u>	<u>5,510,428</u>

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage allocation:		
<u>2020</u>		
Stage 1 (12-months ECL; non credit impaired)	5,298,904	16,422
Stage 2 (Lifetime ECL; non credit impaired)	3,567	618
Stage 3 (Lifetime ECL; credit impaired)	34,812	11,167
	<u>5,337,283</u>	<u>28,207</u>
At 30 June	<u>5,337,283</u>	<u>28,207</u>
Impairment allowance over gross carrying value (%)		<u>0.53</u>
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	5,491,772	20,351
Stage 2 (Lifetime ECL; non credit impaired)	15,575	2,497
Stage 3 (Lifetime ECL; credit impaired)	38,165	12,236
	<u>5,545,512</u>	<u>35,084</u>
At 31 December	<u>5,545,512</u>	<u>35,084</u>
Impairment allowance over gross carrying value (%)		<u>0.64</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

10. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
PWOR	47	136

The maturity structure of hire purchase assets - Islamic are as follows:

Maturing within one year	69	148
Less:		
Allowance for impairment losses	(22)	(12)
	47	136

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage allocation:		
<u>2020</u>		
Stage 3 (Lifetime ECL; credit impaired)	69	22
At 30 June	69	22
Impairment allowance over gross carrying value (%)		31.88
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	112	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	148	12
Impairment allowance over gross carrying value (%)		8.11

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

11. OTHER ASSETS

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	2,883	2,899	2,883	2,899
Deposits	883	931	882	882
Prepayments	2,731	2,678	2,718	2,678
Other receivables	111	159	114	159
Management fee receivable	646	891	646	891
Compensation receivable from originator on mortgage assets	379	469	379	469
	<u>7,633</u>	<u>8,027</u>	<u>7,622</u>	<u>7,978</u>

12. LOANS/FINANCING FROM SUBSIDIARIES

Loans from subsidiary outstanding at financial year ended that are not in the functional currencies of the Group are as follows:

	Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
HKD	376,427	352,503
USD	120,363	1,553,622
SGD	694,914	688,841
	<u>1,191,704</u>	<u>2,594,966</u>

The Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 2.58% to 3.735% per annum (2019: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

Maturing within one year	900,325	2,317,540
One to three years	291,379	277,426
	<u>1,191,704</u>	<u>2,594,966</u>

13. OTHER LIABILITIES

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	851	1,777	851	1,777
Amount due to Government*	71,449	90,620	71,449	90,620
Accruals	26,203	27,899	25,899	27,562
Other payables	1,365	1,392	1,365	1,392
	<u>99,868</u>	<u>121,688</u>	<u>99,564</u>	<u>121,351</u>

* Refers to fund provided by the Government for Mortgage Guarantee Programme (MGP) under Cagamas SRP Berhad (CSRSP)

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

14. UNSECURED BEARER BONDS AND NOTES

		30 Jun 2020		Group 31 Dec 2019	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2020	100,000	3.460	100,000	3.460
Add: Interest payable		552		667	
		100,552		100,667	
(b) Commercial paper	2020	900,000	2.280-3.000	1,200,000	3.250-3.340
Add: Interest payable		1,972		3,213	
		901,972		1,203,213	
(c) Conventional medium-term notes	2020	5,199,109	2.520-6.000	7,595,307	2.520 – 6.000
	2021	2,686,379	2.550-5.380	2,552,426	3.035 – 5.380
	2022	6,830,000	2.700-4.650	5,850,000	3.380 – 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
		17,890,488		19,172,733	
Add:					
Interest payable		174,104		181,850	
Unaccreted premium		1,006		3,475	
Less:					
Deferred financing fees		(264)		(836)	
Unamortised discount		(38)		(75)	
		18,065,296		19,357,147	
		19,067,820		20,661,027	

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

14. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

			30 Jun 2020		Company
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	31 Dec 2019 Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2020	100,000	3.460	100,000	3.460
Add:					
Interest payable		552		667	
		<u>100,552</u>		<u>100,667</u>	
(b) Commercial paper	2020	900,000	2.280-3.000	1,200,000	3.250-3.340
Add:					
Interest payable		1,972		3,213	
		<u>901,972</u>		<u>1,203,213</u>	
(c) Conventional medium-term notes					
	2020	4,315,000	3.300-6.000	5,295,000	3.300 – 6.000
	2021	2,395,000	2.550-5.380	2,275,000	3.350 – 5.380
	2022	6,830,000	2.700-4.650	5,850,000	3.380 – 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>16,715,000</u>		<u>16,595,000</u>	
Add:					
Interest payable		158,044		164,961	
Unaccreted premium		1,006		3,475	
Less:					
Unamortised discount		(38)		(75)	
		<u>16,874,012</u>		<u>16,763,361</u>	
		<u>17,876,536</u>		<u>18,067,241</u>	

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

14. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,166,441	9,083,664	6,266,536	6,767,215
One to three years	8,726,379	8,402,295	8,435,000	8,124,958
Three to five years	955,000	955,000	955,000	955,000
More than five years	2,220,000	2,220,068	2,220,000	2,220,068
	<u>19,067,820</u>	<u>20,661,027</u>	<u>17,876,536</u>	<u>18,067,241</u>

(a) Floating Rate Notes ("FRNs")

FRN 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")

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

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

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

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

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

	Group	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
HKD	376,276	352,201
USD	120,264	1,553,180
SGD	694,744	688,405
	<u>1,191,284</u>	<u>2,593,786</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

15. SUKUK

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>Group and Company</u>		
			<u>30 Jun 2020</u> <u>Effective interest rate</u> %	<u>31 Dec 2019</u> <u>Effective interest rate</u> %	
(a) Islamic commercial papers	2020	605,000	2.390-3.050	905,000	3.250-3.310
Add:					
Profit payable		2,604		1,587	
		<u>607,604</u>		<u>906,587</u>	
(b) Islamic medium-term notes					
	2020	2,725,000	3.290-6.000	2,725,000	3.290-6.000
	2021	3,020,000	4.080-5.380	3,020,000	4.080-5.380
	2022	3,010,000	3.380-4.700	3,010,000	3.380-4.700
	2023	2,495,000	4.250-6.350	2,495,000	4.250-6.350
	2024	1,135,000	3.550-5.520	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
		<u>14,810,000</u>		<u>14,810,000</u>	
Add:					
Profit payable		124,036		125,728	
Unaccreted premium		2,732		7,568	
		<u>14,936,768</u>		<u>14,943,296</u>	
		<u>15,544,372</u>		<u>15,849,883</u>	

The maturity structure of Sukuk is as follows:

	<u>Group and Company</u>	
	<u>30 Jun 2020</u> RM'000	<u>31 Dec 2019</u> RM'000
Maturing within one year	5,104,372	3,764,836
One to three years	5,890,000	6,030,000
Three to five years	2,125,000	3,630,000
More than five years	2,425,000	2,425,047
	<u>15,544,372</u>	<u>15,849,883</u>

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

15. SUKUK (CONTINUED)

(a) Islamic commercial papers (“ICP”)

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

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

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

(c) Variable Profit Rate Notes (“VRN”)

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

Apart from Ringgit IMTNs and VRNs, Cagamas also issued IMTNs and VRNs in foreign currency (“Islamic EMTN”). Under the USD2.5 billion Multicurrency Sukuk Issuance Programme, CGS, may from time to time issue Islamic EMTN in any currency (other than Ringgit Malaysia) which are unconditionally and irrevocably guaranteed by Cagamas. There are no Islamic EMTN outstanding at the end of financial period which are not in the functional currencies of the Group.

16. Lease liabilities

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	4,791	4,916
Lease payment	(1,402)	(2,648)
Interest lease liability	1,234	2,523
	<hr/>	<hr/>
At 30 June/ 31 December	4,623	4,791
	<hr/> <hr/>	<hr/> <hr/>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

17. INTEREST INCOME

	Group and Company	
	6 months to	6 months to
	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
Amount due from counterparties	322,613	420,189
Mortgage assets	102,455	116,665
Compensation from mortgage assets	9	8
Financial assets designated as FVOCI	36,431	40,046
Deposits and placements with financial institutions	1,483	2,667
	<u>462,991</u>	<u>579,575</u>
Accretion of discount less amortisation of premium (net)	51,612	54,788
	<u>514,603</u>	<u>634,363</u>

18. INTEREST EXPENSE

	Group		Company	
	6 Months to	6 Months to	6 Months to	6 Months to
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Medium-term	(375,488)	(464,432)	(346,973)	(400,552)
Floating rate notes	(1,558)	(4,654)	(1,558)	(4,654)
Commercial paper	(17,201)	(17,265)	(17,201)	(17,265)
Deposits and placements of financial Institutions	(120)	(102)	(120)	(102)
Loans/financing from subsidiaries	-	-	(28,822)	(66,218)
Lease liabilities	(1,234)	(1,270)	(1,234)	(1,270)
	<u>(395,601)</u>	<u>(487,723)</u>	<u>(395,908)</u>	<u>(490,061)</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

19. NON-INTEREST EXPENSE

	Group		Company	
	6 Months to	6 Months to	6 Months to	6 Months to
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
Income/(expense) arising from derivatives:				
- Interest income	63,459	102,612	63,459	102,612
- Interest expense	(74,070)	(131,291)	(74,070)	(131,291)
- Realised gain	763	385	763	385
- Unrealised gain	449	163	449	163
Gain on disposal of:				
- Financial asset at FVOCI	5,559	4,462	5,559	4,462
- Property and equipment	8	22	8	22
Income from financial asset at FVTPL	1,238	-	1,238	-
Reclassification adjustments of fair value on CCS, transfer from equity	55,705	(10,083)	55,705	(10,083)
Unrealised (loss)/gain on foreign exchange	(56,933)	9,586	(56,933)	9,586
Other non-operating income	3,243	3,661	3,243	3,660
	<u>(579)</u>	<u>(20,483)</u>	<u>(579)</u>	<u>(20,484)</u>

20. 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.

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

20. SEGMENT REPORTING (CONTINUED)

	PWR RM'000	PWOR RM'000	Total RM'000
30 Jun 2020			
Group			
External revenue	591,769	323,415	915,184
External interest/profit expense	(519,885)	(215,264)	(735,149)
Profit from operations	46,684	110,758	157,442
Taxation	(12,735)	(25,070)	(37,805)
Profit after taxation by segment	33,949	85,688	119,637
Segment assets	28,004,820	10,856,452	38,861,272
Segment liabilities	26,104,935	8,704,465	34,809,400
<u>Other information</u>			
Capital expenditure	1,157	449	1,606
Depreciation and amortisation	1,829	711	2,540
Amortisation of right of use of assets	225	87	312
Company			
External revenue	591,769	323,415	915,184
Internal interest/profit expense	(28,822)	-	(28,822)
External interest/profit expense	(491,370)	(215,264)	(706,634)
Total interest/profit expense	(520,192)	(215,264)	(735,456)
Profit from operations	46,571	110,758	157,329
Taxation	(12,689)	(25,070)	(37,759)
Profit after taxation by segment	33,882	85,688	119,570
Segment assets	27,988,055	10,856,452	38,844,507
Segment liabilities	26,103,835	8,704,464	34,808,299
<u>Other information</u>			
Capital expenditure	1,157	449	1,606
Depreciation and amortisation	1,829	711	2,540
Amortisation of right of use of assets	225	87	312

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

20. 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/profit expense	(565,892)	(242,125)	(808,017)
Profit from operations	54,079	97,141	151,220
Taxation	(12,142)	(23,697)	(35,839)
Profit after taxation 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
Internal interest/profit expense	(66,218)	-	(66,218)
External interest/profit expense	(502,014)	(242,123)	(744,137)
Total interest/profit expense	(568,232)	(242,123)	(810,355)
Profit from operations	51,909	97,142	149,051
Taxation	(12,076)	(23,696)	(35,772)
Profit after taxation 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

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

21. 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 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	%	%	%	%
CET I capital ratio	32.5	29.3	32.3	29.1
Tier I capital ratio	32.5	29.3	32.3	29.1
Total capital ratio	33.9	30.7	33.8	30.5
	RM'000	RM'000	RM'000	RM'000
The capital adequacy ratios are as follows:				
CET 1/Tier I capital				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	3,828,535	3,731,398	3,812,871	3,715,801
	<u>3,978,535</u>	<u>3,881,398</u>	<u>3,962,871</u>	<u>3,865,801</u>
Financial asset at FVOCI reserves	27,656	16,909	27,656	16,909
Deferred tax assets	(17,451)	(17,451)	(17,451)	(17,451)
Less: Regulatory reserves	(109,779)	(109,779)	(109,779)	(109,779)
Total Tier I capital	<u>3,878,961</u>	<u>3,771,077</u>	<u>3,863,297</u>	<u>3,755,480</u>
Tier II capital				
Allowance for impairment losses	58,508	71,037	58,508	71,037
Add: Regulatory reserves	109,779	109,779	109,779	109,779
Total Tier II capital	<u>168,287</u>	<u>180,816</u>	<u>168,287</u>	<u>180,816</u>
Total capital	<u>4,047,248</u>	<u>3,951,893</u>	<u>4,031,584</u>	<u>3,936,296</u>
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	11,257,244	12,197,228	11,255,298	12,196,749
Operational risk	689,149	694,875	689,149	694,875
Total risk-weighted assets	<u>11,946,393</u>	<u>12,892,103</u>	<u>11,944,447</u>	<u>12,891,624</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Group		Company	
		30 Jun 2020 RM'000	31 Dec 2019 RM'000	30 Jun 2020 RM'000	31 Dec 2019 RM'000
ASSETS					
Cash and short-term funds	(a)	377,747	136,916	377,737	136,900
Derivative financial instruments		4,833	1,711	4,833	1,711
Financial asset at fair value through other comprehensive Income (FVOCI)	(b)	597,798	461,841	597,798	461,841
Financing assets	(c)	10,412,863	10,842,232	10,412,863	10,842,232
Mortgage assets	(d)	5,306,557	5,507,533	5,306,557	5,507,533
Hire purchase assets	(e)	42	132	42	132
Other assets and prepayments		289,281	289,358	291,684	291,756
TOTAL ASSETS		16,989,121	17,239,723	16,991,514	17,242,105
LIABILITIES					
Other liabilities	(f)	9,501	9,989	8,363	8,918
Sukuk	(g)	15,544,372	15,849,883	15,544,372	15,849,883
Derivative financial instruments		11,049	4,369	11,049	4,369
Deferred taxation		25,712	26,238	25,712	26,238
Provision for taxation		6,063	4,168	6,063	4,168
TOTAL LIABILITIES		15,596,697	15,894,647	15,595,559	15,893,576
Allocated capital funds		294,159	294,159	294,159	294,159
Reserves		1,098,265	1,050,917	1,101,796	1,054,370
ISLAMIC OPERATIONS' FUNDS		1,392,424	1,345,076	1,395,955	1,348,529
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		16,989,121	17,239,723	16,991,514	17,242,105

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	Group		Company	
		6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000
Total income attributable		400,581	380,093	400,581	380,093
Income attributable to the Sukuk holders (h)		(340,782)	(321,564)	(340,782)	(321,564)
Non-profit Income/(expense)		450	(1,596)	450	(1,596)
Total net income attributable (i)		60,249	56,933	60,249	56,933
Administration and general expenses		(1,437)	(1,424)	(1,359)	(1,355)
Writeback for impairment losses		5,706	33	5,706	33
PROFIT BEFORE TAXATION		64,518	55,542	64,596	55,611
Taxation		(15,503)	(13,347)	(15,503)	(13,347)
PROFIT FOR THE FINANCIAL PERIOD		49,015	42,195	49,093	42,264

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Note	Group		Company	
	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000
Profit for the financial period	49,015	42,195	49,093	42,264
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	2,156	3,625	2,156	3,625
- Deferred taxation	(517)	(871)	(517)	(871)
Cash flow hedge				
- Net (loss)/gain on cash flow hedge before taxation	(4,350)	1,648	(4,350)	1,648
- Deferred taxation	1,044	(396)	1,044	(396)
Other comprehensive (loss)/income for the financial period, net of taxation	(1,667)	4,006	(1,667)	4,006
Total comprehensive income for the financial period	47,348	46,201	47,426	46,270

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group	<u>Non-distributable</u>					<u>Total</u> RM'000
	<u>Allocated</u> <u>capital</u> <u>funds</u> RM'000	<u>Financial</u> <u>asset at</u> <u>FVOCI</u> <u>reserve</u> RM'000	<u>Cash flow</u> <u>hedge</u> <u>reserves</u> RM'000	<u>Regulatory</u> <u>reserves</u> RM'000	<u>Retained</u> <u>profits</u> RM'000	
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	990,606	1,345,076
Profit for the financial period	-	-	-	-	49,015	49,015
Other comprehensive income/(loss)	-	1,639	(3,306)	-	-	(1,667)
Total comprehensive income/(loss) for the financial period	-	1,639	(3,306)	-	49,015	47,348
Balance as at 30 June 2020	<u>294,159</u>	<u>5,546</u>	<u>(5,463)</u>	<u>58,561</u>	<u>1,039,621</u>	<u>1,392,424</u>
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 to retained profits	-	-	-	(14,878)	14,878	-
Balance as at 30 June 2019	<u>294,159</u>	<u>3,238</u>	<u>(1,487)</u>	<u>61,135</u>	<u>967,550</u>	<u>1,324,595</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Company	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Cash flow hedge reserves RM'000	Non-distributable		Total RM'000
				Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	994,059	1,348,529
Profit for the financial period	-	-	-	-	49,093	49,093
Other comprehensive income/(loss)	-	1,639	(3,306)	-	-	(1,667)
Total comprehensive income/(loss) for the financial period	-	1,639	(3,306)	-	49,093	47,426
Balance as at 30 June 2020	294,159	5,546	(5,463)	58,561	1,043,152	1,395,955
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 to retained profits	-	-	-	(14,878)	14,878	-
Balance as at 30 June 2019	294,159	3,238	(1,487)	61,135	970,940	1,327,985

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 JUNE 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 June 2020

	<u>Group</u>		<u>Company</u>	
	<u>6 months to 30 Jun 2020 RM'000</u>	<u>6 months to 30 Jun 2019 RM'000</u>	<u>6 months to 30 Jun 2020 RM'000</u>	<u>6 months to 30 Jun 2019 RM'000</u>
OPERATING ACTIVITIES				
Profit before taxation	64,518	55,542	64,596	55,611
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	(4,766)	(2,483)	(4,766)	(2,483)
Accretion of discount on:				
Mortgage assets	(44,451)	(37,133)	(44,451)	(37,133)
Allowance for impairment losses	(5,723)	(33)	(5,723)	(33)
Income from Islamic operations	(351,364)	(340,477)	(351,364)	(340,477)
Gain on disposal of				
- Financial investment at FVOCI	-	(22)	-	(22)
Profit attributable to Sukuk holders	340,782	321,564	340,782	321,564
Operating loss before working capital changes	(1,004)	(3,042)	(926)	(2,973)
Changes in financing assets	428,979	542,643	428,979	542,643
Changes in mortgage assets	249,151	241,462	249,151	241,462
Changes in hire purchase assets	89	83	89	83
Changes in other assets and prepayments	24	148	19	144
Changes in Sukuk	(304,836)	(628,141)	(304,836)	(628,141)
Changes in derivatives	(792)	69	(792)	69
Changes in other liabilities	438	1,031	371	966
Cash generated from operations	372,049	154,253	372,055	154,253

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020
(CONTINUED)**

	Group		Company	
	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2019 RM'000
Profit received from Islamic assets	347,514	334,347	347,514	334,347
Profit paid to Sukuk holders	(341,457)	(331,063)	(341,457)	(331,063)
Payment of:				
- Zakat	(926)	(734)	(926)	(734)
- Taxation	(13,609)	(15,732)	(13,609)	(15,732)
Net cash generated from operating activities	<u>363,571</u>	<u>141,071</u>	<u>363,577</u>	<u>141,071</u>
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(402,471)	(166,375)	(402,471)	(166,375)
Sale of:				
- Financial investment at FVOCI	273,820	103,123	273,820	103,123
Income received from				
- Financial investment at FVOCI	5,911	4,767	5,911	4,767
Net cash utilised in investing activities	<u>(122,740)</u>	<u>(58,485)</u>	<u>(122,740)</u>	<u>(58,485)</u>
Net increase in cash and cash equivalents	240,831	82,586	240,837	82,586
Cash and cash equivalents as at 1 January	136,916	44,415	136,900	44,376
Cash and cash equivalents as at 30 June	<u><u>377,747</u></u>	<u><u>127,001</u></u>	<u><u>377,737</u></u>	<u><u>126,962</u></u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u><u>377,747</u></u>	<u><u>127,001</u></u>	<u><u>377,737</u></u>	<u><u>126,962</u></u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>	<u>30 Jun 2020</u>	<u>31 Dec 2019</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	71	638	61	622
Mudharabah money at call and deposit placements maturing within three month	377,746	136,383	377,746	136,383
	<u>377,817</u>	<u>137,021</u>	<u>377,807</u>	<u>137,005</u>
Less: Allowance for impairment losses	(70)	(105)	(70)	(105)
	<u>377,747</u>	<u>136,916</u>	<u>377,737</u>	<u>136,900</u>

As at reporting date, 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:

	<u>Group and Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	RM'000	RM'000
At 1 January	105	-
(Write-back)/allowance during the year	(35)	105
At 30 June/ 31 Dec	<u>70</u>	<u>105</u>

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

	<u>Group and Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	RM'000	RM'000
<i>At fair value:</i>		
Debt instruments	597,798	461,841
<i>Debt instruments:</i>		
Sukuk	365,480	73,908
Government investment issues	143,628	214,409
Quasi government securities	88,690	173,524
	<u>597,798</u>	<u>461,841</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

21. ISLAMIC OPERATIONS (CONTINUED)

(b) *Financial asset at fair value through other comprehensive income (FVOCI) (continued)*

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
The maturity structure of FVOCI are as follows:		
Maturing within one year	352,708	281,479
One to three years	103,141	81,270
Three to five years	41,722	67,077
More than five years	100,253	32,024
	<hr/>	<hr/>
	597,824	461,850
Less: Allowance for impairment losses	(26)	(9)
	<hr/>	<hr/>
	597,798	461,841
	<hr/> <hr/>	<hr/> <hr/>

As at reporting date, the gross carrying value of FVOCI 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 2020	31 Dec 2019
	RM'000	RM'000
At 1 January	9	-
Allowance during the year	17	9
	<hr/>	<hr/>
At 30 June/ 31 Dec	26	9
	<hr/> <hr/>	<hr/> <hr/>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets*

	<u>Group and Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Relating to:		
House financing	10,412,863	10,842,232
	<u> </u>	<u> </u>
The maturity structure of financing assets are as follows:		
Maturing within one year	3,702,163	2,513,118
One to three years	5,752,809	5,823,131
Three to five years	958,516	2,506,636
	<u> </u>	<u> </u>
	10,413,488	10,842,885
Less: Allowance for impairment losses	(625)	(653)
	<u> </u>	<u> </u>
	<u>10,412,863</u>	<u>10,842,232</u>

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:

	<u>Group and Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
At 1 January	653	586
Allowance during the year on new assets purchased	3	87
Loans derecognised during the period due to maturity of assets	(1)	(4)
Write-back during the year due to changes in credit risk	(30)	(16)
	<u> </u>	<u> </u>
At 30 June/ 31 Dec	625	653

(d) *Mortgage assets*

PWOR	<u>5,306,557</u>	<u>5,507,533</u>
------	------------------	------------------

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

(d) Mortgage assets (continued)

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
The maturity structure of mortgage assets are as follows:		
Maturing within one year	615,360	637,777
One to three years	812,521	816,574
Three to five years	775,873	785,595
More than five years	3,131,005	3,302,664
	<u>5,334,759</u>	<u>5,542,610</u>
Less:		
Allowance for impairment losses	(28,202)	(35,077)
	<u>5,306,557</u>	<u>5,507,533</u>

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage allocation:		
<u>2020</u>		
Stage 1 (12-months ECL; non credit impaired)	5,296,380	16,416
Stage 2 (Lifetime ECL; non credit impaired)	3,567	618
Stage 3 (Lifetime ECL; credit impaired)	34,812	11,168
	<u>5,334,759</u>	<u>28,202</u>
At 30 June		
Impairment allowance over gross carrying value (%)		<u>0.53</u>
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	5,490,661	20,344
Stage 2 (Lifetime ECL; non credit impaired)	15,036	2,497
Stage 3 (Lifetime ECL; credit impaired)	36,913	12,236
	<u>5,542,610</u>	<u>35,077</u>
At 31 December		
Impairment allowance over gross carrying value (%)		<u>0.63</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
<i>(e) Hire purchase assets</i>		
PWOR	42	132
	<u>42</u>	<u>132</u>
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	63	143
Less:		
Allowance for impairment losses	(21)	(11)
	<u>42</u>	<u>132</u>

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

	Gross carrying value	Impairment allowance
	RM'000	RM'000
By stage allocation:		
<u>2020</u>		
Stage 3 (Lifetime ECL; credit impaired)	63	21
At 30 June	<u>63</u>	<u>21</u>
Impairment allowance over gross carrying value (%)		<u>33.3</u>
<u>2019</u>		
Stage 1 (12-months ECL; non credit impaired)	107	-
Stage 3 (Lifetime ECL; credit impaired)	36	11
At 31 December	<u>143</u>	<u>11</u>
Impairment allowance over gross carrying value (%)		<u>7.7</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

(f) *Other liabilities*

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	851	1,777	851	1,777
Other payables	8,650	8,212	7,512	7,141
	<u>9,501</u>	<u>9,989</u>	<u>8,363</u>	<u>8,918</u>

(g) *Sukuk*

	<u>Group and Company</u>	
	<u>30 Jun 2020</u>	<u>31 Dec 2019</u>
	<u>RM'000</u>	<u>RM'000</u>
Commercial papers	607,604	906,587
Medium-term notes	14,936,768	14,943,296
	<u>15,544,372</u>	<u>15,849,883</u>

The maturity structure of Sukuk are as follows:

Maturing within one year	5,104,372	3,764,836
One to three years	5,890,000	6,030,000
Three to five years	2,125,000	3,630,000
More than five years	2,425,000	2,425,047
	<u>15,544,372</u>	<u>15,849,883</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

(h) *Income attributable to the Sukuk holders*

	Group and Company	
	30 Jun 2020	30 Jun 2019
	RM'000	RM'000
Mortgage assets	(118,877)	(126,177)
Hire purchase assets	(70)	(96)
Financing assets	(221,835)	(195,291)
	<u>(340,782)</u>	<u>(321,564)</u>

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

Bai Al-Dayn	<u>(340,782)</u>	<u>(321,564)</u>
-------------	------------------	------------------

(i) *Total income attributable*

Income from:		
Mortgage assets	40,450	38,387
Financing assets	6,558	11,091
Deposit and placements with financial institutions	1,843	1,305
Financial assets at FVOCI	11,058	7,842
Hire purchase assets	(110)	(96)
Non-profit income/(expense)	450	(1,596)
	<u>60,249</u>	<u>56,933</u>

Total net income analysed by concept are as follows:

Bai Al-Dayn	46,898	49,382
Musyarakah	1,072	1,037
Murabahah	4,699	2,152
Wakalah	473	967
Mudharabah	6,607	3,291
Bai Bithaman Ajil	332	-
Ijarah	168	104
	<u>60,249</u>	<u>56,933</u>

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

22. ISLAMIC OPERATIONS (CONTINUED)

(j) *Capital adequacy*

	Group		Company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	%	%	%	%
CET I capital ratio	21.8	19.8	21.8	19.8
Tier I capital ratio	21.8	19.8	21.8	19.8
Total capital ratio	23.2	21.2	23.3	21.3
	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	1,098,182	1,049,167	1,101,713	1,052,620
	1,392,341	1,343,326	1,395,872	1,346,779
Less: Regulatory reserves	(58,561)	(58,561)	(58,561)	(58,561)
Financial asset at FVOCI reserve	4,009	1,758	4,009	1,758
Deferred tax assets	(5,985)	(5,985)	(5,985)	(5,985)
Total CET 1/Tier I capital	1,331,804	1,280,538	1,335,335	1,283,991
Tier II capital				
Add: Regulatory reserves	58,561	58,561	58,561	58,561
Allowance for impairment losses	28,907	35,864	28,907	35,864
Total Tier II capital	87,468	94,425	87,468	94,425
Total capital	1,419,272	1,374,963	1,422,803	1,378,416
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	5,888,501	6,244,654	5,890,912	6,247,049
Operational risk	226,858	233,760	226,858	233,760
Total risk-weighted assets	6,115,359	6,478,414	6,117,770	6,480,809

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

23. BUSINESS REVIEW

Market environment

Global economic conditions remain weak due to the impact of COVID-19 with global growth projected at - 4.9% and 5.4% in 2020 and 2021 respectively (2019 global growth: 2.9%)¹. The rapid spread of the COVID-19 virus resulted in the introduction of national lockdowns and social distancing measures in many major economies which has caused elevated volatility in the global financial markets. The COVID-19 pandemic has had a greater negative impact on economic activity in the first half of the year than anticipated, and the recovery is projected to be more gradual than previously forecasted. However, several major economies have begun relaxing measures to contain the pandemic, leading to a gradual resumption of economic activity. Financial conditions have improved, although risk aversion remains elevated. Downside risks to the global outlook remains, especially if a resurgence of the pandemic necessitates the reintroduction of containment measures.

For Malaysia, a lower growth has been registered in 1Q2020 at 0.7%² (1Q2019: 4.5%) which reflected the slowdown on global activities for export dependant nations arising from the economic lockdown in China during that quarter. Impact on the implementation of the Movement Control Order on 18 March 2020 contributed towards the slowdown at the end of 1Q2020 as the economic activity came to a sharp downshift and further contracted in the second quarter of the year due to measures introduced to contain and curb the COVID-19 virus from spreading. Following the gradual and progressive re-opening of the economy since early May 2020, economic activities have begun to recover from the trough in the later half of the second quarter.

As at June 2020, liquidity in the banking system remained flushed, where the Liquidity Coverage Ratio increased to 149.2% (May 2020: 140.2%) amidst a shift from wholesale funding towards deposits. As such, loan-to-fund and loan-to-fund-and-equity ratios remained stable at 82.1% and 71.5% respectively. Total outstanding loans grew by 4.1% in June 2020 (May 2020: 3.9%), contributed by higher outstanding household loans. The higher household loan growth (June 2020: 3.5%, May 2020: 3.2%) was mainly contributed by housing and securities loans amid higher disbursements. Outstanding corporate bond growth also increased to 2.5% (May 2020: 1.9%)³.

The fiscal stimulus packages such as the Short-Term Economic Recovery Plan recently announced by the Malaysian Government alongside monetary and financial measure, will continue to underpin the improving economic outlook. The projected improvement in the domestic economy is expected to be further supported by a gradual recovery in global growth conditions. Inflationary pressures are expected to be muted in 2020. Average headline inflation is likely to be negative this year, primarily reflecting the substantially lower global oil prices. The pace and strength of the recovery, however, remain subject to downside risks emanating from both domestic and external factors.

¹ IMF, World Economic Outlook, June 2020

² BNM, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2020

³ BNM, Monthly Highlights June 2020

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

23. BUSINESS REVIEW (CONTINUED)

Market environment (continued)

The geopolitical tensions and policy uncertainties in a number of countries at the beginning of 2020 followed by the outbreak of COVID-19 in Malaysia since early March had led BNM to cut Overnight Policy Rate (OPR) by a total of 1.00% from 3.00% to 2.00% in 1H2020. BNM has also reduced the Statutory Reserve Requirement (SRR) ratio from 3% to 2% in March 2020, citing significant weakening of global economic conditions, tightened financial conditions amidst elevated risk aversion and uncertainty. On GDP growth, BNM has forecasted GDP growth of between -2.0% and 0.5% in 2020 due to lower household expenditure arising from lower income from subdued labour conditions, while private sector investments would be dampened by moderating profits and poor business sentiments.

The lower OPR and accommodative liquidity situation provided support for the local fixed income markets which resulted in 10-year Malaysian Government Securities (MGS) yield decreasing by 45 basis points in 1H2020. In view of the widening fiscal deficit due to the shortfall in government revenue amid sluggish crude oil prices and the additional fiscal injection by the Government, issuance of MGS and other government securities in 2020 is expected to be significantly higher than in previous years. However, the prospects of increased government securities supply are in line with fiscal spending by the Government as part of the relief measures to anchor growth from impact of the COVID-19. Despite expectation of increased supply expected, the MYR bond market remains healthy, given the depth and liquidity of the domestic bond market. The improved positive foreign inflows into the MYR government securities in the later part of 1H2020 is also expected to continue to provide positive sentiment for the local MYR bond market

Financial performance

The Group's net interest income decreased due to maturity of PWR assets during the period of RM3.7 billion and rundown in PWOR assets.

However, the Group recorded a reduction in operating expenses and a writeback of impairment losses arising from reduction in principal balance and improvement in PWOR asset staging. As a result, the Group registered a pre-tax profit of RM157.4 million for the period ended 30 June 2020 as compared to RM151.2 million in the previous corresponding period.

The total assets of the Group as at 30 June 2020 stood at RM38.9 billion, a reduction of 4.6% since 31 December 2019.

Purchase of Loans and Financing

Cagamas recorded RM1.8 billion of purchases of loans and financing (1H2019: RM0.2 billion) in the 1H2020. All purchases were under PWR scheme while residential mortgage continued to dominate Cagamas' portfolio at 98.0% (1H2019: 98.7%), followed by hire purchase loans and financing at 2.0% (1H2019: 1.3%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2020, Cagamas has issued a total of 19 new issuances totalling RM3.8 billion, comprising an aggregate of RM2.9 billion bonds and RM0.9 billion sukuk. Total issuance of RM3.8 billion was raised solely from the ringgit market under the Company's IMTN/MTN and ICP/CP Programme.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

23. BUSINESS REVIEW (CONTINUED)

Issuance of Bonds and Sukuk (continued)

Cagamas' local and foreign currency capital programmes have been assigned long term issuer rating of A3 by Moody's Investors Service (Moody's) which is in line with Malaysian sovereign ratings. RAM Rating Services Berhad (RAM Ratings) assigned Cagamas' Global, ASEAN and national-scale corporate credit ratings at $gA2/Stable/gP1$, $seaAAA/Stable/seaP1$ and $AAA/Stable/P1$, respectively. In addition, Malaysian Rating Corporation Berhad (MARC) assigned Cagamas' bonds and sukuk issues ratings at $AAA/MARC-1$ and $AAA_{IS}/MARC-1_{IS}$, respectively. Reaffirmation of these ratings reflects Cagamas' ability to attract investment in its bonds and sukuk, underpinned by its strong credit rating, track record of strong capitalisation, robust asset quality and stable profitability.

Capital management

The Group's core capital ratio as at 30 June 2020 improved to 32.5% as compared to 29.3% as at 31 December 2019. As at the reporting date, TCR remains stable at 33.9%, 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 2019.

Total shareholder's funds for the Group had grown to RM4.1 billion from RM3.9 billion arising from profits generated during the period, while net tangible assets per share increased by 3.5% to RM26.90 per share as at 30 June 2020.

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

Since the start of COVID-19 pandemic in March 2020, Cagamas had activated split team rotations that involved working from home as a precautionary measure to protect the health and well-being of our staff as well as to test the robustness of our business continuity plan. Other precautionary measures included daily temperature screening to all staff and visitors, supply of hand sanitiser and facemask to all staff, conducting meeting via digital platform to minimise or avoid physical meeting, increased office daily sanitisation especially high-touch items / areas, home quarantine for staff who have had close contact with suspected and confirmed COVID-19 cases and continuous advisory on COVID-19 to keep staff informed on the latest Management's planning and decision among others.

Cagamas also organised its inaugural virtual investor briefing which was broadcasted from the Cagamas office in Kuala Lumpur and attended by over 85 registered attendees from across the region. Cagamas is adapting stakeholder engagements in the new normal in our effort to minimise the spread of COVID-19. The briefing was led by President/Chief Executive Officer, Datuk Chung Chee Leong who presented on the Company's financial performance for the 2019 financial year and its plans on navigating through these unprecedented times. Cagamas continues to participate as speakers/panellists in various virtual conferences on the topics of housing finance and capital market, both locally and internationally.

Registration No.

198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2020 (Continued)

23. BUSINESS REVIEW (CONTINUED)

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

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 March 2020, Cagamas contributed towards the purchase of medical equipment organised by Mercy Malaysia (Mercy). The CSR initiative was 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 allow the fund to coordinate the purchase of 20 ventilators to be used in Intensive Care Units at designated government hospitals. In collaboration with Persekutuan Orang Pekak under the Cagamas Zakat Wakalah Programme (ZWP), Cagamas 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 (MCO) due to the pandemic. In April 2020, Cagamas ZWP also made a cash contribution to assist 14 asnaf recipients in Merbok, Kedah. The Cagamas Scholarship Programme (CSP) continues to see the Company reaching out to deserving Malaysians who need financial aid to pursue their education. As at 2020, the CSP has sponsored a total of 20 scholars with 11 scholars who have graduated.