

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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2016

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

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Group		Company	
		30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
ASSETS					
Cash and short-term funds	1	462,770	243,912	462,009	243,789
Derivative financial instruments	2	480,697	678,847	480,697	678,847
Available-for-sale investment securities	3	2,022,372	1,793,617	2,022,372	1,793,617
Amount due from counterparties	4	13,046,668	10,970,979	13,046,668	10,970,979
Islamic financing assets	5	6,213,851	5,581,449	6,213,851	5,581,449
Mortgage assets					
- Conventional	6	6,526,914	6,781,767	6,526,914	6,781,767
- Islamic	7	6,848,264	7,006,642	6,848,264	7,006,642
Hire purchase assets					
- Conventional		1	4	1	4
- Islamic	8	3,203	4,105	3,203	4,105
Amount due from related company					
- Related company		444	559	444	559
- Subsidiaries		-	-	4,956	7,344
Other assets	9	9,468	9,163	9,457	9,120
Property and equipment		2,586	2,968	2,586	2,968
Intangible assets		7,623	7,728	7,623	7,728
TOTAL ASSETS		35,624,861	33,081,740	35,629,045	33,088,918
LIABILITIES					
Unsecured bearer bonds and notes	10	19,704,292	17,994,724	14,880,286	13,264,908
Sukuk	11	12,601,285	11,944,033	11,665,392	11,448,950
Loans/financing from subsidiary	12	-	-	5,767,780	5,235,440
Derivative financial instruments	2	57,733	35,240	57,733	35,240
Provision for taxation		33,872	23,478	33,852	23,458
Deferred taxation		9,024	29	9,024	29
Other liabilities	13	66,953	69,040	65,507	67,775
TOTAL LIABILITIES		32,473,159	30,066,544	32,479,574	30,075,800
Share capital		150,000	150,000	150,000	150,000
Reserves		3,001,702	2,865,196	2,999,471	2,863,118
SHAREHOLDER'S FUNDS		3,151,702	3,015,196	3,149,471	3,013,118
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		35,624,861	33,081,740	35,629,045	33,088,918
NET TANGIBLE ASSETS PER SHARE (RM)		20.96	20.05	20.95	20.04

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 2015 and the accompanying explanatory notes on pages 8 to 39 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 26 August 2016

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

		Group		Company	
		6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
Interest income	14	532,786	412,140	532,786	412,140
Interest expense	15	(381,391)	(278,748)	(383,207)	(280,564)
Income from Islamic operations	19	69,959	71,732	71,392	71,732
Non-interest expense	16	(13,814)	(14,868)	(13,802)	(14,829)
		<u>207,540</u>	<u>190,256</u>	<u>207,169</u>	<u>188,479</u>
Administration and general expenses		(16,441)	(16,824)	(16,242)	(16,446)
Personnel cost		(12,487)	(11,870)	(12,487)	(11,870)
OPERATING PROFIT		<u>178,612</u>	<u>161,562</u>	<u>178,440</u>	<u>160,163</u>
Allowance for impairment losses		(946)	-	(946)	-
PROFIT BEFORE TAXATION		<u>177,666</u>	<u>161,562</u>	<u>177,494</u>	<u>160,163</u>
Taxation		(44,413)	(40,738)	(44,394)	(40,738)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>133,253</u></u>	<u><u>120,824</u></u>	<u><u>133,100</u></u>	<u><u>119,425</u></u>
EARNINGS PER SHARE (SEN)		<u><u>88.83</u></u>	<u><u>80.55</u></u>	<u><u>88.73</u></u>	<u><u>79.62</u></u>
DIVIDEND PER SHARE (SEN)		<u><u>15.00</u></u>	<u><u>6.00</u></u>	<u><u>15.00</u></u>	<u><u>6.00</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 2015 and the accompanying explanatory notes on pages 8 to 39 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 26 August 2016

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2016**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u> <u>30 Jun 2016</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2015</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2016</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2015</u> <u>RM'000</u>
Profit for the financial period	133,252	120,824	133,100	119,425
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Available-for-sale investment securities				
- Net gain on fair value changes before taxation	26,599	8,431	26,599	8,431
- Deferred taxation	(6,457)	(2,108)	(6,457)	(2,108)
Cash flow hedge				
- Net gain/(loss) on cash flow hedge before taxation	8,149	(8,618)	8,149	(8,610)
- Deferred taxation	(2,538)	2,153	(2,538)	2,153
Other comprehensive income for the financial period, net of taxation	25,753	(142)	25,753	(134)
Total comprehensive income for the financial period	159,005	120,682	158,853	119,291

Company No:

157931	A
--------	---

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserve RM'000	
Group						
Balance as at 1 January 2016	150,000	(14,637)	15,938	189,647	2,674,248	3,015,196
Profit for the financial period	-	-	-	-	133,253	133,253
Other comprehensive income	-	20,142	5,611	-	-	25,753
Total comprehensive income for the financial period	-	20,142	5,611	-	133,253	159,006
Final dividend in respect of financial year ended 31 December 2015	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2016	150,000	5,506	21,549	189,647	2,785,000	3,151,702
Balance as at 1 January 2015	150,000	(12,384)	(8,690)	-	2,624,847	2,753,773
Profit for the financial period	-	-	-	-	120,824	120,824
Other comprehensive income/(loss)	-	6,323	(6,465)	-	-	(142)
Total comprehensive income/(loss) for the financial period	-	6,323	(6,465)	-	120,824	120,682
Final dividend in respect of financial year ended 31 December 2014	-	-	-	-	(9,000)	(9,000)
Balance as at 30 June 2015	150,000	(6,061)	(15,155)	-	2,736,671	2,865,455

Company No:

157931	A
--------	---

CAGAMAS BERHAD

(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Issued and fully paid ordinary shares of RM1 each	Non-distributable				Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserve RM'000	
Company						
Balance as at 1 January 2016	150,000	(14,637)	15,938	189,647	2,672,170	3,013,118
Profit for the financial period	-	-	-	-	133,100	133,100
Other comprehensive income	-	20,142	5,611	-	-	25,753
Total comprehensive income for the financial period	-	20,142	5,611	-	133,100	158,853
Final dividend in respect of financial year ended 31 December 2015	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2016	150,000	5,505	21,549	189,647	2,782,770	3,149,471
Balance as at 1 January 2015	150,000	(12,384)	(8,690)	-	2,624,766	2,753,692
Profit for the financial period	-	-	-	-	119,425	119,425
Other comprehensive income/(loss)	-	6,323	(6,457)	-	-	(134)
Total comprehensive income/(loss) for the financial period	-	6,323	(6,457)	-	119,425	119,291
Final dividend in respect of financial year ended 31 December 2014	-	-	-	-	(9,000)	(9,000)
Balance as at 30 June 2015	150,000	(6,061)	(15,147)	-	2,735,191	2,863,983

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2016**

	Group		Company	
	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
OPERATING ACTIVITIES				
Profit for the financial period	133,252	120,824	133,100	119,425
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on AFS investment securities	(4,821)	(3,558)	(4,821)	(3,558)
Accretion of discount on:				
Mortgage assets				
- Conventional	(74,944)	(80,366)	(74,944)	(80,366)
- Islamic	(59,622)	(64,644)	(59,622)	(64,644)
Hire purchase assets				
- Islamic	(48)	(107)	(48)	(107)
Islamic commercial paper and medium term note	308	-	308	-
Allowance of impairment losses	946	-	946	-
Interest income	(451,829)	(327,551)	(451,829)	(327,551)
Income from Islamic operations	(281,505)	(272,339)	(281,505)	(272,339)
Interest expense	391,311	231,765	391,311	231,765
Profit attributable to Sukuk holders	261,095	270,546	261,095	270,546
Depreciation of property and equipment	570	515	570	515
Amortisation of intangible assets	691	763	691	763
Gain on disposal of:				
- Property and equipment	(1)	1	(1)	1
- AFS investment securities	(1,789)	(1,479)	(1,789)	(1,479)
Wakalah fee expense	-	29	-	29
Taxation	44,394	40,738	44,394	40,738
Operating loss before working capital changes	(41,992)	(84,863)	(42,144)	(86,262)
Increase in amount due from counter parties	(2,048,382)	(794,659)	(2,048,382)	(794,659)
Increase/(decrease) in Islamic financing assets	(626,210)	1,640,543	(626,210)	1,640,543
Decrease in mortgage assets				
- Conventional	334,432	347,392	334,432	347,392
- Islamic	223,382	227,367	223,382	227,367
Decrease in hire purchase assets				
- Conventional	2	2	2	2
- Islamic	1,004	2,164	1,004	2,164
(Increase)/decrease in other assets	(191)	(7,557)	2,166	277
Increase in unsecured bearer bonds and notes	1,684,931	1,063,769	1,590,742	435,000
Increase/(decrease) in Sukuk	647,005	(1,555,000)	206,195	(1,555,000)
Decrease in deposits and placements of financial institution	-	(30,003)	-	(30,003)
Increase in other liabilities	11,085	1,337	10,903	622,723

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2016 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
(Decrease)/increase in loans/financing from subsidiary	(4,933)	-	527,407	-
Increase in derivatives	260,406	-	260,406	-
Cash generated from operations	440,539	810,492	439,903	809,544
Interest received	389,066	308,782	389,066	308,782
Profit received from Islamic assets	268,122	294,718	268,122	294,718
Interest paid	(361,742)	(226,751)	(361,742)	(225,862)
Interest paid on derivatives	(104,548)	-	(104,548)	-
Interest received on derivatives	79,057	-	79,057	-
Profit paid on derivatives	(20,670)	-	(20,670)	-
Profit received on derivatives	14,546	-	14,546	-
Profit attributable to Sukuk holders	(251,156)	(287,149)	(251,156)	(287,149)
Wakalah fee paid	-	(29)	-	(29)
Payment of:				
- Zakat	(2,777)	(4,112)	(2,777)	(4,112)
- Taxation	(44,394)	(37,773)	(44,394)	(37,773)
Net cash generated from operating activities	406,043	858,178	405,407	858,119
INVESTING ACTIVITIES				
Purchase of AFS investment securities	(415,838)	(724,821)	(415,840)	(724,821)
Sale of AFS investment securities	223,419	449,939	223,419	449,939
Derivative financial instruments	-	(176,344)	-	(176,335)
Purchase of:				
- Property and equipment	(188)	(659)	(188)	(659)
- Intangible assets	(586)	(460)	(586)	(460)
Income received from AFS investment securities	6,329	26,716	6,329	26,716
Income received from Islamic securities	22,179	-	22,179	-
Net cash utilised in investing activities	(164,685)	(425,629)	(164,687)	(425,620)
FINANCING ACTIVITY				
Dividends paid to holding company	(22,500)	(9,000)	(22,500)	(9,000)
Net cash utilised in financing activity	(22,500)	(9,000)	(22,500)	(9,000)
Net increase in cash and cash equivalents	218,858	423,549	218,220	423,499
Cash and cash equivalents as at 1 January	243,912	96,359	243,789	96,358
Cash and cash equivalents as at 30 June	462,770	519,908	462,009	519,857

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2016 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	462,770	519,908	462,009	519,857

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016

A1 General information

Cagamas Berhad (“the Company”) and its subsidiaries are collectively known as the Group. The principal activities of the Company consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issuance of bonds and notes to finance these purchases whilst its subsidiaries are principally engaged to carry on the business of a fund raising vehicle. The Company purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and they are funded by issuance of Sukuk. There were no significant changes in these activities during the financial period.

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2016 have been prepared under the historical cost convention except the following assets and liabilities which are stated at fair values: financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements of the Group and the Company 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 2015. 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 2015. 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 2015.

The following are amendments to MFRSs that have been issued by the MASB but have not been adopted by the Group and the Company as they are either not applicable or not yet effective:

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15, *Revenue from Contracts with Customers*
- MFRS 9, *Financial Instruments*

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

A3 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2015 was not subject to any qualification.

A4 Seasonality or Cyclical factors

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

A5 Unusual items due to their nature, size or incidence

There was 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 2016.

A6 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 2016.

A7 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 2015 was paid on 29 March 2016.

A8 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.

A9 Changes in the composition of the Group

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

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

1. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	45,860	46,908	45,099	46,785
Money at call and deposit placements maturing within one month	200,433	117,417	200,433	117,417
Mudharabah money at call and deposit placements maturing within one month	216,477	79,587	216,477	79,587
	<u>462,770</u>	<u>243,912</u>	<u>462,009</u>	<u>243,789</u>

2. DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are held for economic hedging purposes, although not all derivatives are designated as hedging instruments under the terms of MFRS 139. The table below summarises the derivative financial instruments entered by the Group and Company.

	Group and Company					
	30 Jun 2016			31 Dec 2015		
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						
One year to three years	1,175,000	7,626	(14,144)	1,175,000	2,192	(15,879)
Three years to five years	-	-	-	-	-	-
More than five years	570,000	10,917	(27,882)	570,000	-	(17,979)
	<u>1,745,000</u>	<u>18,543</u>	<u>(42,026)</u>	<u>1,745,000</u>	<u>2,192</u>	<u>(33,858)</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

2. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	30 Jun 2016			Group and Company 31 Dec 2015		
	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 (continued):						
CCS						
Maturing within one year	1,336,736	7,239	(10,998)	500,294	799	-
One year to three years	2,162,000	148,257	(4,709)	2,162,000	222,521	(1,382)
Three years to five years	1,725,000	305,725	-	1,725,000	449,864	-
	<u>5,223,736</u>	<u>461,221</u>	<u>(15,707)</u>	<u>4,387,294</u>	<u>673,184</u>	<u>(1,382)</u>
Derivatives not designated as cash flow hedges :						
IPRS						
One year to three years	500,000	933	-	500,000	3,471	-
	<u>500,000</u>	<u>933</u>	<u>-</u>	<u>500,000</u>	<u>3,471</u>	<u>-</u>
	<u>7,468,736</u>	<u>480,697</u>	<u>(57,733)</u>	<u>6,632,294</u>	<u>678,847</u>	<u>(35,240)</u>

3. AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES

	Group and Company	
	30 Jun 2016 RM'000	31 Dec 2015 RM'000
<i>At fair value:</i>		
Malaysian government securities	81,840	182,797
Corporate bond	408,521	352,572
Government investment issues	510,281	392,247
Sukuk	569,002	398,916
Quasi government debt securities	65,474	65,574
Islamic quasi government debt securities	387,254	401,511
	<u>2,022,372</u>	<u>1,793,617</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

3. AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES (CONTINUED)

Group and Company	
30 Jun 2016	31 Dec 2015
RM'000	RM'000

The maturity structure of AFS investment securities are as follows:

Maturing within one year	483,083	328,719
One year to three years	332,349	354,339
Three years to five years	250,947	229,666
More than five years	955,993	880,893
	<u>2,022,372</u>	<u>1,793,617</u>

4. AMOUNT DUE FROM COUNTERPARTIES

Relating to:		
Mortgage loans	11,876,840	9,821,901
Hire purchase and leasing debts	344,131	297,815
Personal loans	825,697	851,263
	<u>13,046,668</u>	<u>10,970,979</u>

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

Maturing within one year	1,541,511	1,051,156
One year to three years	10,498,529	7,183,539
Three years to five years	51,628	1,781,284
More than five years	955,000	955,000
	<u>13,046,668</u>	<u>10,970,979</u>

5. ISLAMIC FINANCING ASSETS

Relating to:		
Islamic house financing	4,259,136	3,439,157
Islamic hire purchase financing	959,452	1,078,722
Islamic personal financing	995,263	1,063,570
	<u>6,213,851</u>	<u>5,581,449</u>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	1,827,709	1,237,569
One year to three years	3,060,769	3,385,075
Three years to five years	898,994	524,092
More than five years	426,379	434,713
	<u>6,213,851</u>	<u>5,581,449</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

	Group and Company	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
6. MORTGAGE ASSETS – CONVENTIONAL		
Purchase without Recourse ("PWOR")	6,526,914	6,781,767
	<u>6,526,914</u>	<u>6,781,767</u>
The maturity structure of mortgage assets - conventional are as follows:		
Maturing within one year	923,386	1,012,079
One year to three years	1,152,411	1,262,218
Three years to five years	1,113,754	1,202,930
More than five years	4,367,022	4,409,314
	<u>7,556,573</u>	<u>7,886,541</u>
Less:		
Unaccreted discount	(989,443)	(1,064,387)
Allowance for impairment losses	(40,216)	(40,387)
	<u>6,526,914</u>	<u>6,781,767</u>
	<u>6,526,914</u>	<u>6,781,767</u>
7. MORTGAGE ASSETS – ISLAMIC		
PWOR	6,848,264	7,006,642
	<u>6,848,264</u>	<u>7,006,642</u>
The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	668,341	711,515
One year to three years	848,009	901,258
Three years to five years	873,646	918,230
More than five years	5,444,347	5,521,613
	<u>7,834,343</u>	<u>8,052,616</u>
Less:		
Unaccreted discount	(950,186)	(1,009,807)
Allowance for impairment losses	(35,893)	(36,167)
	<u>6,848,264</u>	<u>7,006,642</u>
	<u>6,848,264</u>	<u>7,006,642</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

8. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
PWOR	3,203	4,105
	<u>3,203</u>	<u>4,105</u>
The maturity structure of hire purchase assets - Islamic are as follows:		
Maturing within one year	2,801	2,872
One year to three years	519	1,397
	<u>3,320</u>	<u>4,269</u>
Less:		
Unaccreted discount	(46)	(93)
Allowance for impairment losses	(71)	(71)
	<u>3,203</u>	<u>4,105</u>
	<u>3,203</u>	<u>4,105</u>

9. OTHER ASSETS

	Group		Company	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	4,586	4,419	4,586	4,419
Deposits	872	918	871	875
Prepayments	1,837	1,412	1,827	1,412
Compensation receivable from originator on mortgage assets	1,797	2,145	1,797	2,145
Other receivables	375	268	375	268
Prepaid mortgage guarantee fee	1	1	1	1
	<u>9,468</u>	<u>9,163</u>	<u>9,457</u>	<u>9,120</u>
	<u>9,468</u>	<u>9,163</u>	<u>9,457</u>	<u>9,120</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

10. UNSECURED BEARER BONDS AND NOTES

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>Group</u>		
			<u>30 Jun 2016</u> <u>Effective interest rate</u> %	<u>31 Dec 2015</u> <u>Effective interest rate</u> %	
(a) Floating rate notes	2016	180,000	3.500	180,000	3.500
	2017	300,000	3.820	-	
Add:					
Interest payable		3,946		2,855	
		<u>483,946</u>		<u>182,855</u>	
(b) Commercial paper	2016	-		300,000	3.760
Add:					
Interest payable		-		1,143	
		<u>-</u>		<u>301,143</u>	
(c) Medium-term notes	2016	1,405,000	3.470 - 4.930	1,735,000	3.470 - 4.930
	2017	4,468,927	2.300 - 4.640	3,864,123	2.370 - 4.640
	2018	4,415,388	1.880 - 5.710	4,287,241	1.880 - 5.710
	2019	4,270,000	2.745 - 5.280	2,991,750	2.745 - 5.280
	2020	540,000	4.100 - 6.000	540,000	4.100 - 6.000
	2021	315,000	4.150 - 5.380	315,000	4.150 - 5.380
	2022	485,000	3.900 - 4.650	485,000	3.900 - 4.650
	2023	525,000	4.250 - 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 - 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 - 4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 - 4.900	275,000	4.140 - 4.900
	2028	890,000	4.750 - 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 - 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.070
		<u>19,074,315</u>		<u>17,393,114</u>	
Add:					
Interest payable		155,094		128,882	
Unaccreted premium		80		-	
Less:					
Deferred financing fees		(5,790)		(7,255)	
Unamortised discount		(3,353)		(4,015)	
		<u>19,220,346</u>		<u>17,510,726</u>	
		<u>19,704,292</u>		<u>17,994,724</u>	

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>Company</u>		
			<u>30 Jun 2016</u> Effective interest rate %	<u>31 Dec 2015</u> Effective interest rate %	
(a) Floating rate notes	2016	180,000	3.500	180,000	3.500
	2017	300,000	3.820	-	
Add:					
Interest payable		3,946		2,855	
		<u>483,946</u>		<u>182,855</u>	
(b) Commercial Paper	2016	-		300,000	3.760
Add:					
Interest payable		-		1,143	
		<u>-</u>		<u>301,143</u>	
(a) Medium-term notes	2016	1,405,000	3.470-4.930	1,735,000	3.470 - 4.930
	2017	2,880,000	3.500-4.640	2,580,000	3.500 - 4.640
	2018	3,200,000	3.880-5.710	3,000,000	3.880 - 5.710
	2019	2,265,000	3.750-5.280	845,000	3.750 - 5.280
	2020	540,000	4.100-6.000	540,000	4.100 - 6.000
	2021	315,000	4.150-5.380	315,000	4.150 - 5.380
	2022	485,000	3.900-4.650	485,000	3.900 - 4.650
	2023	525,000	4.250-6.050	525,000	4.250 - 6.050
	2024	430,000	4.000-5.520	430,000	4.000 - 5.520
	2025	640,000	4.550-4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140-4.900	275,000	4.140 - 4.900
	2028	890,000	4.750-6.500	890,000	4.750 - 6.500
	2029	245,000	5.500-5.750	245,000	5.500 - 5.750
(b)	2035	160,000	5.070	160,000	5.070
		<u>14,265,000</u>		<u>12,675,000</u>	
Add:					
Interest payable		134,613		109,925	
Unaccreted premium		80		-	
Less:					
Unamortised discount		(3,353)		(4,015)	
		<u>14,396,340</u>		<u>12,780,910</u>	
		<u>14,880,286</u>		<u>13,264,908</u>	

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,727,478	2,340,625	2,323,639	2,328,923
One year to three years	9,801,814	8,147,349	7,386,647	5,575,985
Three years to five years	3,305,000	3,531,750	1,300,000	1,385,000
More than five years	3,870,000	3,975,000	3,870,000	3,975,000
	<u>19,704,292</u>	<u>17,994,724</u>	<u>14,880,286</u>	<u>13,264,908</u>

(a) Floating rate notes

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

(b) Commercial paper

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

(c) Medium-term notes

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

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

	Group	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
CNH	909,064	986,794
HKD	518,278	555,600
USD	2,406,756	2,576,862
SGD	989,909	610,561
	<u>4,824,007</u>	<u>4,729,817</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

11. SUKUK

		30 Jun 2016		Group 31 Dec 2015	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic fixed medium-term notes	2016	1,889,389	2.113 - 4.930	2,494,625	2.113 - 4.930
	2017	2,376,442	2.300 - 4.050	1,930,000	3.500 - 4.050
	2018	1,145,000	3.600 - 5.800	1,143,067	3.600 - 5.800
	2019	1,187,000	3.750 - 5.280	412,000	3.750 - 5.280
	2020	1,180,000	4.150 - 6.000	1,180,000	4.150 - 6.000
	2021	245,000	4.150 - 5.380	245,000	4.150 - 5.380
	2022	460,000	3.900 - 4.480	460,000	3.900 - 4.480
	2023	995,000	4.250 - 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 - 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 - 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 - 4.920	20,000	4.410 - 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 - 6.500	1,080,000	4.750 - 6.500
	2029	180,000	5.500 - 5.750	180,000	5.500 - 5.750
	2033	675,000	5.000	675,000	5.000
		12,217,831		11,599,692	
Add:					
Profit payable		120,224		113,041	
Unaccreted premium		26,196		-	
Less:					
Deferred financing fees		(865)		(2,348)	
Unamortised discount		(1,625)		-	
		12,361,761		11,710,385	
(b) Islamic variable medium-term notes	2016	230,000	3.500	230,000	3.500
Add:					
Profit payable		9,524		3,648	
		239,524		233,648	
		12,601,285		11,944,033	

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

11. SUKUK (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2016</u> <u>Effective</u> <u>profit rate</u> %	<u>Amount outstanding</u> RM'000	<u>Company</u> <u>31 Dec 2015</u> <u>Effective</u> <u>profit rate</u> %
(a) Islamic medium-term notes	2016	1,405,000	3.500 – 4.930	2,000,000	3.400 - 4.930
	2017	1,930,000	3.500 - 4.050	1,930,000	3.500 - 4.050
	2018	1,145,000	3.600 - 5.800	1,143,067	3.600 - 5.800
	2019	1,187,000	3.750 - 5.280	412,000	3.750 - 5.280
	2020	1,180,000	4.150 - 6.000	1,180,000	4.150 - 6.000
	2021	245,000	4.150 - 5.380	245,000	4.150 - 5.380
	2022	460,000	3.900 - 4.480	460,000	3.900 - 4.480
	2023	995,000	4.250 - 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 - 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 - 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 - 4.920	20,000	4.410 - 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 - 6.500	1,080,000	4.750 - 6.500
	2029	180,000	5.500 - 5.750	180,000	5.500 - 5.750
	2033	675,000	5.000	675,000	5.000
		<u>11,287,000</u>		<u>11,105,067</u>	
Add:					
Profit payable		120,224		110,235	
Unaccreted premium		26,196		-	
Less:					
Deferred financing fees		-		-	
Unamortised discount		(1,625)		-	
		<u>11,431,795</u>		<u>11,215,302</u>	
(b) Islamic variable medium-term notes	2016	230,000	3.500	230,000	3.500
Add:					
Profit payable		3,597		3,648	
		<u>233,597</u>		<u>233,648</u>	
		<u>11,665,392</u>		<u>11,448,950</u>	

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

11. SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,774,714	2,838,966	1,838,821	2,343,883
One year to three years	3,575,398	3,073,067	3,575,398	3,073,067
Three years to five years	1,931,173	1,592,000	1,931,173	1,592,000
More than five years	4,320,000	4,440,000	4,320,000	4,440,000
	<u>12,601,285</u>	<u>11,944,033</u>	<u>11,665,392</u>	<u>11,448,950</u>

(a) Islamic medium-term notes

Islamic variable medium-term notes are long term papers issued by the Group and the Company based on various Islamic principles including Sukuk ALIm and variable rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at the point of issuance. Profit on these Sukuk is paid half-yearly and quarterly depending on issuance.

(b) Islamic variable medium-term notes

Islamic variable medium-term notes are long term papers issued by the Group and the Company based on various Islamic principles including Sukuk ALIm and variable rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and carry a profit rate which is determined at the point of issuance. Profit on these Sukuk is paid half-yearly and quarterly depending on issuance.

Included in Islamic medium term notes are Islamic medium term-notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by the Company. Sukuk outstanding at financial year ended that are not in the functional currencies of the Group and series of notes issued are as follows:

	<u>Group</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
SGD	<u>935,893</u>	<u>495,083</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

12. LOANS/FINANCING FROM SUBSIDIARIES

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

	<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
CNH	911,736	990,575
HKD	518,278	555,600
USD	2,409,610	2,580,140
SGD	1,928,156	1,109,125
	<u>5,767,780</u>	<u>5,235,440</u>

Loans/financing from subsidiaries are unsecured and subject to interest/profit rates ranging from 1.88% to 3.86% per annum (Dec 2015: 1.88% to 3.86% per annum).

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

	<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
Maturing within one year	1,347,613	517,326
One year to three years	2,117,539	2,571,364
Three years to five years	2,302,628	2,146,750
	<u>5,767,780</u>	<u>5,235,440</u>

13. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	-	2,777	-	2,777
Amount due to Government	44,226	46,239	44,226	46,239
Other payables and accruals	22,727	20,024	21,281	18,759
	<u>66,953</u>	<u>69,040</u>	<u>65,507</u>	<u>67,775</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

14. INTEREST INCOME

	Group		Company	
	6 Months to	6 Months to	6 Months to	6 Months to
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	269,376	145,181	269,376	145,181
Mortgage assets	151,983	154,268	151,983	154,268
Compensation from mortgage assets	40	54	40	54
Hire purchase assets	-	5	-	5
AFS investment securities	30,469	27,309	30,469	27,309
Deposits and placements with financial institutions	3,011	2,531	3,011	2,531
	<u>454,879</u>	<u>329,348</u>	<u>454,879</u>	<u>329,348</u>
Accretion of discount less amortisation of premium (net)	77,907	82,792	77,907	82,792
	<u>532,786</u>	<u>412,140</u>	<u>532,786</u>	<u>412,140</u>

15. INTEREST EXPENSE

Medium-term notes	372,148	275,000	306,414	228,061
Floating rate notes	7,543	3,704	7,543	3,704
Deposits and placements of financial institutions	1,700	44	1,700	44
Loans/financing from subsidiaries	-	-	67,550	48,755
	<u>381,391</u>	<u>278,748</u>	<u>383,207</u>	<u>280,564</u>

16. NON-INTEREST EXPENSE

Realised net loss on derivatives	(23,129)	(18,321)	(23,129)	(18,321)
Other non-operating income	2,886	2,746	2,886	2,746
Gain on disposal of AFS investment securities	1,862	1,436	1,862	1,436
Gain/(loss) on disposal of property and equipment	1	(1)	1	(1)
Gain/(loss) on foreign exchange	4,566	(728)	4,578	(689)
	<u>(13,814)</u>	<u>(14,868)</u>	<u>(13,802)</u>	<u>(14,829)</u>

17. SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) makes strategic decisions and allocation of resources on behalf of the Company. 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.

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

17. SEGMENT REPORTING (CONTINUED)

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Group</u> <u>Total</u> RM'000
30 Jun 2016			
External revenue	424,794	453,814	878,608
External interest expense	(340,598)	(308,377)	(648,975)
Profit from operations	45,422	132,328	177,750
Taxation	(10,667)	(33,748)	(44,415)
Net profit by segment	34,755	98,580	133,335
Segment assets	21,022,508	14,602,353	35,624,861
Segment liabilities	19,162,664	13,310,495	32,473,159
<u>Other information</u>			
Capital expenditure	455	310	765
Depreciation and amortisation	750	510	1,260
Company			
30 Jun 2016			
External revenue	424,794	453,814	878,608
External interest expense	(342,931)	(308,377)	(651,308)
Profit from operations	45,250	132,328	177,578
Taxation	(10,647)	(33,748)	(44,395)
Net profit by segment	34,603	98,580	133,183
Segment assets	21,024,977	14,604,068	35,629,045
Segment liabilities	19,166,450	13,313,124	32,479,574
<u>Other information</u>			
Capital expenditure	455	310	765
Depreciation and amortisation	750	510	1,260

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

17. SEGMENT REPORTING (CONTINUED)

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Group</u> <u>Total</u> RM'000
30 Jun 2015			
External revenue	329,873	472,084	801,957
External interest expense	(272,673)	(325,364)	(598,037)
Profit from operations	37,231	124,331	161,562
Taxation	(9,038)	(31,700)	(40,738)
Net profit by segment	28,193	92,631	120,824
Segment assets	13,559,186	15,463,483	29,022,669
Segment liabilities	11,888,728	14,268,486	26,157,214
<u>Other information</u>			
Capital expenditure	523	597	1,120
Depreciation and amortisation	465	813	1,278
30 Jun 2015			
External revenue	281,118	472,084	753,202
External interest expense	(225,731)	(325,364)	(551,095)
Profit from operations	35,832	124,331	160,163
Taxation	(9,038)	(31,700)	(40,738)
Net profit by segment	26,794	92,631	119,425
Segment assets	13,564,545	15,463,482	29,028,027
Segment liabilities	11,895,559	14,268,483	26,164,042
<u>Other information</u>			
Capital expenditure	523	597	1,120
Depreciation and amortisation	465	813	1,278

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

18. CAPITAL ADEQUACY

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

	Group		Company	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
CET I capital ratio	21.7%	21.6%	21.6%	21.6%
Tier I capital ratio	21.7%	21.6%	21.6%	21.6%
Total capital ratio	23.6%	23.6%	23.6%	23.6%

	RM'000	RM'000	RM'000	RM'000
The capital adequacy ratios are as follows:				
CET 1/Tier I capital				
Paid up capital	150,000	150,000	150,000	150,000
Retained profits	2,974,647	2,863,895	2,972,417	2,861,816
	<u>3,124,647</u>	<u>3,013,895</u>	<u>3,122,417</u>	<u>3,011,816</u>
Less: Collective allowance	(189,647)	(189,647)	(189,647)	(189,647)
Total CET 1/Tier I capital	<u>2,935,000</u>	<u>2,824,248</u>	<u>2,932,770</u>	<u>2,822,169</u>
Tier II capital				
Allowance for impairment losses	76,625	76,625	76,625	76,625
Add: Collective allowance	189,647	189,647	189,647	189,647
Total Tier II capital	<u>266,272</u>	<u>266,272</u>	<u>266,272</u>	<u>266,272</u>
Total capital	<u>3,201,272</u>	<u>3,090,520</u>	<u>3,199,042</u>	<u>3,088,441</u>

The breakdown of risk-weighted assets by each major risk category are as follows:

Credit risk	12,741,899	12,291,272	12,746,775	12,298,514
Operational risk	811,855	786,063	811,855	786,063
Total risk-weighted assets	<u>13,553,754</u>	<u>13,077,335</u>	<u>13,558,630</u>	<u>13,084,577</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Group		Company	
		30 Jun 2016 RM'000	31 Dec 2015 RM'000	30 Jun 2016 RM'000	31 Dec 2015 RM'000
ASSETS					
Cash and short-term funds	(a)	216,555	79,629	216,555	79,628
Derivative financial instruments		4,995	4,270	4,995	4,270
AFS investment securities	(b)	207,846	85,825	207,846	85,825
Financing assets	(c)	6,213,851	5,581,449	6,213,851	5,581,449
Mortgage assets	(d)	6,842,389	7,000,180	6,842,389	7,000,180
Hire purchase assets	(e)	2,744	3,826	2,744	3,826
Other assets and prepayments		289,371	289,336	292,096	292,303
TOTAL ASSETS		13,777,751	13,044,515	13,780,476	13,047,481
LIABILITIES					
Sukuk	(f)	12,601,285	11,944,033	11,665,393	11,448,950
Deferred taxation		1,729	1,860	1,729	1,860
Derivative financial instruments		10,658	-	10,658	-
Other liabilities	(g)	109,989	91,727	1,046,171	588,774
TOTAL LIABILITIES		12,723,661	12,037,620	12,723,951	12,039,584
ISLAMIC OPERATIONS' FUNDS		1,054,090	1,006,895	1,056,525	1,007,897
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		13,777,751	13,044,515	13,780,476	13,047,481

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Group		Company	
		6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
Total income attributable		345,740	341,062	345,740	341,062
Income attributable to the Sukuk holders	(h)	(267,585)	(270,502)	(268,102)	(270,502)
Non-profit (expense)/income		(8,196)	1,172	(6,246)	1,172
Total income attributable	(i)	69,959	71,732	71,392	71,732
Administration and general expenses		(3,404)	(3,302)	(3,404)	(3,297)
Allowance of impairment losses		(594)	-	(594)	-
PROFIT BEFORE TAXATION		65,961	68,430	67,394	68,435
Taxation		(16,849)	(18,082)	(16,849)	(18,082)
PROFIT FOR THE FINANCIAL PERIOD		49,112	50,348	50,545	50,353

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	Group		Company	
		6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
Profit for the financial period		49,112	50,348	50,545	50,353
Other comprehensive loss:					
Items that may subsequently reclassified to profit or loss					
AFS investment securities					
- Net (loss)/gain on fair value changes before taxation		(248)	36	(248)	36
- Deferred taxation		57	(9)	57	(9)
Cash flow hedge					
- Net loss on cash flow hedge before taxation		(1,801)	(3,014)	(1,801)	(3,014)
- Deferred taxation		74	754	74	754
Other comprehensive loss for the financial period, net of taxation		(1,918)	(2,233)	(1,918)	(2,233)
Total comprehensive income for the financial period		47,194	48,115	48,627	48,120

Company No:

157931	A
--------	---

CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<u>Non-distributable</u>					<u>Total funds</u> RM'000
	<u>Allocated Capital funds</u> RM'000	<u>AFS reserves</u> RM'000	<u>Cash Flow hedge reserves</u> RM'000	<u>Regulatory reserve</u> RM'000	<u>Retained profits</u> RM'000	
Group						
Balance as at 1 January 2016	294,159	361	6,496	95,598	610,281	1,006,895
Profit for the financial period	-	-	-	-	49,113	49,113
Other comprehensive loss	-	(191)	(1,727)	-	-	(1,918)
Total comprehensive (loss)/income for the financial period	-	(191)	(1,727)	-	49,113	47,195
Balance as at 30 June 2016	294,159	170	4,769	95,598	659,394	1,054,090
Balance as at 1 January 2015	294,159	(32)	4,556	-	611,334	910,017
Profit for the financial period	-	-	-	-	50,348	50,348
Other comprehensive income/(loss)	-	27	(2,260)	-	-	(2,233)
Total comprehensive income/(loss) for the financial period	-	27	(2,260)	-	50,348	48,115
Balance as at 30 June 2015	294,159	(5)	2,296	-	661,682	958,132

Company No:

157931	A
--------	---

CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<u>Non-distributable</u>					<u>Total funds</u> RM'000
	<u>Allocated Capital funds</u> RM'000	<u>AFS reserves</u> RM'000	<u>Cash flow hedge reserves</u> RM'000	<u>Regulatory reserve</u> RM'000	<u>Retained profits</u> RM'000	
Company						
Balance as at 1 January 2016	294,159	361	6,496	95,598	611,283	1,007,897
Profit for the financial period	-	-	-	-	50,545	50,545
Other comprehensive loss	-	(191)	(1,727)	-	-	(1,918)
Total comprehensive (loss)/income for the financial period	-	(191)	(1,727)	-	50,546	48,628
Balance as at 30 June 2016	294,159	170	4,769	95,598	661,829	1,056,525
Balance as at 1 January 2015	294,159	(32)	4,556	-	611,339	910,022
Profit for the financial period	-	-	-	-	50,353	50,353
Other comprehensive income/(loss)	-	27	(2,260)	-	-	(2,233)
Total comprehensive income/(loss) for the financial period	-	27	(2,260)	-	50,353	48,120
Balance as at 30 June 2015	294,159	(5)	2,296	-	661,692	958,142

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2016</u>	<u>6 Months to 30 Jun 2015</u>	<u>6 Months to 30 Jun 2016</u>	<u>6 Months to 30 Jun 2015</u>
	RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES				
Profit for the financial period	49,112	50,348	50,545	50,353
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on AFS investment securities	(1,859)	(1,145)	(1,859)	(1,145)
Accretion of discount on:				
Mortgage assets	(59,622)	(64,644)	(59,622)	(64,644)
Hire purchase assets	(48)	(94)	(48)	(94)
Islamic commercial paper and medium term note	308	-	308	-
Allowance of impairment losses	594	-	594	-
Income from:				
- AFS investment securities	(1,161)	(788)	(1,161)	(788)
- Operations	(280,344)	(271,551)	(280,344)	(271,551)
Profit attributable to Sukuk holders	261,095	270,502	261,095	270,502
Gain on disposal of AFS	73	(43)	73	(43)
Wakalah fee expense	-	29	-	29
Taxation	16,849	18,082	16,849	18,082
Operating (loss)/profit before working capital changes	(15,003)	696	(13,570)	701
(Increase)/decrease in Islamic financing assets	(626,210)	1,640,543	(626,210)	1,640,543
Decrease in mortgage assets	222,795	227,095	222,795	227,095
Decrease in hire purchase assets	1,183	1,660	1,183	1,660
(Increase)/decrease in other assets	(36)	(245)	205	(245)
Increase/(decrease) in Sukuk	647,006	(1,555,000)	206,196	(1,555,000)
Increase in financing from subsidiary company	-	-	439,470	-
Increase in derivatives	14,257	-	14,257	-
Increase in other liabilities	21,039	17,545	20,706	17,545
Cash generated from operations	265,031	332,294	265,032	332,299
Profit received from Islamic assets	268,122	294,718	268,122	294,718
Profit attributable to Sukuk holders	(251,156)	(287,105)	(251,156)	(287,105)
Profit paid on derivatives	(20,670)	-	(20,670)	-
Profit received on derivatives	14,546	-	14,546	-
Wakalah fee paid	-	(29)	-	(29)
Payment of:				
- Zakat	(2,777)	(4,112)	(2,777)	(4,112)
- Taxation	(16,849)	(15,475)	(16,849)	(15,475)

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2016 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2015 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2015 RM'000</u>
Net cash generated from operating activities	256,247	320,291	256,248	320,296
INVESTING ACTIVITIES				
Purchase of AFS investment securities	(192,415)	(102,742)	(192,415)	(102,742)
Sale of AFS investment securities	71,958	-	71,958	-
Derivative financial instruments	-	3	-	3
Income received from AFS investment securities	1,136	1,104	1,136	1,104
Net cash utilised in investing activities	(119,321)	(101,635)	(119,321)	(101,635)
Net increase in cash and cash equivalents	136,926	218,656	136,927	218,661
Cash and cash equivalents as at 1 January	79,629	10,200	79,628	10,200
Cash and cash equivalents as at 30 June	<u>216,555</u>	<u>228,856</u>	<u>216,555</u>	<u>228,861</u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u>216,555</u>	<u>228,856</u>	<u>216,555</u>	<u>228,861</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
<i>(a) Cash and short-term funds</i>		
Cash and bank balances with banks and other financial institutions	78	42
Mudharabah money at call and deposit placements maturing within one month	216,477	79,587
	<u>216,555</u>	<u>79,629</u>
<i>(b) AFS investment securities</i>		
At fair value:		
Sukuk	177,388	85,825
Government investment issues	30,458	-
	<u>207,846</u>	<u>85,825</u>
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	167,847	44,933
One year to three years	39,999	40,892
	<u>207,846</u>	<u>85,825</u>
<i>(c) Financing assets</i>		
Relating to:		
House financing	4,259,136	3,439,157
Hire purchase financing	959,452	1,078,722
Personal financing	995,263	1,063,570
	<u>6,213,851</u>	<u>5,581,449</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets (continued)*

	<u>Group and Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
The maturity structure of financing assets are as follows:		
Maturing within one year	1,827,709	1,237,569
One year to three years	3,060,769	3,385,075
Three years to five years	898,994	524,092
More than five years	426,379	434,713
	<u>6,213,851</u>	<u>5,581,449</u>

(d) *Mortgage assets*

PWOR	<u>6,842,389</u>	<u>7,000,180</u>
------	------------------	------------------

The maturity structure of mortgage assets are as follows:

Maturing within one year	667,009	710,261
One year to three years	846,044	899,223
Three years to five years	872,531	916,854
More than five years	5,442,873	5,519,805
	<u>7,828,457</u>	<u>8,046,143</u>
Less:		
Unaccreted discount	(950,186)	(1,009,807)
Allowance for impairment losses	(35,882)	(36,156)
	<u>6,842,389</u>	<u>7,000,180</u>

(e) *Hire purchase assets*

PWOR	<u>2,744</u>	<u>3,826</u>
------	--------------	--------------

The maturity structure of hire purchase assets are as follows:

Maturing within one year	2,324	2,573
One year to three years	519	1,397
Three years to five years	-	-
	<u>2,843</u>	<u>3,970</u>
Less:		
Unaccreted discount	(46)	(94)
Allowance for impairment losses	(53)	(50)
	<u>2,744</u>	<u>3,826</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000	RM'000	RM'000
(f) <i>Sukuk</i>				
Medium-term notes	12,601,285	11,944,033	11,665,393	11,448,950

The maturity structure of Sukuk are as follows:

Maturing within one year	2,774,714	2,838,966	1,838,822	2,343,883
One year to three years	3,575,398	3,073,067	3,575,398	3,073,067
Three years to five years	1,931,173	1,592,000	1,931,173	1,592,000
More than five years	4,320,000	4,440,000	4,320,000	4,440,000
	<u>12,601,285</u>	<u>11,944,033</u>	<u>11,665,393</u>	<u>11,448,950</u>

(g) *Other liabilities*

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000	RM'000	RM'000
Zakat	-	2,777	-	2,777
Other payables	109,989	88,950	109,068	88,364
Financing from subsidiary company	-	-	937,103	497,633
	<u>109,989</u>	<u>91,727</u>	<u>1,046,171</u>	<u>588,774</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(h) *Income attributable to the Sukuk holders*

	Group		Company	
	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2015 RM'000
Mortgage assets	155,988	163,975	156,506	163,975
Hire purchase assets	142	247	142	247
Financing assets	111,454	106,224	111,454	106,224
Deposits and placement of financial institution	-	56	-	56
	<u>267,584</u>	<u>270,502</u>	<u>268,102</u>	<u>270,502</u>

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

Bai Al-Dayn	267,584	270,446	268,102	270,446
Mudharabah	-	56	-	56
	<u>267,584</u>	<u>270,502</u>	<u>268,102</u>	<u>270,502</u>

(i) *Total income attributable*

Income from:				
Mortgage assets	55,198	55,848	55,198	55,848
Hire purchase assets	(41)	(38)	(41)	(38)
Financing assets	17,397	10,804	16,880	10,804
AFS investments securities	2,947	1,976	2,947	1,976
Fee income	-	13	-	13
Deposit and placements with financial institutions	2,654	1,957	2,654	1,957
Non-profit (expense)/income	(8,196)	1,172	(6,246)	1,172
	<u>69,959</u>	<u>71,732</u>	<u>71,392</u>	<u>71,732</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(j) *Total income attributable (continued)*

Total net income analysed by concept are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2015 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2015 RM'000</u>
Bai Bithaman Ajil	-	303	-	303
Murabahah	(8,000)	1,644	(6,049)	1,644
Bai Al-Dayn	72,872	66,614	72,354	66,614
Mudharabah	4,214	3,171	4,214	3,171
Musyarakah	873	-	873	-
	<u>69,959</u>	<u>71,732</u>	<u>71,392</u>	<u>71,732</u>

(k) *Capital adequacy*

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
CET I capital ratio	18.6%	18.2%	18.7%	18.2%
Tier I capital ratio	18.6%	18.2%	18.7%	18.2%
Total capital ratio	21.2%	20.9%	21.2%	20.9%
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
CET 1/Tier I capital				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	755,993	705,884	757,426	706,881
	<u>1,050,152</u>	<u>1,000,043</u>	<u>1,051,585</u>	<u>1,001,040</u>
Less: Collective allowance	(95,598)	(95,598)	(95,598)	(95,598)
Total CET 1/Tier I capital	<u>954,554</u>	<u>904,445</u>	<u>955,987</u>	<u>905,442</u>
Tier II capital				
Add: Collective allowance	95,598	95,598	95,598	95,598
Allowance for impairment losses	36,236	36,236	36,236	36,236
Total Tier II capital	<u>131,834</u>	<u>131,834</u>	<u>131,834</u>	<u>131,834</u>
Total capital	<u>1,086,388</u>	<u>1,036,279</u>	<u>1,087,821</u>	<u>1,037,276</u>

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(k) Capital adequacy (continued)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000	RM'000	RM'000
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	4,806,316	4,656,965	4,809,041	4,659,931
Operational risk	315,017	302,816	315,017	302,816
	<u>5,121,333</u>	<u>4,959,781</u>	<u>5,124,058</u>	<u>4,962,747</u>
Total risk-weighted assets	<u>5,121,333</u>	<u>4,959,781</u>	<u>5,124,058</u>	<u>4,962,747</u>

20. BUSINESS PROSPECTS

Global economic performance in 2016 is expected to remain very challenging due to the downside risk of China's economic transition, moderation of growth in the US economy and doubts around the revival of growth in the Eurozone and Japan. The negative effects of lower oil prices on Emerging economies have also heightened the risks to global outlook. Financial turbulence and economic vulnerabilities are expected to persist with ongoing concerns of risks arising from rapid changes in global financial conditions, including recent decision by United Kingdom to exit from the European Union ("Brexit"), volatile reversals of capital flows and large currency fluctuations. Malaysia, as a highly trade-oriented developing economy, is expected to grapple with headwinds on both the domestic and international fronts. Growth is expected to be slower at between 4.0% and 4.5% in 2016 (2015: 4.5%).

The banking system remains well capitalised under the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.9%, 13.9% and 16.4% respectively (June 2016). Liquidity has been seen tightening in the banking system but remained ample with banks maintaining strong liquidity buffers and large placements with Bank Negara Malaysia to meet liquidity demands. Loan-Deposit ratio as at end June was recorded at 87.8% (May: 87.6%). Despite increased volatility in international financial markets, interest rates in the domestic money market have remained stable. On 13th July 2016, the Monetary Policy Committee (MPC) has decided to reduce the Overnight Policy Rate (OPR) to 3.00 percent from 3.25 percent. The ceiling and floor rates for the OPR are correspondingly reduced to 3.25 percent and 2.75 percent respectively. Net financing to the private sector registered an annual growth of 6.9% in June (May: 7.2%) due to the moderation in the growth of loans extended by the banking system and development financial institutions. Outstanding loans to households grew at a slower pace of 6.0% in June (May: 6.2%), reflecting continued moderation across most types of loans.

In facing the difficult environment, Cagamas' strong capital and strengthened capacity to offer a broader range of financing solutions to the banking system have placed it in a sound position to enhance intermediation by the banking industry. In addition, Cagamas is exploring refinancing new asset classes including the infrastructure and SME sectors. We will continue to step up our efforts to further diversify our funding sources and promote a broader range of securities in the capital market. On the Islamic finance front, we will strive to introduce more globally accepted sukuk structures to attract a larger pool of international and regional investors.

Company No:

157931	A
--------	---

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2016 (Continued)

21. PERFORMANCE REVIEW

The Group registered a higher pre-tax profit of RM177.7 million for the 6 months ending 30 June 2016 as compared to RM161.6 million in the previous corresponding period arising from the higher interest income derived from new purchases during the period.

The increase in the Group's net interest income is mainly attributable to the new PWR assets purchases during the financial period, offset by the net rundown of PWOR outstanding balances resulting from repayments. New purchases of PWR assets for the 6 months ending 30 June 2016 had resulted in a net increase in total principal balance outstanding of RM2.3 billion or 7.6%, which increased the Group's total PBO from RM30.3 billion as at 31 December 2015 to RM32.6 billion as at 30 June 2016.

The Group's core capital ratio as at 30 June 2016 increased to 21.7% as compared to 21.6% as at 31 December 2015 whilst RWCR remains stable at 23.6% from the previous year. Total shareholder's funds for the Group had grown to RM3.1 billion from RM3.0 billion arising from profits generated during the period, while net tangible assets per share increased by 4.5% to RM20.05 per share as at 30 June 2016.