

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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2018

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

Company No:

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Company	
		30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
ASSETS					
Cash and short-term funds	1	294,948	534,591	282,213	524,185
Derivative financial instruments	2	292,790	466,339	292,790	466,339
Available-for-sale investment securities	3	-	2,471,430	-	2,471,430
Financial asset designated as fair value through profit or loss (FVTPL)	4	140,493	-	140,493	-
Financial investment at fair value through other comprehensive income (FVOCI)	5	3,186,406	-	3,186,406	-
Amount due from counterparties	6	19,869,903	19,870,378	19,869,903	19,870,378
Islamic financing assets	7	8,827,945	5,544,378	8,827,945	5,544,378
Mortgage assets					
- Conventional	8	5,599,007	5,848,119	5,599,007	5,848,119
- Islamic	9	6,126,553	6,300,576	6,126,553	6,300,576
Hire purchase assets					
- Conventional		-	-	-	-
- Islamic	10	677	953	677	953
Amount due from					
- Related company		438	464	438	464
- Subsidiaries		-	-	5,254	6,755
Other assets	11	8,418	8,489	8,413	8,462
Property and equipment		4,342	4,437	4,342	4,437
Intangible assets		17,193	16,354	17,193	16,354
Deferred taxation		19,782	7,965	19,782	7,965
Investment in subsidiaries		-	-	-*	-*
TOTAL ASSETS		44,388,895	41,074,473	44,381,409	41,070,795
LIABILITIES					
Unsecured bearer bonds and notes	12	26,148,051	25,764,940	21,387,312	19,705,283
Sukuk	13	14,386,668	11,597,878	14,386,668	11,445,035
Loans/financing from subsidiaries	14	-	-	4,764,266	6,217,865
Derivative financial instruments	2	267,861	216,871	267,861	216,871
Provision for taxation		24,476	12,430	24,476	12,410
Other liabilities	15	66,914	60,789	65,628	59,504
TOTAL LIABILITIES		40,893,970	37,652,908	40,896,211	37,656,968
Share capital		150,000	150,000	150,000	150,000
Reserves		3,344,925	3,271,565	3,335,198	3,263,827
SHAREHOLDER'S FUNDS		3,494,925	3,421,565	3,485,198	3,413,827
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		44,388,895	41,074,473	44,381,409	41,070,795
NET TANGIBLE ASSETS PER SHARE (RM)		23.18	22.70	23.12	22.65

* denotes USD1 in CGP and RM2 in CGS.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes on pages 8 to 54 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 13 August 2018.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

		Group		Company	
		6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
Interest income	16	669,932	567,210	669,932	567,210
Interest expense	17	(503,027)	(427,697)	(505,438)	(429,514)
Income from Islamic operations	21	67,183	71,572	67,179	71,561
Non-interest expense	18	(39,316)	(20,829)	(39,316)	(20,824)
		<u>194,772</u>	<u>190,256</u>	<u>192,357</u>	<u>188,433</u>
Administration and general expenses		(13,501)	(18,516)	(13,075)	(18,242)
Personnel costs		(13,584)	(13,229)	(13,584)	(13,229)
OPERATING PROFIT		<u>167,687</u>	<u>158,511</u>	<u>165,698</u>	<u>156,962</u>
Allowance for impairment losses		(176)	(369)	(176)	(369)
PROFIT BEFORE TAXATION		<u>167,511</u>	<u>158,142</u>	<u>165,522</u>	<u>156,593</u>
Taxation		(39,725)	(37,582)	(39,725)	(37,582)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>127,786</u></u>	<u><u>120,560</u></u>	<u><u>125,797</u></u>	<u><u>119,011</u></u>
EARNINGS PER SHARE (SEN)		<u><u>85.19</u></u>	<u><u>80.37</u></u>	<u><u>83.86</u></u>	<u><u>79.34</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 2017 and the accompanying explanatory notes on pages 8 to 54 attached to the condensed interim financial statements.

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2018**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u> <u>30 Jun 2018</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2017</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2018</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2017</u> <u>RM'000</u>
Profit for the financial period	127,786	120,560	125,797	119,011
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	-	12,604	-	12,604
- Deferred taxation	-	(2,533)	-	(2,533)
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	(7,475)	-	(7,475)	-
- Deferred taxation	1,524	-	1,524	-
		-		-
Cash flow hedge				
- Net gain on cash flow hedge before taxation	(42,892)	(10,720)	(42,892)	(10,720)
- Deferred taxation	10,294	2,478	10,294	2,478
Other comprehensive income for the financial period, net of taxation	(38,549)	1,829	(38,549)	1,829
Total comprehensive income for the financial period	89,237	122,389	87,248	120,840

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CAGAMAS BERHAD

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Group	Issued and fully paid ordinary shares of RM1 each	Non-distributable					Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,139,614	3,421,565
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,146,237	3,428,188
Profit for the financial period	-	-	-	-	-	127,786	127,786
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	127,786	89,237
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,257,181	3,494,925
Balance as at 1 January 2017	150,000	(10,059)	-	(12,364)	173,564	2,915,367	3,216,038
Profit for the financial period	-	-	-	-	-	120,560	120,560
Other comprehensive income/(loss)	-	10,071	-	(8,242)	-	-	1,829
Total comprehensive income/(loss) for the financial period	-	10,071	-	(8,242)	-	120,560	122,389
Transfer from regulatory reserve during the financial period	-	-	-	-	(6,171)	6,171	-
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2017	150,000	(458)	-	(20,606)	167,393	3,019,598	3,315,927

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Company	Issued and fully paid ordinary shares of RM1 each	Non-distributable					Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	
Balance as at 1 January 2018	150,000	(724)	-	(28,357)	161,032	3,131,876	3,413,827
Effects of adopting MFRS 9 on 1 January 2018	-	724	(724)	-	-	6,623	6,623
As restated	150,000	-	(724)	(28,357)	161,032	3,138,499	3,420,450
Profit for the financial period	-	-	-	-	-	125,797	125,797
Other comprehensive income/(loss)	-	-	(5,951)	(32,598)	-	-	(38,549)
Total comprehensive income/(loss) for the financial period	-	-	(5,951)	(32,598)	-	125,797	87,248
Transfer from regulatory reserve during the financial period	-	-	-	-	(5,658)	5,658	-
Final dividend in respect of financial year ended 31 December 2017	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2018	150,000	-	(6,675)	(60,955)	155,374	3,247,453	3,485,198
Balance as at 1 January 2017	150,000	(10,059)	-	(12,364)	173,564	2,911,729	3,212,400
Profit for the financial period	-	-	-	-	-	119,011	119,011
Other comprehensive income/(loss)	-	10,071	-	(8,242)	-	-	1,829
Total comprehensive income/(loss) for the financial period	-	10,071	-	(8,242)	-	119,011	120,840
Transfer from regulatory reserve during the financial period	-	-	-	-	(6,171)	6,171	-
Final dividend in respect of financial year ended 31 December 2016	-	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2017	150,000	(458)	-	(20,606)	167,393	3,014,411	3,310,740

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018**

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
OPERATING ACTIVITIES				
Profit for the financial period	127,786	120,560	125,797	119,011
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	-	(3,598)	-	(3,598)
- Financial investment at FVOCI	(10,204)	-	(10,204)	-
Accretion of discount on:				
Mortgage assets				
- Conventional	(60,539)	(58,373)	(60,539)	(58,373)
- Islamic	(55,610)	(58,046)	(55,610)	(58,046)
Hire purchase assets				
- Islamic	(1)	(16)	(1)	(16)
Islamic commercial paper and medium term note	333	319	333	319
Allowance for impairment losses	176	611	176	611
Unrealised loss on foreign exchange	(143)	(2,368)	(143)	(2,368)
Interest income	(591,844)	(505,112)	(591,844)	(505,112)
Income from Islamic operations	(286,552)	(257,480)	(286,552)	(257,480)
Interest expense	505,295	431,853	505,295	431,853
Profit attributable to Sukuk holders	288,054	246,285	288,054	246,285
Depreciation of property and equipment	460	558	460	558
Amortisation of intangible assets	785	710	785	710
Gain on disposal of:				
- AFS investment securities	-	(1,565)	-	(1,565)
- Financial investment at FVOCI	(1,464)	-	(1,464)	-
Taxation	39,725	37,582	39,725	37,582
Operating loss before working capital changes	<u>(43,743)</u>	<u>(48,080)</u>	<u>(45,732)</u>	<u>(49,629)</u>
Decrease/(increase) in amount due from counterparties	14,628	(3,495,928)	14,628	(3,495,928)
(Increase)/decrease in Islamic financing assets	(3,270,712)	151,698	(3,270,712)	151,698
Decrease in mortgage assets				
- Conventional	319,316	303,472	319,316	303,472
- Islamic	233,483	230,510	233,483	230,510
Decrease in hire purchase assets				
- Islamic	344	757	344	757
Increase/(decrease) in other assets	96	1,053	1,578	(864)
Increase in unsecured bearer bonds and notes	354,658	3,251,456	1,653,576	2,025,658
Increase/(decrease) in Sukuk	2,768,173	(46,511)	2,921,017	265,639
Increase in other liabilities	7,058	5,023	7,054	3,735

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
(Decrease)/increase in loans/financing from subsidiaries	4,251	(1,687)	(1,449,349)	913,164
Decrease in derivatives	224,866	282,864	224,866	282,864
Cash generated from operations	612,418	634,627	610,069	631,076
Interest received	535,751	428,669	535,751	428,669
Profit received from Islamic assets	264,928	255,628	264,928	255,628
Interest paid	(481,093)	(404,967)	(481,093)	(404,967)
Interest paid on derivatives	(155,040)	(116,474)	(155,040)	(116,474)
Interest received on derivatives	111,981	95,938	111,981	95,938
Profit paid on derivatives	(24,494)	(13,430)	(24,494)	(13,430)
Profit received on derivatives	24,477	13,903	24,477	13,903
Profit attributable to Sukuk holders	(267,770)	(244,580)	(267,770)	(244,580)
Payment of:				
- Zakat	(927)	(1,011)	(927)	(1,011)
- Taxation	(29,770)	(34,020)	(29,750)	(34,000)
Net cash generated from operating activities	590,461	614,283	588,132	610,752
INVESTING ACTIVITIES				
Purchase of :				
- AFS investment securities	-	(1,596,180)	-	(1,596,180)
- Financial investment at FVOCI	(2,811,848)	-	(2,811,848)	-
Proceeds from sale/redemption of :				
- AFS investment securities	-	913,185	-	913,185
- Financial investment at FVOCI	1,964,930	-	1,964,930	-
Purchase of:				
- Property and equipment	(366)	(2,431)	(366)	(2,431)
- Intangible assets	(1,624)	(2,708)	(1,624)	(2,708)
Income received from:				
- AFS investment securities	-	30,406	-	30,406
- Financial investment at FVOCI	41,304	-	41,304	-
Net cash utilised in investing activities	(807,604)	(657,728)	(807,604)	(657,728)
FINANCING ACTIVITY				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Net cash utilised in financing activity	(22,500)	(22,500)	(22,500)	(22,500)
Net increase in cash and cash equivalents	(239,643)	(65,945)	(241,972)	(69,476)
Cash and cash equivalents as at 1 January	534,591	409,396	524,185	405,476
Cash and cash equivalents as at 30 June	294,948	343,451	282,213	336,000

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2018	6 Months to 30 Jun 2017	6 Months to 30 Jun 2018	6 Months to 30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	294,948	343,451	282,213	336,000

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

A1 General information

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

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

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

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2018 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 2018 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 2017. 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 2017. 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 2017.

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

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

A2 Basis of preparation (Continued)

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

The new accounting standards and amendments to published accounts that are effective and applicable to the Company for the financial year beginning on 1 January 2018 are as follows:

- MFRS 9 'Financial Instruments' replaced MFRS 139 'Financial Instruments: Recognition and Measurement'.

The Company has adopted MFRS 9 as issued by the MASB in November 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

MFRS 9 'Financial Instruments' includes requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in FVOCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (i.e. the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, FVOCI or FVTPL. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with MFRS 139.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

Impairment

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used under MFRS 139. The ECL model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised

The impairment requirement applies to financial assets measured at amortised cost, FVOCI, certain financial commitments and financial guarantee contracts.

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

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

A2 Basis of preparation (Continued)

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

- MFRS 9 'Financial Instruments' replaced MFRS 139 'Financial Instruments: Recognition and Measurement'(continued)

Impairment (continued)

Allowance for impairment is made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

- a) Stage 1: 12-month ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.
- b) Stage 2: Lifetime ECL – non-credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.
- c) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

- MFRS 15 'Revenue from contracts with customers' replaced MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

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

A2 Basis of preparation (Continued)

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

- MFRS 15 'Revenue from contracts with customers' replaced MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations (continued)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
 - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
 - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
 - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
 - As with any new standard, there are also increased disclosures.
- Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category.

- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration.

The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. .

- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4).

The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon.

The expiration date of the temporary exemption from MFRS 9 coincides with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach.

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

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

A2 Basis of preparation (Continued)

ii. Standards and amendments to published standards and interpretations to existing standards that are applicable but not yet effective.

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

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

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

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

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

The adoption of new accounting standards will not have a significant impact on the financial results of the Group and the Company.

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

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

IC Interpretation 23 will be applied retrospectively.

The Initial application of the above accounting standards, amendments and interpretation are not expected to have any material financial impacts to the current and prior year's financial statements of the Company upon its first adoption.

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

A3 Changes in Accounting Policies

i. Classification and measurement of financial instrument

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

<u>Group</u>	<u>MFRS 139</u>		<u>MFRS 9</u>	
	<u>Measurement category</u>	<u>Carrying amount RM'000</u>	<u>Measurement category</u>	<u>Carrying amount RM'000</u>
<u>Financial assets</u>				
Cash and short-term funds	Amortised cost	534,591	Amortised cost	534,591
Financial assets designated as fair value through profit or loss (FVTPL)	Not Applicable	-	FVTPL ⁽¹⁾	101,292
Derivative financial instruments	FVTPL (Held to maturity)	466,339	FVTPL ⁽¹⁾	466,339
Available-for-sale investment securities	FVOCI ⁽²⁾ (AFS)	2,471,430	Not Applicable	-
Financial Investment at fair value through other comprehensive income (FVOCI)	Not Applicable	-	FVOCI ⁽²⁾	2,370,138
Amount due from counterparties	Amortised cost	19,870,378	Amortised cost	19,870,337
Islamic financing assets	Amortised cost	5,544,378	Amortised cost	5,544,156
Mortgage assets:				
- Conventional	Amortised cost	5,848,119	Amortised cost	5,854,973
- Islamic	Amortised cost	6,300,576	Amortised cost	6,302,640
Hire purchase assets:				
- Conventional	Amortised cost	-	Amortised cost	-
- Islamic	Amortised cost	953	Amortised cost	1,013
Total financial assets		<u>41,036,764</u>		<u>41,045,479</u>

⁽¹⁾ Fair Value through Profit and Loss

⁽²⁾ Fair Value through other comprehensive income

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

A3 Changes in Accounting Policies (Continued)

i. Classification and measurement of financial instrument (Continued)

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 139 and MFRS 9 at 1 January 2018 are compared as follows:

<u>Company</u>	MFRS 139		MFRS 9	
	Measurement category	Carrying amount RM'000	Measurement category	Carrying amount RM'000
<u>Financial assets</u>				
Cash and short-term funds	Amortised cost	524,185	Amortised cost	524,185
Financial assets designated as fair value through profit or loss (FVTPL)	Not Applicable	-	FVTPL ⁽¹⁾	101,292
Derivative financial instruments	FTVPL (Held to maturity)	466,339	FVTPL ⁽¹⁾	466,339
Available-for-sale investment securities	FVOCI ⁽²⁾ (AFS)	2,471,430	Not Applicable	-
Financial Investment at fair value through other comprehensive income (FVOCI)	Not Applicable	-	FVOCI ⁽²⁾	2,370,138
Amount due from counterparties	Amortised cost	19,870,378	Amortised cost	19,870,337
Islamic financing assets	Amortised cost	5,544,378	Amortised cost	5,544,156
Mortgage assets:				
- Conventional	Amortised cost	5,848,119	Amortised cost	5,854,973
- Islamic	Amortised cost	6,300,576	Amortised cost	6,302,640
Hire purchase assets:				
- Conventional	Amortised cost	-	Amortised cost	-
- Islamic	Amortised cost	953	Amortised cost	1,013
Total financial assets		41,026,358		41,035,073

⁽¹⁾ Fair Value through Profit and Loss

⁽²⁾ Fair Value through other comprehensive income

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

A3 Changes in Accounting Policies (Continued)

ii. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9

<u>Group</u>	MFRS 139 carrying amount as at 31 Dec 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 Jan 2018 RM'000	Retained profits impact (net of tax) as at 1 Jan 2018 RM'000
<u>Assets</u>					
Cash and short-term funds	534,591	-	-	534,591	-
Financial assets designated as fair value through profit or loss (FVTPL)	-	101,292	-	101,292	-
Derivative financial instruments	466,339	-	-	466,339	-
Available-for-sale investment securities	2,471,430	(2,471,430)	-	-	-
Financial Investment at fair value through other comprehensive income (FVOCI)	-	2,370,138	-	2,370,138	-
Amount due from counterparties	19,870,378	-	(41)	19,870,337	(31)
Islamic financing assets	5,544,378	-	(222)	5,544,156	(169)
Mortgage assets:					
- Conventional	5,848,119	-	6,854	5,854,973	5,209
- Islamic	6,300,576	-	2,064	6,302,640	1,569
Hire purchase assets:					
- Conventional	-	-	-	-	-
- Islamic	953	-	60	1,013	45
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018	41,036,764	-	8,715	41,045,479	6,623

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

A3 Changes in Accounting Policies (Continued)

ii. Reconciliation of statement of financial position balances from MFRS 139 to MFRS 9 (Continued)

<u>Company</u>	MFRS 139 carrying amount as at 31 Dec 2017 RM'000	Reclassification RM'000	Remeasurement RM'000	MFRS 9 carrying amount as at 1 Jan 2018 RM'000	Retained profits impact (net of tax) as at 1 Jan 2018 RM'000
<u>Assets</u>					
Cash and short-term funds	524,185	-	-	524,185	-
Financial assets designated as fair value through profit or loss (FVTPL)	-	101,292	-	101,292	-
Derivative financial instruments	466,339	-	-	466,339	-
Available-for-sale investment securities	2,471,430	(2,471,430)	-	-	-
Financial Investment at fair value through other comprehensive income	-	2,370,138	-	2,370,138	-
Amount due from counterparties	19,870,378	-	(41)	19,870,337	(31)
Islamic financing assets	5,544,378	-	(222)	5,544,156	(169)
Mortgage assets:					
- Conventional	5,848,119	-	6,854	5,854,973	5,209
- Islamic	6,300,576	-	2,064	6,302,640	1,569
Hire purchase assets:					
- Conventional	-	-	-	-	-
- Islamic	953	-	60	1,013	45
Total change to financial asset balances, reclassification and remeasurement at 1 Jan 2018	41,026,358	-	8,715	41,035,073	6,623

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

A3 Changes in Accounting Policies (Continued)

iii. Reconciliation impairment allowance balances from MFRS 139 to MFRS 9

The following table reconciles the prior year's closing impairment allowance for the Company measured in accordance with the MFRS 139 incurred loss model to the new impairment allowance measured in accordance with the MFRS 9 expected loss model at 1 January 2018:

<u>Group and Company</u>	Impairment allowance under MFRS 139 RM'000	Reclassification RM'000	Remeasurement RM'000	Impairment allowance under MFRS 9 RM'000
<u>Amortised cost (MFRS 139)/</u> <u>Amortised cost (MFRS 9)</u>				
Amount due from counterparties	-	-	41	41
Islamic financial assets	-	-	222	222
Mortgage assets:				
- Conventional	37,971	-	(6,854)	31,117
- Islamic	30,197	-	(2,064)	28,133
Hire purchase assets:				
- Conventional	2	-	-	2
- Islamic	62	-	(60)	2
Total	68,232	-	(8,715)	59,517

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

A4 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

A5 Seasonality or Cyclical factors

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

A6 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 2018.

A7 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Company for the financial period 30 June 2018.

A8 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2017 was paid on 30 March 2018.

A9 Subsequent events

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

A10 Changes in the composition of the Group

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

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

1. CASH AND SHORT-TERM FUNDS

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	57,626	47,679	44,891	37,273
Money at call and deposit placements maturing within one month	157,078	377,100	157,078	377,100
Mudharabah money at call and deposit placements maturing within one month	80,244	109,812	80,244	109,812
	<u>294,948</u>	<u>534,591</u>	<u>282,213</u>	<u>524,185</u>

All cash and short-term funds balances are within Stage 1 allocation (12-months ECL) as at 30 June 2018.

2. DERIVATIVE FINANCIAL INSTRUMENTS

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

	<u>30 Jun 2018</u>			<u>Group and Company</u>		
	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>	<u>Contract/ Notional amount RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
Derivatives designated as cash flow hedges:						
IRS/IPRS						
Maturing within						
one year	1,150,000	636	(8,728)	2,585,000	2,344	(11,386)
One to three						
years	1,860,000	-	(6,258)	545,000	-	(7,904)
More than five years	815,000	4,624	(17,369)	270,000	7,100	(12,147)
	<u>3,825,000</u>	<u>5,260</u>	<u>(32,355)</u>	<u>3,400,000</u>	<u>9,444</u>	<u>(31,437)</u>

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

2. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	30 Jun 2018			Group and Company 31 Dec 2017		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
CCS/ICCS Maturing within one year	1,358,946	19,002	(69,875)	2,630,696	157,081	(47,104)
One to three years	3,268,500	268,528	(165,631)	3,268,500	299,814	(138,330)
	<u>4,627,446</u>	<u>287,530</u>	<u>(235,506)</u>	<u>5,899,196</u>	<u>456,895</u>	<u>(185,434)</u>
	<u>8,452,446</u>	<u>292,790</u>	<u>(267,861)</u>	<u>9,299,196</u>	<u>466,339</u>	<u>(216,871)</u>

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

3. AFS INVESTMENT SECURITIES

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
<i>At fair value:</i>		
Malaysian government securities	-	81,687
Corporate bonds	-	504,181
Government investment issues	-	627,143
Sukuk	-	554,681
Quasi government Sukuk	-	602,446
Unit trust	-	101,292
	<u>-</u>	<u>2,471,430</u>
	<u>-</u>	<u>2,471,430</u>

The maturity structure of AFS investment securities are as follows:

Maturing within one year	-	726,423
One to three years	-	503,885
Three to five years	-	416,171
More than five years	-	824,951
	<u>-</u>	<u>2,471,430</u>
	<u>-</u>	<u>2,471,430</u>

4. FINANCIAL ASSET DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Unit trust	140,493	-	140,493	-
	<u>140,493</u>	<u>-</u>	<u>140,493</u>	<u>-</u>

For financial asset designated as fair value through profit or loss (FVTPL), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

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

5. FINANCIAL INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
<i>At fair value:</i>		
Malaysian government securities	129,994	-
Corporate bonds	747,589	-
Government investment issues	816,279	-
Sukuk	848,741	-
Quasi government Sukuk	643,803	-
	<u>3,186,406</u>	<u>-</u>

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

The maturity structure of AFS investment securities are as follows:

Maturing within one year	1,148,614	-
One to three years	543,201	-
Three to five years	563,193	-
More than five years	931,398	-
	<u>3,186,406</u>	<u>-</u>

6. AMOUNT DUE FROM COUNTERPARTIES

Relating to:		
Mortgage loans	19,242,450	19,545,875
Hire purchase and leasing debts	627,549	286,304
Personal loans	-	38,199
	<u>19,869,999</u>	<u>19,870,378</u>
Less: Allowance for impairment losses	(96)	-
	<u>19,869,903</u>	<u>19,870,378</u>

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

6. AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

	<u>Group and Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	<u>RM'000</u>	<u>RM'000</u>
The maturity structure of amount due from counterparties are as follows:		
Maturing within one year	7,028,915	6,285,506
One to three years	6,861,044	7,604,833
Three to five years	5,345,008	5,345,007
More than five years	635,032	635,032
	<u>19,869,999</u>	<u>19,870,378</u>
Movement in impairment allowances are as follows:		
At 1 January	-	-
Adoption of MFRS 9	41	-
Allowance made during the year	55	-
At 30 June/ 31 Dec	<u>96</u>	<u>-</u>

The gross carrying value of amount due from counterparties and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

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

7. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Relating to:		
Islamic house financing	8,808,280	5,434,316
Islamic personal financing	19,971	109,762
	<hr/>	<hr/>
	8,828,251	5,544,378
Less: Allowance for impairment losses	(306)	-
	<hr/>	<hr/>
	8,827,945	5,544,378
	<hr/> <hr/>	<hr/> <hr/>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	946,047	1,730,200
One to three years	3,919,876	2,574,231
Three to five years	3,962,328	1,239,947
	<hr/>	<hr/>
	8,828,251	5,544,378
	<hr/> <hr/>	<hr/> <hr/>

Movement in impairment allowances are as follows:

At 1 January	-	-
Adoption of MFRS 9	222	-
Allowance made during the year	84	-
	<hr/>	<hr/>
At 30 June/ 31 Dec	306	-
	<hr/> <hr/>	<hr/> <hr/>

The gross carrying value of Islamic financing assets and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

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

8. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Purchase without Recourse ("PWOR")	5,599,007	5,848,119

The maturity structure of mortgage assets - conventional are as follows

Maturing within one year	918,010	933,922
One to three years	1,189,004	1,204,460
Three to five years	1,094,632	1,114,465
More than five years	3,184,603	3,449,082
	<u>6,386,249</u>	<u>6,701,929</u>
Less: Unaccreted discount	(755,300)	(815,839)
Allowance for impairment losses	(31,942)	(37,971)
	<u>5,599,007</u>	<u>5,848,119</u>

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	37,971	38,371
Adoption of MFRS 9	(37,971)	-
Amounts written off during the financial year	-	(400)
	<u>-</u>	<u>-</u>
At 30 June/ 31 Dec	<u>-</u>	<u>37,971</u>

	Gross Carrying value	Impairment allowance
	30 Jun 2018	30 Jun 2018
	RM'000	RM'000
Upon adoption of MFRS 9:		
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,300,159	7,914
Stage 2 (Lifetime ECL; non credit impaired)	15,214	1,403
Stage 3 (Lifetime ECL; credit impaired)	70,876	22,625
	<u>6,386,249</u>	<u>31,942</u>

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

9. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
PWOR	6,126,553	6,300,576

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

Maturing within one year	724,512	712,367
One to three years	963,723	964,148
Three to five years	953,859	967,336
More than five years	4,244,218	4,475,152
	<u>6,886,312</u>	<u>7,119,003</u>
Less: Unaccreted discount	(732,620)	(788,230)
Allowance for impairment losses	(27,139)	(30,197)
	<u>6,126,553</u>	<u>6,300,576</u>

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	30,197	30,146
Adoption of MFRS 9	(30,197)	-
Allowance made during the year	-	51
	<u>-</u>	<u>30,197</u>
At 30 June/ 31 Dec	<u>-</u>	<u>30,197</u>

	Gross Carrying value	Impairment allowance
	30 Jun 2018	30 Jun 2018
	RM'000	RM'000
Upon adoption of MFRS 9:		
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,817,962	8,615
Stage 2 (Lifetime ECL; non credit impaired)	14,676	1,349
Stage 3 (Lifetime ECL; credit impaired)	53,674	17,175
	<u>6,886,312</u>	<u>27,139</u>
At 30 June	<u>6,886,312</u>	<u>27,139</u>

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

10. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
PWOR	677	953
	<u>677</u>	<u>953</u>
The maturity structure of hire purchase assets - Islamic are as follows:		
Maturing within one year	679	970
One to three years	-	45
	<u>679</u>	<u>1,015</u>
Less: Allowance for impairment losses	(2)	(62)
	<u>677</u>	<u>953</u>

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	62	62
Adoption of MFRS 9	(62)	-
	<u>-</u>	<u>62</u>
At 30 June/ 31 Dec	<u>-</u>	<u>62</u>

	Gross Carrying value	Impairment allowance
	30 Jun 2018	30 Jun 2018
	RM'000	RM'000
Upon adoption of MFRS 9:		
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	678	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	1	2
	<u>679</u>	<u>2</u>
At 30 June	<u>679</u>	<u>2</u>

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

11. OTHER ASSETS

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	3,679	3,974	3,679	3,974
Deposits	890	908	885	881
Prepayments	2,501	1,509	2,501	1,509
Other receivables	390	328	390	328
Compensation receivable from originator on mortgage assets	958	1,770	958	1,770
	<u>8,418</u>	<u>8,489</u>	<u>8,413</u>	<u>8,462</u>

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

12. UNSECURED BEARER BONDS AND NOTES

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2018</u>	<u>Amount outstanding</u> RM'000	<u>Group</u>
			<u>Effective interest rate</u> %		<u>31 Dec 2017</u> <u>Effective interest rate</u> %
(a) Floating rate notes	2018	-	-	300,000	3.480
	2019	300,000	3.740	-	-
Add:					
Interest payable		1,137		1,001	-
		<u>301,137</u>		<u>301,001</u>	
(b) Commercial paper	2018	800,000	3.690	700,000	3.560
Add:					
Interest payable		3,043		1,297	
		<u>803,043</u>		<u>701,297</u>	
(c) Medium-term notes	2018	4,392,312	1.520 – 5.710	6,429,072	1.520 - 5.710
	2019	5,997,870	2.745 – 5.280	5,078,550	2.745 - 5.280
	2020	4,896,009	2.530 – 6.000	4,053,485	2.530 - 6.000
	2021	835,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	5,510,000	3.900 - 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 - 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.070
		<u>24,806,191</u>		<u>24,561,107</u>	
Add:					
Interest payable		227,392		201,523	
Unaccreted premium		13,753		5,852	
Less:					
Deferred financing fees		(2,871)		(4,572)	
Unamortised discount		(594)		(1,268)	
		<u>25,043,871</u>		<u>24,762,642</u>	
		<u>26,148,051</u>		<u>25,764,940</u>	

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

12. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

		30 Jun 2018		Company 31 Dec 2017	
	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>Effective interest rate</u> %	<u>Amount outstanding</u> RM'000	<u>Effective interest rate</u> %
(a) Floating rate notes	2018	-	-	300,000	3.480
	2019	300,000	3.740	-	-
Add:					
Interest payable		1,137		1,001	
		<u>301,137</u>		<u>301,001</u>	
(b) Commercial paper	2018	800,000	3.690	700,000	3.560
Add:					
Interest payable		3,043		1,297	
		<u>803,043</u>		<u>701,297</u>	
(c) Medium-term notes	2018	3,085,000	3.420 – 5.710	3,480,000	3.420 - 5.710
	2019	3,975,000	3.650 – 5.280	3,045,000	3.650 - 5.280
	2020	3,480,000	4.100 – 6.000	2,630,000	4.100 - 6.000
	2021	835,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	5,510,000	3.900 – 4.650	5,510,000	3.900 - 4.650
	2023	525,000	4.250 – 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 – 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 - 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 - 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.070
		<u>20,060,000</u>		<u>18,515,000</u>	
Add:					
Interest payable		209,973		183,401	
Unaccreted premium		13,753		5,852	
Less:					
Unamortised discount		(594)		(1,268)	
		<u>20,283,132</u>		<u>18,702,985</u>	
		<u>21,387,312</u>		<u>19,705,283</u>	

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

12. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,563,090	7,626,244	6,238,559	5,021,775
One to three years	9,689,961	9,138,696	6,253,753	5,683,508
Three to five years	5,720,000	5,825,000	5,720,000	5,825,000
More than five years	3,175,000	3,175,000	3,175,000	3,175,000
	<u>26,148,051</u>	<u>25,764,940</u>	<u>21,387,312</u>	<u>19,705,283</u>

(a) Floating rate notes

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

(b) Commercial paper

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

(c) Medium-term notes

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

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

	<u>Group</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000
USD	3,445,854	3,870,347
SGD	1,016,098	1,349,057
AUD	298,787	318,441
HKD	-	521,812
	<u>4,760,739</u>	<u>6,059,657</u>

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

13. SUKUK

		30 Jun 2018		Group 31 Dec 2017	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2018	-	-	305,000	3.510
	2019	305,000	3.690	-	-
Add:					
Profit payable		1,233		1,173	
		<u>306,233</u>		<u>306,173</u>	
(b) Islamic medium-term notes	2018	1,345,000	1.850 – 5.800	1,592,025	1.850 – 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 – 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 – 6.000
	2021	1,770,000	4.150 – 5.380	245,000	4.150 - 5.380
	2022	2,150,000	3.900 – 4.700	2,150,000	3.900 - 4.700
	2023	2,495,000	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>13,917,000</u>		<u>11,139,025</u>	
Add:					
Profit payable		133,727		114,351	
Unaccreted premium		29,957		39,014	
Less:					
Deferred financing fees		-		(29)	
Unamortised discount		(249)		(656)	
		<u>14,080,435</u>		<u>11,291,075</u>	
		<u>14,386,668</u>		<u>11,597,878</u>	

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

13. SUKUK (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2018</u> <u>Effective</u> <u>profit rate</u> %	<u>Amount outstanding</u> RM'000	<u>Company</u> <u>31 Dec 2017</u> <u>Effective</u> <u>profit rate</u> %
(a) Islamic commercial papers	2018	-	-	305,000	3.510
	2019	305,000	3.690	-	-
Add:					
Profit payable		1,233		1,173	
		<u>306,233</u>		<u>306,173</u>	
(b) Islamic medium-term notes	2018	1,345,000	3.510 – 5.800	1,440,000	3.510 - 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	3.750 - 5.280
	2020	2,230,000	3.980 – 6.000	2,230,000	3.980 - 6.000
	2021	1,770,000	4.150 – 5.380	245,000	4.150 - 5.380
	2022	2,150,000	3.900 – 4.700	2,150,000	3.900 - 4.700
	2023	2,495,000	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>13,917,000</u>		<u>10,987,000</u>	
Add:					
Profit payable		133,727		113,504	
Unaccreted premium		29,957		39,014	
Less:					
Unamortised discount		(249)		(656)	
		<u>14,080,435</u>		<u>11,138,862</u>	
		<u>14,386,668</u>		<u>11,445,035</u>	

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

13. SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,358,075	2,011,864	2,358,075	1,859,021
One to three years	4,518,593	3,456,014	4,518,593	3,456,014
Three to five years	3,780,000	2,395,000	3,780,000	2,395,000
More than five years	3,730,000	3,735,000	3,730,000	3,735,000
	<u>14,386,668</u>	<u>11,597,878</u>	<u>14,386,668</u>	<u>11,445,035</u>

(a) Islamic commercial paper

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

(b) Islamic medium-term notes

Islamic medium-term notes are issued by the Group based on various Islamic principles including Sukuk ALIm and fixed rate Sukuk Murabahah. These Sukuk have tenures of more than 1 year and are issued at a discount or at par (coupon-bearing). Profit on these Sukuk is paid on a half-yearly/quarterly basis 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. The Sukuk outstanding as at the date of statement of financial position that are not in the functional currencies of the Group are as follows:

	<u>Group</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000
SGD	-	152,843
	<u>-</u>	<u>152,843</u>

14. LOANS/FINANCING FROM SUBSIDIARIES

Loans/financing from subsidiaries outstanding as at the date of statement of financial position that are not in the functional currencies of the Group is as follows:

	<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000
USD	3,449,005	3,874,422
SGD	1,016,343	1,502,915
AUD	298,918	318,716
HKD	-	521,812
	<u>4,764,266</u>	<u>6,217,865</u>

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

14. LOANS/FINANCING FROM SUBSIDIARIES (CONTINUED)

Loans/financing from subsidiaries are unsecured and subject to interest/profit rates ranging from 1.520% to 2.745% per annum (Dec 2017: 1.520% to 2.745% per annum).

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

	Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Maturing within one year	1,325,387	2,760,830
One to three years	3,438,879	3,457,035
	<u>4,764,266</u>	<u>6,217,865</u>

15. OTHER LIABILITIES

	Group		Company	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Amount due to Government	44,688	36,734	44,689	36,734
Other payables and accruals	22,266	23,128	20,939	21,843
Provision for zakat	-	927	-	927
	<u>66,914</u>	<u>60,789</u>	<u>65,628</u>	<u>59,504</u>

16. INTEREST INCOME

	Group		Company	
	6 Months to	6 Months to	6 Months to	6 Months to
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	432,000	334,588	432,000	334,588
Mortgage assets	128,278	137,238	128,278	137,238
Compensation from mortgage assets	16	27	16	27
Hire purchase assets	2	-	2	-
AFS investment securities	-	33,286	-	33,286
Financial assets designated as FVOCI	43,627	-	43,627	-
Deposits and placements with financial institutions	5,470	3,698	5,470	3,698
	<u>609,393</u>	<u>508,837</u>	<u>609,393</u>	<u>508,837</u>
Accretion of discount less amortisation of premium (net)	60,539	58,373	60,539	58,373
	<u>669,932</u>	<u>567,210</u>	<u>669,932</u>	<u>567,210</u>

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

17. INTEREST EXPENSE

	Group		Company	
	6 Months to	6 Months to	6 Months to	6 Months to
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Medium-term notes	(478,765)	(422,529)	(412,031)	(341,898)
Floating rate notes	(5,440)	(5,168)	(5,440)	(5,168)
Deposits and placements of financial institutions	(18,822)	-	(18,822)	-
Loans/financing from subsidiaries	-	-	(69,145)	(82,448)
	<u>(503,027)</u>	<u>(427,697)</u>	<u>(505,438)</u>	<u>(429,514)</u>

18. NON-INTEREST EXPENSE

Realised net loss on derivatives	(43,940)	(27,033)	(43,940)	(27,033)
Other non-operating income	3,017	2,276	3,017	2,276
Gain on disposal of AFS investment securities	-	1,565	-	1,565
Gain on disposal of financial investment at FVOCI	1,464	-	1,464	-
Unrealised loss on foreign exchange	143	2,363	143	2,368
	<u>(39,316)</u>	<u>(20,829)</u>	<u>(39,316)</u>	<u>(20,824)</u>

19. SEGMENT REPORTING

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

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

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

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

19. SEGMENT REPORTING (CONTINUED)

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Group</u> <u>Total</u> RM'000
30 Jun 2018			
External revenue	626,527	393,882	1,020,409
External interest expense	(507,641)	(275,357)	(782,998)
Profit from operations	58,609	108,902	167,511
Taxation	(12,989)	(26,736)	(39,725)
Net profit by segment	45,620	82,166	127,786
Segment assets	31,600,917	12,787,978	44,388,895
Segment liabilities	30,147,030	10,746,944	40,893,970
<u>Other information</u>			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245
			Company
30 Jun 2018			
External revenue	626,527	393,882	1,020,409
External interest expense	(510,056)	(275,357)	(785,413)
Profit from operations	55,837	109,685	165,522
Taxation	(12,688)	(27,037)	(39,725)
Net profit by segment	43,149	82,648	125,797
Segment assets	31,593,431	12,787,978	44,381,409
Segment liabilities	30,149,270	10,746,941	40,896,211
<u>Other information</u>			
Capital expenditure	1,413	577	1,990
Depreciation and amortisation	884	361	1,245

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

19. SEGMENT REPORTING (CONTINUED)

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Group</u> <u>Total</u> RM'000
30 Jun 2017			
External revenue	476,683	410,085	886,768
External interest expense	(386,906)	(286,049)	(672,955)
Profit from operations	47,429	110,713	158,142
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	36,870	83,690	120,560
Segment assets	25,366,935	13,445,348	38,812,283
Segment liabilities	22,972,631	12,525,774	35,498,405
<u>Other information</u>			
Capital expenditure	3,359	1,780	5,139
Depreciation and amortisation	829	439	1,268
30 Jun 2017			
External revenue	476,683	410,085	886,768
External interest expense	(388,733)	(286,049)	(674,782)
Profit from operations	45,880	110,713	156,593
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	35,321	83,690	119,011
Segment assets	25,366,302	13,445,348	38,811,650
Segment liabilities	22,977,188	12,525,774	35,502,962
<u>Other information</u>			
Capital expenditure	3,359	1,780	5,139
Depreciation and amortisation	829	439	1,268

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

20. 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 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	%	%	%	%
CET I capital ratio	27.4	20.9	27.3	20.8
Tier I capital ratio	27.4	20.9	27.3	20.8
Total capital ratio	29.2	22.3	29.1	22.3

	RM'000	RM'000	RM'000	RM'000
The capital adequacy ratios are as follows:				
CET 1/Tier I capital				
Paid up capital	150,000	150,000	150,000	150,000
Retained profits	3,412,555	3,300,646	3,402,827	3,292,908
	<u>3,562,555</u>	<u>3,450,646</u>	<u>3,552,827</u>	<u>3,442,908</u>
AFS reserve	-	(724)	-	(724)
Financial investment at FVOCI	(6,675)	-	(6,675)	-
Deferred taxation assets	(19,782)	(7,965)	(19,782)	(7,965)
Less: Regulatory reserves	(155,374)	(161,032)	(155,374)	(161,032)
Total Tier I capital	<u>3,380,724</u>	<u>3,280,925</u>	<u>3,370,996</u>	<u>3,273,187</u>
Tier II capital				
Allowance for impairment losses	59,542	68,232	59,542	68,232
Add: Regulatory reserves	155,374	161,032	155,374	161,032
Total Tier II capital	<u>214,916</u>	<u>229,264</u>	<u>214,916</u>	<u>229,264</u>
Total capital	<u><u>3,595,640</u></u>	<u><u>3,510,189</u></u>	<u><u>3,585,912</u></u>	<u><u>3,502,451</u></u>

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

Credit risk	11,619,364	15,026,002	11,622,063	15,030,648
Operational risk	713,355	711,021	713,355	711,021
Total risk-weighted assets	<u><u>12,332,719</u></u>	<u><u>15,737,023</u></u>	<u><u>12,335,418</u></u>	<u><u>15,741,669</u></u>

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

21. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Company	
		30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
ASSETS					
Cash and short-term funds	(a)	80,340	110,090	80,303	110,083
AFS investment securities	(b)	-	576,571	-	576,571
Derivative financial instruments		33	-	33	-
Financial investments at fair value through other comprehensive Income (FVOCI)	(c)	880,966	-	880,966	-
Financing assets	(d)	8,285,300	5,544,378	8,285,300	5,544,378
Mortgage assets	(e)	6,122,711	6,297,302	6,122,711	6,297,302
Hire purchase assets	(f)	182	457	182	457
Deferred taxation		1,210	1,058	1,210	1,058
Other assets and prepayments		288,497	289,393	291,680	291,626
TOTAL ASSETS		15,659,239	12,819,249	15,662,385	12,821,475
LIABILITIES					
Sukuk	(g)	14,386,668	11,597,878	14,386,668	11,445,035
Derivative financial instruments		5,271	10,315	5,271	10,315
Other liabilities	(h)	21,372	15,408	21,271	167,361
TOTAL LIABILITIES		14,413,311	11,623,601	14,413,210	11,622,711
ISLAMIC OPERATIONS' FUNDS		1,245,928	1,195,648	1,249,175	1,198,764
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		15,659,239	12,819,249	15,662,385	12,821,475

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

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	Group		Company	
		6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
Total income attributable		350,477	319,558	350,477	319,558
Income attributable to the Sukuk holders	(k)	(279,971)	(245,258)	(279,975)	(245,269)
Non-profit expense		(3,323)	(2,728)	(3,323)	(2,728)
Total income attributable	(l)	67,183	71,572	67,179	71,561
Administration and general expenses		(2,109)	(2,021)	(1,974)	(1,952)
Writeback/(allowance) for impairment losses		919	(173)	919	(173)
PROFIT BEFORE TAXATION		65,993	69,378	66,124	69,436
Taxation		(15,870)	(16,664)	(15,870)	(16,664)
PROFIT FOR THE FINANCIAL PERIOD		50,123	52,714	50,254	52,772

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21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>
Profit for the financial period	50,123	52,714	50,254	52,772
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss				
AFS investment securities				
- Net gain/(loss) on fair value changes before taxation	-	487	-	487
- Deferred taxation	-	(117)	-	(117)
Financial investment at FVOCI				
- Net gain on fair value changes before taxation	(1,011)	-	(1,011)	-
- Deferred taxation	242	-	242	-
Cash flow hedge				
- Net loss on cash flow hedge before taxation	376	(728)	376	(728)
- Deferred taxation	(90)	175	(90)	175
Other comprehensive loss for the financial period, net of taxation	(483)	(183)	(483)	(183)
Total comprehensive loss for the financial period	49,640	52,531	49,771	52,589

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

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Group	Non-distributable						Total equity RM'000
	Allocated Capital funds RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	821,580	1,195,648
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	294,159	-	308	(4,054)	83,655	822,220	1,196,288
Profit for the financial period	-	-	-	-	-	50,123	50,123
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,123	49,640
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	294,159	-	(461)	(3,768)	80,737	875,261	1,245,928
Balance as at 1 January 2017	294,159	(93)	-	1,326	89,137	721,509	1,106,038
Profit for the financial period	-	-	-	-	-	52,714	52,714
Other comprehensive income/(loss)	-	370	-	(553)	-	-	(183)
Total comprehensive income/(loss) for the financial period	-	370	-	(553)	-	52,714	52,531
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,700)	2,700	-
Balance as at 30 June 2017	294,159	277	-	773	86,437	776,923	1,158,569

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

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Company	Non-distributable						Total equity RM'000
	Allocated Capital funds RM'000	AFS reserves RM'000	Financial investment at FVOCI RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2018	294,159	308	-	(4,054)	83,655	824,696	1,198,764
Effects of adopting MFRS 9 on 1 January 2018	-	(308)	308	-	-	640	640
As restated	294,159	-	308	(4,054)	83,655	825,336	1,199,404
Profit for the financial period	-	-	-	-	-	50,254	50,254
Other comprehensive income/(loss)	-	-	(769)	286	-	-	(483)
Total comprehensive income/(loss) for the financial period	-	-	(769)	286	-	50,254	49,771
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,918)	2,918	-
Balance as at 30 June 2018	294,159	-	(461)	(3,768)	80,737	878,508	1,249,175
Balance as at 1 January 2017	294,159	(93)	-	1,326	89,137	724,450	1,108,979
Profit for the financial period	-	-	-	-	-	52,772	52,772
Other comprehensive income/(loss)	-	370	-	(553)	-	-	(183)
Total comprehensive income/(loss) for the financial period	-	370	-	(553)	-	52,772	52,589
Transfer from regulatory reserve during the financial period	-	-	-	-	(2,700)	2,700	-
Balance as at 30 June 2017	294,159	277	-	773	86,437	779,922	1,161,568

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

21. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u> <u>30 Jun 2018</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2017</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2018</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2017</u> <u>RM'000</u>
OPERATING ACTIVITIES				
Profit for the financial period	50,123	52,714	50,254	52,772
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	-	(1,956)	-	(1,956)
- Financial investment at FVOCI	(5,630)	-	(5,630)	-
Accretion of discount on:				
Mortgage assets	(55,610)	(58,046)	(55,610)	(58,046)
Hire purchase assets	(1)	(16)	(1)	(16)
Sukuk	333	319	333	319
Allowance for impairment losses	(919)	173	(919)	173
Income from:				
- AFS investment securities	-	(2,527)	-	(2,527)
- Financial investment at FVOCI	(6,329)	-	(6,329)	-
- Operations	(279,940)	(254,952)	(279,940)	(254,952)
Profit attributable to Sukuk holders	279,436	246,418	279,403	246,285
Taxation	15,870	16,664	15,870	16,664
Operating loss before working capital changes	(2,667)	(1,209)	(2,569)	(1,284)
(Increase)/decrease in financing assets	(2,728,097)	151,698	(2,728,097)	151,698
Decrease in mortgage assets	233,993	229,810	233,993	229,810
Decrease in hire purchase assets	330	742	330	742
Decrease/(increase) in other assets and prepayments	893	(1)	(54)	23
Increase/(decrease) in Sukuk	2,768,141	(160,254)	2,921,017	152,028
Decrease in financing from subsidiary company	-	-	(152,882)	(312,242)
Increase in other liabilities	2,624	19,881	3,449	19,838
Cash generated from operations	275,217	240,667	275,187	240,613

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

21. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2018 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>
Profit received from Islamic assets	265,029	255,761	265,029	255,761
Profit attributable to Sukuk holders	(259,119)	(130,970)	(259,119)	(130,970)
Payment of:				
- Zakat	(927)	(1,011)	(927)	(1,011)
- Taxation	(11,804)	(16,664)	(11,804)	(16,664)
Net cash generated from operating activities	<u>268,396</u>	<u>347,783</u>	<u>268,366</u>	<u>347,729</u>
INVESTING ACTIVITIES				
Purchase of:				
- AFS investment securities	-	(919,512)	-	(919,512)
- Financial investment at FVOCI	(1,371,011)	-	(1,371,011)	-
Sale of:				
- AFS investment securities	-	501,660	-	501,660
- Financial investment at FVOCI	1,071,237	-	1,071,237	-
Derivative financial instruments	(4,701)	22,802	(4,701)	22,802
Income received from:				
- AFS investment securities	-	527	-	527
- Financial investment at FVOCI	6,329	-	6,329	-
Net cash utilised in investing activities	<u>(298,146)</u>	<u>(394,523)</u>	<u>(298,146)</u>	<u>(394,523)</u>
Net increase in cash and cash equivalents	(29,750)	(46,740)	(29,780)	(46,794)
Cash and cash equivalents as at 1 January	110,090	133,084	110,083	133,084
Cash and cash equivalents as at 30 June	<u>80,340</u>	<u>86,344</u>	<u>80,303</u>	<u>86,290</u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u>80,340</u>	<u>86,344</u>	<u>80,303</u>	<u>86,290</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</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	96	278	59	271
Mudharabah money at call and deposit placements maturing within one month	80,244	109,812	80,244	109,812
	<u>80,340</u>	<u>110,090</u>	<u>80,303</u>	<u>110,083</u>

All cash and short-term funds balances are within Stage 1 allocation (12-months ECL) as at 30 June 2018.

(b) AFS investment securities

	<u>Group and Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	RM'000	RM'000
At fair value:		
Sukuk	-	91,321
Government investment issues	-	50,723
Quasi government securities	-	434,527
	<u>-</u>	<u>576,751</u>

The maturity structure of AFS investment securities are as follows:

Maturing within one year	-	332,868
One to three years	-	123,213
Three to five years	-	65,233
More than five years	-	55,257
	<u>-</u>	<u>576,571</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
<i>(c) Financial investment at fair value through other comprehensive income (FVOCI)</i>		
At fair value:		
Sukuk	161,785	-
Government investment issues	439,255	-
Quasi government issues	279,926	-
	880,966	-
	880,966	-
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	642,807	-
One to three years	118,236	-
Three to five years	99,840	-
More than five years	20,083	-
	880,966	-
	880,966	-

For financial investment at fair value through other comprehensive income (FVOCI), all balances are within stage 1 allocation (12-months ECL) as at 30 June 2018.

(d) Financing assets

Relating to:		
House financing	8,265,595	5,434,616
Personal financing	19,971	109,762
	8,285,566	5,544,378
Less: Allowance for impairment losses	(266)	-
	8,285,300	5,544,378
	8,285,300	5,544,378
The maturity structure of financing assets are as follows:		
Maturing within one year	941,993	1,708,434
One to three years	3,381,324	2,594,787
Three to five years	3,962,249	1,241,157
	8,285,566	5,544,378
	8,285,566	5,544,378

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

21. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
(e) <i>Financing assets (continued)</i>		
Movement in impairment allowances are as follows:		
At 1 January	-	-
Adoption of MFRS 9	222	-
Allowance made during the year	44	-
	<u>266</u>	<u>-</u>
At 30 June/ 31 Dec	<u>266</u>	<u>-</u>

The gross carrying value of financing assets and the impairment allowance are within stage 1 allocation (12-months ECL) as at 30 June 2018.

(f) *Mortgage assets*

PWOR	<u>6,122,711</u>	<u>6,297,302</u>
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The maturity structure of mortgage assets are as follows:

Maturing within one year	723,468	711,371
One to three years	962,142	962,429
Three to five years	953,120	966,501
More than five years	4,243,733	4,474,359
	<u>6,882,463</u>	<u>7,114,660</u>
Less:		
Unaccreted discount	(732,620)	(788,230)
Allowance for impairment losses	(27,132)	(29,128)
	<u>6,122,711</u>	<u>6,297,302</u>

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	29,128	29,217
Adoption of MFRS 9	(29,128)	-
Write - off	-	(89)
	<u>-</u>	<u>-</u>
At 30 June/ 31 Dec	<u>-</u>	<u>29,128</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

(a) Mortgage assets (continued)

	Gross Carrying value 30 Jun 2018 RM'000	Impairment allowance 30 Jun 2018 RM'000
Upon adoption of MFRS 9:		
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	6,814,119	8,608
Stage 2 (Lifetime ECL; non credit impaired)	14,676	1,349
Stage 3 (Lifetime ECL; credit impaired)	53,668	17,175
	<u>6,882,463</u>	<u>27,132</u>
At 30 June	<u>6,882,463</u>	<u>27,132</u>

(b) Hire purchase assets

PWOR	<u>182</u>	<u>457</u>
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The maturity structure of hire purchase assets are as follows:

Maturing within one year	184	474
One to three years	-	45
	<u>184</u>	<u>519</u>
Less:		
Allowance for impairment losses	(2)	(62)
	<u>182</u>	<u>457</u>

Movement in impairment allowances under MFRS 139 are as follows:

At 1 January	62	75
Adoption of MFRS 9	(62)	-
Write - off	-	(13)
	<u>-</u>	<u>(13)</u>
At 30 June/ 31 Dec	<u>-</u>	<u>62</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

(b) Hire purchase assets (continued)

	Gross Carrying value 30 Jun 2018 RM'000	Impairment allowance 30 Jun 2018 RM'000
Upon adoption of MFRS 9:		
By stage allocation:		
Stage 1 (12-months ECL; non credit impaired)	-	-
Stage 2 (Lifetime ECL; non credit impaired)	-	-
Stage 3 (Lifetime ECL; credit impaired)	184	2
At 30 June	<u>184</u>	<u>2</u>

	Group		Company	
	30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000

(c) Sukuk

Commercial papers	306,233	306,173	306,233	306,173
Medium-term notes	14,080,435	11,291,705	14,080,435	11,138,862
	<u>14,386,668</u>	<u>11,597,878</u>	<u>14,386,668</u>	<u>11,445,035</u>

The maturity structure of Sukuk are as follows:

Maturing within one year	2,358,075	2,011,864	2,358,075	1,859,021
One to three years	4,518,593	3,456,014	4,518,593	3,456,014
Three to five years	3,780,000	2,395,000	3,780,000	2,395,000
More than five years	3,730,000	3,735,000	3,730,000	3,735,000
	<u>14,386,668</u>	<u>11,597,878</u>	<u>14,386,668</u>	<u>11,445,035</u>

(d) Other liabilities

	Group		Company	
	30 Jun 2018 RM'000	31 Dec 2017 RM'000	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Other payables	21,372	14,481	21,271	14,409
Financing from subsidiary company	-	-	-	152,052
Zakat	-	927	-	927
	<u>21,372</u>	<u>15,408</u>	<u>21,271</u>	<u>167,361</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

(e) *Income attributable to the Sukuk holders*

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2018 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>
Mortgage assets	(144,911)	(144,937)	(144,915)	(144,948)
Hire purchase assets	(108)	(126)	(108)	(126)
Financing assets	(134,952)	(100,195)	(134,952)	(100,195)
	<u>(279,971)</u>	<u>(245,258)</u>	<u>(279,975)</u>	<u>(245,269)</u>

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

Bai Al-Dayn	<u>(279,971)</u>	<u>(245,258)</u>	<u>(279,975)</u>	<u>(245,269)</u>
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(f) *Total income attributable*

Income from:				
Mortgage assets	45,990	57,537	45,990	57,537
Financing assets	9,719	10,254	9,715	10,243
Deposit and placements with financial institutions	2,662	2,120	2,662	2,120
Financial assets designated as FVOCI	12,243	-	12,243	-
Hire purchase assets	(108)	(94)	(108)	(94)
AFS investments securities	-	4,483	-	4,483
Non-profit expense	(3,323)	(2,728)	(3,323)	(2,728)
	<u>67,183</u>	<u>71,572</u>	<u>67,179</u>	<u>71,561</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

(k) Total income attributable (continued)

Total net income analysed by concept are as follows:

	Group		Company	
	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2018 RM'000	6 Months to 30 Jun 2017 RM'000
Bai Al-Dayn	56,388	67,705	56,384	67,694
Musyarakah	7,750	495	7,750	495
Murabahah	1,048	(1,353)	1,048	(1,353)
Wakalah	967	610	967	610
Mudharabah	714	4,076	714	4,076
Bai Bithaman Ajil	212	-	212	-
Ijarah	104	39	104	39
	<u>67,183</u>	<u>71,572</u>	<u>67,179</u>	<u>71,561</u>

(l) Capital adequacy

	Group		Company	
	30 Jun 2018 %	31 Dec 2017 %	30 Jun 2018 %	31 Dec 2017 %
CET I capital ratio	22.8	25.2	22.9	25.2
Tier I capital ratio	22.8	25.2	22.9	25.2
Total capital ratio	24.9	27.7	25.0	27.8
	<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	955,998	882,735	959,245	885,851
	<u>1,250,157</u>	<u>1,176,894</u>	<u>1,253,404</u>	<u>1,180,010</u>
Less: Regulatory reserves	(80,737)	(83,655)	(80,737)	(83,655)
AFS reserve	-	138	-	138
Financial investment at FVOCI	(208)	-	(208)	-
Total CET 1/Tier I capital	<u>1,169,212</u>	<u>1,093,377</u>	<u>1,172,459</u>	<u>1,096,493</u>
Tier II capital				
Add: Regulatory reserves	80,737	83,655	80,737	83,655
Allowance for impairment losses	27,400	30,259	27,400	30,259
Total Tier II capital	<u>108,137</u>	<u>113,914</u>	<u>108,137</u>	<u>113,914</u>
Total capital	<u>1,277,349</u>	<u>1,207,291</u>	<u>1,280,596</u>	<u>1,210,407</u>

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

21. ISLAMIC OPERATIONS (CONTINUED)

(l) *Capital adequacy (continued)*

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>	<u>30 Jun 2018</u>	<u>31 Dec 2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,867,985	4,172,477	4,870,287	4,174,710
Operational risk	258,583	263,407	258,583	263,407
Total risk-weighted assets	<u>5,126,568</u>	<u>4,435,885</u>	<u>5,128,870</u>	<u>4,438,117</u>

22. BUSINESS REVIEW

Market environment

Global economy expanded at a robust pace in the first quarter of 2018 with steady growth witnessed across regions. Global growth is projected to reach 3.1% in 2018 (2017:3.1%). Growth in advanced economies and major emerging market and developing economies are attributed by strong investment and export activities. Global trade continued to grow, fuelled by higher investment and expansionary fiscal policy.

The Malaysian economy expanded by 5.4% in 1Q2018 (4Q 2017: 5.9%) fuelled mainly by robust and steady domestic demand led by private sector expenditure. Private consumption grew by 6.9% (4Q 2017: 7.0%) attributed by steady employment and low inflation rate. Private investment moderated to 0.5% (4Q 2017: 9.2%) due to lower capital spending residential and commercial properties, machinery and equipment during the quarter. As for the supply side, all sectors registered positive growth, particularly the expansion of the services and manufacturing sector at 6.5% and 5.3% respectively. The services sector saw higher growth in the finance and insurance sub-sector, resulting from higher lending activity by the household. Malaysia's strong growth performance in 2017 is expected to be sustained through 2018.

Headline inflation declined to 1.8% in 1Q2018 (4Q 2017: 3.5%) contributed by relatively slower increase in fuel prices and stronger ringgit. The labour market witnessed a falling unemployment rate to 3.3% (4Q 2017: 3.4%) while total employment was recorded at 14.7 million. The services sector remained major driver of employment (61.7%), followed by manufacturing (17.4%) and agriculture (10.9%) sectors. The ringgit continued to appreciate against the US dollar and other regional currencies in 1Q2018. The strengthening on the ringgit is driven primarily by foreign direct inflows as investors are positive on Malaysia's growth outlook. Following the OPR increase in Jan 2018, interest rates in wholesale and retail markets trended higher. Liquidity remains supportive of banks' financing activities. In light of the overall net capital inflows during the quarter, the level of surplus liquidity placed with BNM also increased. At the institutional level, most banks continued to maintain surplus liquidity positions. The banking system remains well capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio stood at 13.2%, 14% and 17.5% respectively in the first quarter of 2018 (4Q 2017: 13.5%, 14.5% and 17.3%, respectively). The growth of net financing sustained at 6.3% in 1Q2018 (4Q 2017: 6.4%) attributed by steady growth of outstanding loans. Overall gross impaired loans ratio stood at 1.57% yoy (4Q 2017: 1.54%)

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

22. BUSINESS REVIEW (CONTINUED)

Financial performance

The Group registered a pre-tax profit of RM167.5 million for the 6 months ending 30 June 2018 as compared to RM158.1 million in the previous corresponding period.

The increase in the Group's net interest income is mainly due to increase in net interest income contribution from new PWR asset purchased during the financial period. The total assets of the Group stood at RM44.4 billion, a 8.0% growth since 31 Dec 2017.

Purchase of Loans and Financing

Cagamas recorded RM6.1 billion of purchases of loans and financing (1H 2017: RM5.2 billion) in the 1H 2018. All purchases were under PWR scheme while residential mortgage continued to dominate Cagamas' portfolio at 98.4% (1H 2017: 96.2%), followed by personal loans and financing at 1.6% (1H 2017 : 2.3%) and hire purchase loans and financing at 0.1% (1H 2017: 1.5%).

Issuance of Bonds and Sukuk

As at end-June 2018, Cagamas has issued a total of 15 new issuances totalling RM7.5 billion, comprising an aggregate of RM3.9 billion bonds and RM3.6 billion sukuk. Total issuance of RM7.5 billion was raised solely from the ringgit market under the Company's MTN Programme.

Cagamas' corporate bonds and sukuk continue to be assigned the highest ratings of AAA and P1 by RAM Rating Services Berhad and AAA/AAAID and MARC-1/MARC-1ID by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service Inc. that are in line with Malaysian sovereign ratings.

Capital management

The Group's core capital ratio as at 30 June 2018 increased to 27.4% as compared to 20.9% as at 31 December 2017. As at 1H 2018 RWCR remains stable at 29.2%, 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.

Total shareholder's funds for the Group had grown to RM3.5 billion from RM3.4 billion arising from profits generated during the period, while net tangible assets per share increased by 2% to RM23.18 per share as at 30 June 2018.

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

22. BUSINESS REVIEW (CONTINUED)

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

As part of its Corporate Social Responsibility (CSR) efforts, Cagamas continues to provide assistance to the less fortunate through its ongoing CSR and Zakat initiatives. For the financial period ended 30 June 2018, Cagamas had participated as a Corporate Pledge Partner for Teach for Malaysia's Empowered To Unlock MY Potential Campaign which is in line with the Company's efforts to promote sustainable, positive social and environmental change through education. The Cagamas Scholarship Programme (CSP) which was launched last year continues to see the Company reaching out to deserving Malaysians who are in need of financial aid to pursue their education through its second enrolment of undergraduates for the CSP.

In addition, Cagamas launched its sponsored *Islamic Finance in Malaysia, Growth & Development* publication which was a partnership with the International Centre for Education in Islamic Finance (INCEIF). Cagamas also co-sponsored the *Islamic Economics Textbook* to be published by the International Shari'ah Research Academy (ISRA). It is hoped that the book sponsorships, which are in line with the Malaysia International Islamic Finance Centre's (MIFC) initiative to promote the country as an international Islamic financial hub, will assist in the advancement of the Islamic finance sector.