

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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2017

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 2017

	Note	Group		Company	
		30 Jun 2017 RM'000	31 Dec 2016 RM'000	30 Jun 2017 RM'000	31 Dec 2016 RM'000
ASSETS					
Cash and short-term funds	1	343,451	409,396	336,000	405,476
Derivative financial instruments	2	683,090	887,826	683,090	887,826
Available-for-sale investment securities	3	2,356,689	1,650,518	2,356,689	1,650,518
Amount due from counterparties	4	17,834,725	14,296,165	17,834,725	14,296,165
Islamic financing assets	5	5,154,917	5,307,689	5,154,917	5,307,689
Mortgage assets					
- Conventional	6	5,993,324	6,238,337	5,993,324	6,238,337
- Islamic	7	6,489,783	6,662,093	6,489,783	6,662,093
Hire purchase assets					
- Islamic	8	1,253	1,924	1,253	1,924
Amount due from					
- Related company		476	436	476	436
- Subsidiaries		-	-	6,830	4,951
Other assets	9	8,058	9,153	8,048	9,102
Property and equipment		4,764	2,892	4,764	2,892
Intangible assets		16,028	14,032	16,028	14,032
Deferred taxation		8,310	8,365	8,310	8,365
TOTAL ASSETS		38,894,868	35,488,826	38,894,237	35,489,806
LIABILITIES					
Unsecured bearer bonds and notes	10	24,223,241	20,946,586	17,131,284	15,080,427
Sukuk	11	11,170,426	11,214,913	11,013,823	10,746,160
Loans/financing from subsidiaries	12	-	-	7,255,393	6,340,542
Derivative financial instruments	2	100,241	33,825	100,241	33,825
Provision for taxation		19,230	15,668	19,230	15,648
Other liabilities	13	65,803	61,796	63,526	60,804
TOTAL LIABILITIES		35,578,941	32,272,788	35,583,497	32,277,406
Share capital		150,000	150,000	150,000	150,000
Reserves		3,165,927	3,066,038	3,160,740	3,062,400
SHAREHOLDER'S FUNDS		3,315,927	3,216,038	3,310,740	3,212,400
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		38,894,868	35,488,826	38,894,237	35,489,806
NET TANGIBLE ASSETS PER SHARE (RM)		22.00	21.34	21.96	21.32

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 2016 and the accompanying explanatory notes on pages 8 to 38 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 25 August 2017.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

		Group		Company	
		6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
Interest income	14	567,210	532,786	567,210	532,786
Interest expense	15	(427,697)	(381,391)	(429,514)	(383,207)
Income from Islamic operations	19	71,572	69,959	71,561	71,392
Non-interest expense	16	(20,829)	(13,814)	(20,824)	(13,802)
		<u>190,256</u>	<u>207,540</u>	<u>188,433</u>	<u>207,169</u>
Administration and general expenses		(18,516)	(16,441)	(18,242)	(16,242)
Personnel costs		(13,229)	(12,487)	(13,229)	(12,487)
OPERATING PROFIT		<u>158,511</u>	<u>178,612</u>	<u>156,962</u>	<u>178,440</u>
Allowance for impairment losses		(369)	(946)	(369)	(946)
PROFIT BEFORE TAXATION		<u>158,142</u>	<u>177,666</u>	<u>156,593</u>	<u>177,494</u>
Taxation		(37,582)	(44,413)	(37,582)	(44,394)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>120,560</u></u>	<u><u>133,253</u></u>	<u><u>119,011</u></u>	<u><u>133,100</u></u>
EARNINGS PER SHARE (SEN)		<u><u>80.37</u></u>	<u><u>88.83</u></u>	<u><u>79.34</u></u>	<u><u>88.73</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 2016 and the accompanying explanatory notes on pages 8 to 38 attached to the condensed interim financial statements.

The condensed interim financial statements were approved for issue by the Board of Directors on 25 August 2017

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2017**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u> <u>30 Jun 2017</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 2017</u> <u>RM'000</u>	<u>6 Months to</u> <u>30 Jun 2016</u> <u>RM'000</u>
Profit for the financial period	120,560	133,252	119,011	133,100
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	26,599	12,604	26,599
- Deferred taxation	(2,533)	(6,457)	(2,533)	(6,457)
Cash flow hedge				
- Net gain on cash flow hedge before taxation	(10,720)	8,149	(10,720)	8,149
- Deferred taxation	2,478	(2,538)	2,478	(2,538)
Other comprehensive income for the financial period, net of taxation	1,829	25,753	1,829	25,753
Total comprehensive income for the financial period	122,389	159,005	110,840	158,853

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CAGAMAS BERHAD

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	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 reserves RM'000	
Group						
Balance as at 1 January 2017	150,000	(10,529)	(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
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

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Company	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Retained profits RM'000	Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000		
Balance as at 1 January 2017	150,000	(10,529)	(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
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

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2017**

	Group		Company	
	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
OPERATING ACTIVITIES				
Profit for the financial period	120,560	133,252	119,011	133,100
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)	(4,821)	(3,598)	(4,821)
Accretion of discount on:				
Mortgage assets				
- Conventional	(56,730)	(74,944)	(56,730)	(74,944)
- Islamic	(58,046)	(59,622)	(58,046)	(59,622)
Hire purchase assets				
- Islamic	(16)	(48)	(16)	(48)
Islamic commercial paper and medium term note	319	308	319	308
Allowance for impairment losses	611	946	611	946
Unrealised loss on foreign exchange	(2,368)	-	(2,368)	-
Interest income	(505,112)	(451,829)	(505,112)	(451,829)
Income from Islamic operations	(257,480)	(281,505)	(257,480)	(281,505)
Interest expense	431,853	391,311	431,853	391,311
Profit attributable to Sukuk holders	246,285	261,095	246,285	261,095
Depreciation of property and equipment	558	570	558	570
Amortisation of intangible assets	710	691	710	691
Gain on disposal of:				
- Property and equipment	-	(1)	-	(1)
- AFS investment securities	(1,565)	(1,789)	(1,565)	(1,789)
Taxation	37,582	44,394	37,582	44,394
Operating loss before working capital changes	<u>(46,437)</u>	<u>(41,992)</u>	<u>(47,986)</u>	<u>(42,144)</u>
Increase in amount due from counterparties	(3,495,928)	(2,048,382)	(3,495,928)	(2,048,382)
Decrease/(increase) in Islamic financing assets	151,698	(626,210)	151,698	(626,210)
Decrease in mortgage assets				
- Conventional	301,829	334,432	301,829	334,432
- Islamic	230,510	223,382	230,510	223,382
Decrease in hire purchase assets				
- Conventional	-	2	-	2
- Islamic	757	1,004	757	1,004
Decrease/(increase) in other assets	1,053	(191)	(864)	2,166
Increase in unsecured bearer bonds and notes	3,251,456	1,684,931	2,025,658	1,590,742
(Decrease)/increase in Sukuk	(46,511)	647,005	265,639	206,195
Increase in other liabilities	5,023	11,085	3,735	10,903

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2017 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
(Decrease)/increase in loans/financing from subsidiaries	(1,687)	(4,933)	913,164	527,407
Decrease in derivatives	282,864	260,406	282,864	260,406
Cash generated from operations	634,627	440,539	631,076	439,903
Interest received	428,669	389,066	428,669	389,066
Profit received from Islamic assets	255,628	268,122	255,628	268,122
Interest paid	(404,967)	(361,742)	(404,967)	(361,742)
Interest paid on derivatives	(116,474)	(104,548)	(116,474)	(104,548)
Interest received on derivatives	95,938	79,057	95,938	79,057
Profit paid on derivatives	(13,430)	(20,670)	(13,430)	(20,670)
Profit received on derivatives	13,903	14,546	13,903	14,546
Profit attributable to Sukuk holders	(244,580)	(251,156)	(244,580)	(251,156)
Payment of:				
- Zakat	(1,011)	(2,777)	(1,011)	(2,777)
- Taxation	(34,020)	(44,394)	(34,000)	(44,394)
Net cash generated from operating activities	614,283	406,043	610,752	405,407
INVESTING ACTIVITIES				
Purchase of AFS investment securities	(1,596,180)	(415,838)	(1,596,180)	(415,840)
Proceeds from sale/redemption of AFS investment securities	913,185	223,419	913,185	223,419
Purchase of:				
- Property and equipment	(2,431)	(188)	(2,431)	(188)
- Intangible assets	(2,708)	(586)	(2,708)	(586)
Income received from AFS investment securities	29,879	6,329	29,879	6,329
Income received from Sukuk	527	22,179	527	22,179
Net cash utilised in investing activities	(657,728)	(164,685)	(657,728)	(164,687)
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	(65,945)	218,858	(69,476)	218,220
Cash and cash equivalents as at 1 January	409,396	243,912	405,476	243,789
Cash and cash equivalents as at 30 June	343,451	462,770	336,000	462,009

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CAGAMAS BERHAD
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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2017 (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u> <u>30 Jun 2017</u>	<u>6 Months to</u> <u>30 Jun 2016</u>	<u>6 Months to</u> <u>30 Jun 2017</u>	<u>6 Months to</u> <u>30 Jun 2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	<u>343,451</u>	<u>462,770</u>	<u>336,000</u>	<u>462,009</u>

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017

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 2017 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 ("AFS") 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 2016. 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 2016. 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 2016.

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

A2 Basis of preparation (continued)

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*

A3 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2016 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 2017.

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 2017.

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 2016 was paid on 29 March 2017.

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.

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CAGAMAS BERHAD
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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

1. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	45,611	45,531	38,160	41,611
Money at call and deposit placements maturing within one month	211,610	230,877	211,610	230,877
Mudharabah money at call and deposit placements maturing within one month	86,230	132,988	86,230	132,988
	<u>343,451</u>	<u>409,396</u>	<u>336,000</u>	<u>405,476</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 2017			31 Dec 2016		
	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						
Maturing within one year	375,000	661	-	-	-	-
One to three years	1,150,000	3,551	(9,815)	1,525,000	4,808	(13,154)
More than five years	570,000	8,176	(22,153)	570,000	5,340	(20,434)
	<u>2,095,000</u>	<u>12,388</u>	<u>(31,968)</u>	<u>2,095,000</u>	<u>10,148</u>	<u>(33,588)</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

2. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group and Company					
	30 Jun 2017			31 Dec 2016		
	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/ICCS						
Maturing within one year	2,887,850	213,808	(6,347)	2,452,543	95,405	(237)
One to three years	2,003,000	456,894	-	2,800,000	781,808	-
Three to five years	1,543,500	-	(61,926)	-	-	-
	<u>6,434,350</u>	<u>670,702</u>	<u>(68,273)</u>	<u>5,252,543</u>	<u>877,213</u>	<u>(237)</u>
Derivatives not designated as cash flow hedges :						
IPRS						
Maturing within one year	-	-	-	500,000	465	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>465</u>	<u>-</u>
	<u>8,529,350</u>	<u>683,090</u>	<u>(100,241)</u>	<u>7,847,543</u>	<u>887,826</u>	<u>(33,825)</u>

3. AFS INVESTMENT SECURITIES

	Group and Company	
	30 Jun 2017 RM'000	31 Dec 2016 RM'000
<i>At fair value:</i>		
Malaysian government securities	51,011	10,060
Corporate bonds	549,205	428,062
Government investment issues	536,798	442,200
Sukuk	660,208	348,602
Quasi government Sukuk	476,931	340,328
Unit trust	82,536	81,266
	<u>2,356,689</u>	<u>1,650,518</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

3. AFS INVESTMENT SECURITIES (CONTINUED)

	Group and Company	
	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	519,760	284,709
One to three years	430,150	285,505
Three to five years	232,870	154,459
More than five years	1,173,909	925,845
	<u>2,356,689</u>	<u>1,650,518</u>

4. AMOUNT DUE FROM COUNTERPARTIES

Relating to:		
Mortgage loans	17,404,731	13,872,352
Hire purchase and leasing debts	283,201	258,746
Personal loans	146,793	165,067
	<u>17,834,725</u>	<u>14,296,165</u>

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

Maturing within one year	6,373,805	5,154,450
One to three years	8,235,878	8,135,868
Three to five years	2,270,011	50,824
More than five years	955,031	955,023
	<u>17,834,725</u>	<u>14,296,165</u>

5. ISLAMIC FINANCING ASSETS

Relating to:		
Islamic house financing	4,248,893	4,225,536
Islamic hire purchase financing	247,983	382,819
Islamic personal financing	658,041	699,334
	<u>5,154,917</u>	<u>5,307,689</u>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	2,467,070	3,001,966
One to three years	1,280,983	1,387,816
Three to five years	997,656	500,003
More than five years	409,208	417,904
	<u>5,154,917</u>	<u>5,307,689</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

	Group and Company	
	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
6. MORTGAGE ASSETS – CONVENTIONAL		
Purchase without Recourse ("PWOR")	5,993,324	6,238,337
	<u>5,993,324</u>	<u>6,238,337</u>
The maturity structure of mortgage assets - conventional are as follows:		
Maturing within one year	927,242	935,176
One to three years	1,172,710	1,218,288
Three to five years	1,097,105	1,148,044
More than five years	3,712,631	3,910,131
	<u>6,909,688</u>	<u>7,211,639</u>
Less:		
Unaccreted discount	(878,200)	(934,931)
Allowance for impairment losses	(38,164)	(38,371)
	<u>5,993,324</u>	<u>6,238,337</u>
	<u>5,993,324</u>	<u>6,238,337</u>
7. MORTGAGE ASSETS – ISLAMIC		
PWOR	6,489,783	6,662,093
	<u>6,489,783</u>	<u>6,662,093</u>
The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	725,553	726,071
One to three years	962,028	958,087
Three to five years	976,138	980,438
More than five years	4,695,052	4,924,612
	<u>7,358,771</u>	<u>7,589,208</u>
Less:		
Unaccreted discount	(838,923)	(896,969)
Allowance for impairment losses	(30,065)	(30,146)
	<u>6,489,783</u>	<u>6,662,093</u>
	<u>6,489,783</u>	<u>6,662,093</u>

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8. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
PWOR	1,253	1,924
	<u>1,253</u>	<u>1,924</u>
The maturity structure of hire purchase assets - Islamic are as follows:		
Maturing within one year	1,468	2,001
One to three years	-	153
	<u>1,468</u>	<u>2,154</u>
Less:		
Unaccreted discount	-	(15)
Allowance for impairment losses	(215)	(215)
	<u>1,253</u>	<u>1,924</u>
	<u>1,253</u>	<u>1,924</u>

9. OTHER ASSETS

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Staff loans and financing	4,114	4,487	4,114	4,487
Deposits	877	927	876	876
Prepayments	1,333	1,276	1,324	1,276
Other receivables	568	1,001	568	1,001
Compensation receivable from originator on mortgage assets	1,166	1,462	1,166	1,462
	<u>8,058</u>	<u>9,153</u>	<u>8,048</u>	<u>9,102</u>
	<u>8,058</u>	<u>9,153</u>	<u>8,048</u>	<u>9,102</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

10. UNSECURED BEARER BONDS AND NOTES

		Group			
	Year of maturity	Amount outstanding RM'000	30 Jun 2017 Effective interest rate %	Amount outstanding RM'000	31 Dec 2016 Effective interest rate %
(a) Floating rate notes	2017	300,000	3.48	300,000	3.8200
Add:					
Interest payable		1,058		1,052	
		301,058		301,052	
(b) Medium-term notes	2017	5,048,514	1.600 – 4.640	5,795,017	1.600 – 4.640
	2018	5,252,325	1.640 – 5.710	4,887,493	1.880 - 5.710
	2019	5,190,650	2.745 – 5.280	5,288,107	2.745 - 5.280
	2020	2,041,955	2.530 – 6.000	540,000	4.100 - 6.000
	2021	315,000	4.150 – 5.380	315,000	4.150 - 5.380
	2022	2,710,000	3.900 – 4.480	485,000	3.900 - 4.480
	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 – 4.650	640,000	4.550 - 4.650
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.170	275,000	4.140 - 4.170
	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
		23,733,444		20,485,617	
Add:					
Interest payable		196,246		166,929	
Unaccreted premium		-		29	
Less:					
Deferred financing fees		(5,525)		(4,372)	
Unamortised discount		(1,982)		(2,669)	
		23,922,183		20,645,534	
		24,223,241		20,946,586	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	<u>Year of maturity</u>	<u>Amount outstanding</u> RM'000	<u>30 Jun 2017</u>	<u>Amount outstanding</u> RM'000	<u>Company</u>
			<u>Effective interest rate</u> %		<u>31 Dec 2016</u> <u>Effective interest rate</u> %
(a) Floating rate notes	2017	300,000	3.48	300,000	3.8200
Add:					
Interest payable		1,058		1,052	
		<u>301,058</u>		<u>301,052</u>	
(b) Medium-term notes	2017	3,230,000	3.300 – 4.640	3,530,000	3.300 - 4.640
	2018	3,650,000	3.420 – 5.710	3,550,000	3.420 - 5.710
	2019	3,045,000	3.650 – 5.280	3,045,000	3.650 - 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	2,710,000	3.900 – 4.480	485,000	3.900 - 4.480
	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 – 4.650	640,000	4.550 - 4.650
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.170	275,000	4.140 - 4.170
	2028	890,000	4.750 – 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	160,000	5.070
		<u>16,665,000</u>		<u>14,640,000</u>	
Add:					
Interest payable		167,208		142,015	
Unaccreted premium		-		29	
Less:					
Unamortised discount		(1,982)		(2,669)	
		<u>16,830,226</u>		<u>14,779,375</u>	
		<u>17,131,284</u>		<u>15,080,427</u>	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

10. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	7,588,588	6,260,024	4,453,266	3,973,096
One to three years	9,894,653	10,171,562	5,938,018	6,592,331
Three to five years	3,080,000	855,000	3,080,000	855,000
More than five years	3,660,000	3,660,000	3,660,000	3,660,000
	<u>24,223,241</u>	<u>20,946,586</u>	<u>17,131,284</u>	<u>15,080,427</u>

(a) Floating rate notes

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

(b) Medium-term notes

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

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

	Group	
	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
CNH	958,327	974,256
HKD	551,409	580,170
USD	4,643,058	3,279,146
SGD	939,162	1,032,586
	<u>7,091,956</u>	<u>5,866,158</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

11. SUKUK

		30 Jun 2017		Group 31 Dec 2016	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2017	-	-	500,000	3.6200
Add:					
Profit payable		-		248	
		<u>-</u>		<u>500,248</u>	
(b) Islamic fixed medium-term notes	2017	2,235,850	1.850 – 4.050	2,625,512	2.300 - 4.050
	2018	1,145,000	3.600 – 5.800	1,145,000	3.600 - 5.800
	2019	1,187,000	3.750 – 5.280	1,187,000	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	1,310,000	3.900 – 4.700	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>11,037,850</u>		<u>10,577,512</u>	
Add:					
Profit payable		116,184		116,678	
Unaccreted premium		17,495		21,857	
Less:					
Deferred financing fees		(116)		(75)	
Unamortised discount		(987)		(1,307)	
		<u>11,170,426</u>		<u>10,714,665</u>	
		<u>11,170,426</u>		<u>11,214,913</u>	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

11. SUKUK (CONTINUED)

		30 Jun 2017		Company 31 Dec 2016	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic commercial papers	2017	-	-	500,000	3.6200
Add:					
Profit payable		-		248	
		-		500,248	
(b) Islamic fixed medium-term notes	2017	2,080,000	3.300 - 4.050	2,160,000	3.300 - 4.050
	2018	1,145,000	3.600 - 5.800	1,145,000	3.600 - 5.800
	2019	1,187,000	3.750 - 5.280	1,187,000	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	1,310,000	3.900 - 4.700	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
		10,882,000		10,112,000	
Add:					
Profit payable		115,315		113,362	
Unaccreted premium		17,495		21,857	
Less:					
Unamortised discount		(987)		(1,307)	
		11,013,823		10,245,912	
		11,013,823		10,746,160	

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

11. SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,446,918	3,242,363	2,290,315	2,773,610
One to three years	2,253,508	2,352,550	2,253,508	2,352,550
Three to five years	2,275,000	1,425,000	2,275,000	1,425,000
More than five years	4,195,000	4,195,000	4,195,000	4,195,000
	<u>11,170,426</u>	<u>11,214,913</u>	<u>11,013,823</u>	<u>10,746,160</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 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
SGD	<u>156,603</u>	<u>468,751</u>

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12. 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 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
CNH	959,009	975,934
HKD	551,409	580,170
USD	4,648,307	3,282,148
SGD	1,096,668	1,502,290
	<u>7,255,393</u>	<u>6,340,542</u>

Loans/financing from subsidiaries are unsecured and subject to interest/profit rates ranging from 1.60% to 3.70% per annum (Dec 2016: 1.710% to 3.860% per annum).

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

	<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
Maturing within one year	3,296,088	2,759,942
One to three years	3,959,305	3,580,600
	<u>7,255,393</u>	<u>6,340,542</u>

13. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	-	1,011	-	1,011
Amount due to Government	37,891	41,209	37,891	41,209
Other payables and accruals	27,912	19,576	25,635	18,584
	<u>65,803</u>	<u>61,796</u>	<u>63,526</u>	<u>60,804</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

14. INTEREST INCOME

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to</u>	<u>6 Months to</u>	<u>6 Months to</u>	<u>6 Months to</u>
	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>	<u>30 Jun 2017</u>	<u>30 Jun 2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Amount due from counterparties				
Mortgage assets	334,588	269,376	334,588	269,376
Compensation from mortgage assets	137,238	151,983	137,238	151,983
Hire purchase assets	27	40	27	40
AFS investment securities	33,286	30,469	33,286	30,469
Deposits and placements with financial institutions	3,698	3,011	3,698	3,011
	<u>508,837</u>	<u>454,879</u>	<u>508,837</u>	<u>454,879</u>
Accretion of discount less amortisation of premium (net)	58,373	77,907	58,373	77,907
	<u>567,210</u>	<u>532,786</u>	<u>567,210</u>	<u>532,786</u>

15. INTEREST EXPENSE

Medium-term notes	422,529	372,148	341,898	306,414
Floating rate notes	5,168	7,543	5,168	7,543
Deposits and placements of financial institutions	-	1,700	-	1,700
Loans/financing from subsidiaries	-	-	82,448	67,550
	<u>427,697</u>	<u>381,391</u>	<u>429,514</u>	<u>383,207</u>

16. NON-INTEREST EXPENSE

Realised net loss on derivatives	(27,033)	(23,129)	(27,033)	(23,129)
Other non-operating income	2,276	2,886	2,276	2,886
Gain on disposal of AFS investment securities	1,565	1,862	1,565	1,862
Gain on disposal of property and equipment	-	1	-	1
Gain on foreign exchange	2,363	4,566	2,368	4,578
	<u>(20,829)</u>	<u>(13,814)</u>	<u>(20,824)</u>	<u>(13,802)</u>

17. SEGMENT REPORTING

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

(a) Purchase With Recourse ("PWR")

(b) Purchase Without Recourse ("PWOR")

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

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (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 2017			
External revenue	476,683	410,085	886,768
External interest expense	(386,906)	(286,049)	(672,955)
Profit from operations	47,428	110,713	158,141
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	36,869	83,690	120,559
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	45,879	110,713	156,592
Taxation	(10,559)	(27,023)	(37,582)
Net profit by segment	35,320	83,690	119,010
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 2017 (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
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

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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 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	%	%	%	%
CET I capital ratio	21.4	22.3	21.3	22.3
Tier I capital ratio	21.4	22.3	21.3	22.3
Total capital ratio	23.0	24.1	22.9	24.0

	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	3,186,991	3,088,931	3,181,804	3,085,293
	<u>3,336,991</u>	<u>3,238,931</u>	<u>3,331,804</u>	<u>3,235,293</u>
AFS reserve	(458)	(10,529)	(458)	(10,529)
Deferred taxation assets	(8,310)	(8,365)	(8,310)	(8,365)
Less: Regulatory reserves	(167,393)	(173,564)	(167,393)	(173,564)
Total Tier I capital	<u>3,160,830</u>	<u>3,046,473</u>	<u>3,155,643</u>	<u>3,042,835</u>
Tier II capital				
Allowance for impairment losses	68,734	68,734	68,734	68,734
Add: Regulatory reserves	167,393	173,564	167,393	173,564
Total Tier II capital	<u>236,127</u>	<u>242,298</u>	<u>236,127</u>	<u>242,298</u>
Total capital	<u>3,396,957</u>	<u>3,288,771</u>	<u>3,391,770</u>	<u>3,285,133</u>

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

Credit risk	14,072,736	12,935,305	14,077,991	12,939,362
Operational risk	717,742	722,196	717,742	722,196
Total risk-weighted assets	<u>14,790,478</u>	<u>13,657,501</u>	<u>14,795,733</u>	<u>13,661,558</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	<u>Group</u>		<u>Company</u>	
		30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	(a)	86,344	133,084	86,290	133,084
Derivative financial instruments		-	23,025	-	23,025
AFS investment securities	(b)	462,415	40,119	462,415	40,119
Financing assets	(c)	5,154,917	5,307,689	5,154,917	5,307,689
Mortgage assets	(d)	6,486,014	6,657,724	6,486,014	6,657,724
Hire purchase assets	(e)	895	1,584	895	1,584
Other assets and prepayments		289,366	289,364	291,731	291,753
TOTAL ASSETS		<u>12,479,951</u>	<u>12,452,589</u>	<u>12,482,262</u>	<u>12,454,978</u>
LIABILITIES					
Sukuk	(f)	11,170,426	11,214,913	11,013,823	10,746,160
Derivative financial instruments		221	-	221	-
Deferred taxation		323	98	323	98
Other liabilities	(g)	150,412	131,540	306,327	599,741
TOTAL LIABILITIES		<u>11,321,382</u>	<u>11,346,551</u>	<u>11,320,694</u>	<u>11,345,999</u>
ISLAMIC OPERATIONS' FUNDS		<u>1,158,569</u>	<u>1,106,038</u>	<u>1,161,568</u>	<u>1,108,979</u>
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		<u>12,479,951</u>	<u>12,452,589</u>	<u>12,482,262</u>	<u>12,454,978</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	Group		Company	
		6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
Total income attributable		319,558	345,740	319,558	345,740
Income attributable to the Sukuk holders	(h)	(245,258)	(267,585)	(245,269)	(268,102)
Non-profit expense		(2,728)	(8,196)	(2,728)	(6,246)
Total income attributable	(i)	71,572	69,959	71,561	71,392
Administration and general expenses		(2,021)	(3,404)	(1,952)	(3,404)
Allowance for impairment losses		(173)	(594)	(173)	(594)
PROFIT BEFORE TAXATION		69,378	65,961	69,436	67,394
Taxation		(16,664)	(16,849)	(16,664)	(16,849)
PROFIT FOR THE FINANCIAL PERIOD		52,714	49,112	52,772	50,545

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>
Profit for the financial period	52,714	49,112	52,772	50,545
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	(248)	487	(248)
- Deferred taxation	(117)	57	(117)	57
Cash flow hedge				
- Net loss on cash flow hedge before taxation	(728)	(1,801)	(728)	(1,801)
- Deferred taxation	175	74	175	74
Other comprehensive loss for the financial period, net of taxation	(183)	(1,918)	(183)	(1,918)
Total comprehensive loss for the financial period	<u>52,531</u>	<u>47,194</u>	<u>52,531</u>	<u>47,194</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Group	<u>Non-distributable</u>					Total funds RM'000
	<u>Allocated Capital funds RM'000</u>	<u>AFS reserves RM'000</u>	<u>Cash Flow hedge reserves RM'000</u>	<u>Regulatory reserves RM'000</u>	<u>Retained profits RM'000</u>	
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
Balance as at 1 January 2016	294,159	361	6,496	95,598	610,281	1,006,895
Profit for the financial period	-	-	-	-	49,112	49,112
Other comprehensive loss	-	(191)	(1,727)	-	-	(1,918)
Total comprehensive (loss)/income for the financial period	-	(191)	(1,727)	-	49,112	47,194
Balance as at 30 June 2016	294,159	170	4,769	95,598	659,393	1,054,089

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19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

Company	Allocated Capital funds RM'000	AFS reserves RM'000	Non-distributable		Retained profits RM'000	Total funds RM'000
			Cash flow hedge reserves RM'000	Regulatory reserves RM'000		
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
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)	-	50,545	48,627
Balance as at 30 June 2016	294,159	170	4,769	95,598	661,828	1,056,524

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>	<u>6 Months to 30 Jun 2017 RM'000</u>	<u>6 Months to 30 Jun 2016 RM'000</u>
OPERATING ACTIVITIES				
Profit for the financial period	52,714	49,112	52,772	50,545
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)	(1,859)	(1,956)	(1,859)
Accretion of discount on:				
Mortgage assets	(58,046)	(59,622)	(58,046)	(59,622)
Hire purchase assets	(16)	(48)	(16)	(48)
Sukuk	319	308	319	308
Allowance for impairment losses	173	594	173	594
Income from:				
- AFS investment securities	(2,527)	(1,161)	(2,527)	(1,161)
- Operations	(254,952)	(280,344)	(254,952)	(280,344)
Profit attributable to Sukuk holders	246,418	261,095	246,285	261,095
Loss on disposal of AFS	-	73	-	73
Taxation	16,664	16,849	16,664	16,849
Operating loss before working capital changes	(1,209)	(15,003)	(1,284)	(13,570)
Decrease/(increase) in financing assets	151,698	(626,210)	151,698	(626,210)
Decrease in mortgage assets	229,810	222,795	229,810	222,795
Decrease in hire purchase assets	742	1,183	742	1,183
(Increase)/decrease in other assets and prepayments	(1)	(36)	23	205
(Decrease)/increase in Sukuk	(160,254)	647,006	152,028	206,196
(Decrease)/increase in financing from subsidiary company	-	-	(312,242)	439,470
Increase in derivatives	-	14,257	-	14,257
Increase in other liabilities	19,881	21,039	19,838	20,706
Cash generated from operations	240,667	265,031	240,613	265,032
Profit received from Islamic assets	255,753	268,122	255,753	268,122
Profit attributable to Sukuk holders	(130,970)	(251,156)	(130,970)	(251,156)
Profit paid on derivatives	-	(20,670)	-	(20,670)
Profit received on derivatives	-	14,546	-	14,546
Payment of:				
- Zakat	(1,011)	(2,777)	(1,011)	(2,777)
- Taxation	(16,664)	(16,849)	(16,664)	(16,849)

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2017 (CONTINUED)**

	Group		Company	
	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
Net cash generated from operating activities	347,775	256,247	347,721	256,248
INVESTING ACTIVITIES				
Purchase of AFS investment securities	(919,512)	(192,415)	(919,512)	(192,415)
Sale of AFS investment securities	501,660	71,958	501,660	71,958
Derivative financial instruments	22,802	-	22,802	-
Income received from AFS investment securities	535	1,136	535	1,136
Net cash utilised in investing activities	(394,515)	(119,321)	(394,515)	(119,321)
Net increase in cash and cash equivalents	(46,740)	136,926	(46,794)	136,927
Cash and cash equivalents as at 1 January	133,084	79,629	133,084	79,628
Cash and cash equivalents as at 30 June	86,344	216,555	86,290	216,555
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	86,344	216,555	86,290	216,555

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</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	114	96	60	96
Mudharabah money at call and deposit placements maturing within one month	86,230	132,988	86,230	132,988
	<u>86,344</u>	<u>133,084</u>	<u>86,290</u>	<u>133,084</u>
			<u>Group and Company</u>	
			<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
			RM'000	RM'000
<i>(b) AFS investment securities</i>				
At fair value:				
Sukuk			432,090	10,044
Government investment issues			30,325	30,075
			<u>462,415</u>	<u>40,119</u>
The maturity structure of AFS investment securities are as follows:				
Maturing within one year			251,689	465
One to three years			90,129	-
More than five years			120,597	39,654
			<u>462,415</u>	<u>40,119</u>
<i>(c) Financing assets</i>				
Relating to:				
House financing			4,248,893	4,225,536
Hire purchase financing			247,983	382,819
Personal financing			658,041	699,334
			<u>5,154,917</u>	<u>5,307,689</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets (continued)*

	<u>Group and Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
The maturity structure of financing assets are as follows:		
Maturing within one year	2,467,070	3,001,966
One to three years	1,280,983	1,387,816
Three to five years	997,656	500,003
More than five years	409,208	417,904
	<u>5,154,917</u>	<u>5,307,689</u>

(d) *Mortgage assets*

PWOR	<u>6,486,014</u>	<u>6,657,724</u>
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The maturity structure of mortgage assets are as follows:

Maturing within one year	724,058	724,663
One to three years	960,235	956,214
Three to five years	975,313	979,385
More than five years	4,694,467	4,923,648
	<u>7,354,073</u>	<u>7,583,910</u>
Less:		
Unaccreted discount	(838,923)	(896,969)
Allowance for impairment losses	(29,136)	(29,217)
	<u>6,486,014</u>	<u>6,657,724</u>

(e) *Hire purchase assets*

PWOR	<u>895</u>	<u>1,584</u>
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The maturity structure of hire purchase assets are as follows:

Maturing within one year	971	1,523
One to three years	-	153
	<u>971</u>	<u>1,676</u>
Less:		
Unaccreted discount	(1)	(17)
Allowance for impairment losses	(75)	(75)
	<u>895</u>	<u>1,584</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<i>(f) Sukuk</i>				
Commercial papers	-	500,248	-	500,248
Medium-term notes	11,170,426	10,714,665	11,013,823	10,245,912
	<u>11,170,426</u>	<u>11,214,913</u>	<u>11,013,823</u>	<u>10,746,160</u>
The maturity structure of Sukuk are as follows:				
Maturing within one year	2,446,918	3,242,363	2,290,315	2,773,611
One to three years	2,253,508	2,352,550	2,253,508	2,352,550
Three to five years	2,275,000	1,425,000	2,275,000	1,425,000
More than five years	4,195,000	4,195,000	4,195,000	4,195,000
	<u>11,170,426</u>	<u>11,214,913</u>	<u>11,013,823</u>	<u>10,746,160</u>

(g) Other liabilities

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat	-	1,011	-	1,011
Other payables	150,412	130,529	149,599	129,760
Financing from subsidiary company	-	-	156,728	468,970
	<u>150,412</u>	<u>131,540</u>	<u>306,327</u>	<u>599,741</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(h) *Income attributable to the Sukuk holders*

	Group		Company	
	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
Mortgage assets	144,937	155,989	144,948	156,506
Hire purchase assets	126	142	126	142
Financing assets	100,195	111,454	100,195	111,454
	<u>245,258</u>	<u>267,585</u>	<u>245,269</u>	<u>268,102</u>

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

Bai Al-Dayn	<u>245,258</u>	<u>267,584</u>	<u>245,269</u>	<u>268,102</u>
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(i) *Total income attributable*

Income from:				
Mortgage assets	57,537	55,198	57,537	55,198
Hire purchase assets	(94)	(41)	(94)	(41)
Financing assets	10,254	17,397	10,243	16,880
AFS investments securities	4,483	2,947	4,483	2,947
Deposit and placements with financial institutions	2,120	2,654	2,120	2,654
Non-profit expense	(2,728)	(8,196)	(2,728)	(6,246)
	<u>71,572</u>	<u>69,959</u>	<u>71,561</u>	<u>71,392</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(j) *Total income attributable (continued)*

Total net income analysed by concept are as follows:

	Group		Company	
	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000	6 Months to 30 Jun 2017 RM'000	6 Months to 30 Jun 2016 RM'000
Wakalah	610	-	610	-
Murabahah	(1,353)	(8,000)	(1,353)	(6,049)
Bai Al-Dayn	67,705	72,872	67,694	72,354
Mudharabah	4,076	4,214	4,076	4,214
Musarakah	495	873	495	873
Ijarah	39	-	39	-
	<u>71,572</u>	<u>69,959</u>	<u>71,561</u>	<u>71,392</u>

(k) *Capital adequacy*

	Group		Company	
	30 Jun 2017 %	31 Dec 2016 %	30 Jun 2017 %	31 Dec 2016 %
CET I capital ratio	23.8	22.5	23.9	22.6
Tier I capital ratio	23.8	22.5	23.9	22.6
Total capital ratio	<u>26.4</u>	<u>25.2</u>	<u>26.5</u>	<u>25.2</u>
	RM'000	RM'000	RM'000	RM'000
CET 1/Tier I capital				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	863,360	811,726	866,359	813,587
	<u>1,157,519</u>	<u>1,105,885</u>	<u>1,160,518</u>	<u>1,107,746</u>
Less: Regulatory reserves	(86,437)	(89,137)	(86,437)	(89,137)
AFS reserve	125	(93)	125	(93)
Total CET 1/Tier I capital	<u>1,071,207</u>	<u>1,016,655</u>	<u>1,074,206</u>	<u>1,018,516</u>
Tier II capital				
Add: Regulatory reserves	86,437	89,137	86,437	89,137
Allowance for impairment losses	30,361	30,361	30,361	30,361
Total Tier II capital	<u>116,798</u>	<u>119,498</u>	<u>116,798</u>	<u>119,498</u>
Total capital	<u>1,188,005</u>	<u>1,136,153</u>	<u>1,191,004</u>	<u>1,138,014</u>

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Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

19. ISLAMIC OPERATIONS (CONTINUED)

(k) *Capital adequacy (continued)*

	<u>Group</u>		<u>Company</u>	
	<u>30 Jun 2017</u>	<u>31 Dec 2016</u>	<u>30 Jun 2017</u>	<u>31 Dec 2016</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	4,221,840	4,235,172	4,224,194	4,237,559
Operational risk	276,274	277,449	276,274	277,449
Total risk-weighted assets	<u>4,498,114</u>	<u>4,512,621</u>	<u>4,500,468</u>	<u>4,515,008</u>

20. BUSINESS REVIEW

Market environment

The Malaysian economy expanded by 5.6% in 1Q2017 (4Q 2016: 4.5%) fuelled mainly by private sector activities and higher exports led by increased demand for manufactured goods. The growth momentum is expected to improve further and to be sustained for the rest of the year.

Headline inflation increased to 4.2% year on year in the first five months of 2017. However, the increase in inflation is viewed as transitory and that the near-term outlook for inflation is broadly unchanged. Current inflation momentum is expected to decelerate in the coming months as cost pressure moderates on the back of the stronger ringgit and softening commodity prices. The ringgit has continued to stabilise. Liquidity remains supportive of banks' financing activities. As of end May 2017, aggregate surplus liquidity placed with Bank Negara Malaysia stood at RM179.2 billion. All banks continued to maintain Liquidity Coverage Ratios (LCR) above the regulatory requirement of 80%, which came into effect in January 2017. The banking system remains well capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio stood at 13.0%, 13.9% and 17% respectively (June 2017).

With the global economic outlook expected to turn more positive on the back of stronger performances from the US and China, as well as the continued strong growth momentum in the domestic economy, the downside risk on interest rate is rather limited. BNM opined that the current level of the OPR, the stance of monetary policy is accommodative and supportive of economic activity.

Financial performance

The Group registered a pre-tax profit of RM158.1 million for the 6 months ending 30 June 2017 as compared to RM177.7 million in the previous corresponding period.

The decrease in the Group's net interest income is mainly attributable to the net rundown of PWOR outstanding balances resulting from repayments. The impact of rundown of PWOR outstanding balances is cushioned by the increase in net interest income contribution from new PWR asset purchased during the financial period. The total assets of the Group stood at RM38.9 billion, a 9.6% growth since 31 Dec 2016.

Company No:

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CAGAMAS BERHAD

(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements at 30 June 2017 (Continued)

20. BUSINESS REVIEW (CONTINUED)

Purchase of Loans and Financing

Cagamas recorded RM5.2 billion of purchases of loans and financing (1H 2016: RM3.5 billion) in the 1H 2017. All purchases were under PWR scheme while residential mortgage continued to dominate Cagamas' portfolio at 96.2% (1H 2016: 91.3%), followed by personal loans and financing at 2.3% (1H 2016 : 5.1%) and hire purchase loans and financing at 1.5% (1H 2016 : 3.7%). Cagamas' net outstanding loans and financing decreased by 0.8% to RM35.5 billion (1H 2016: RM35.8 billion).

Issuance of Bonds and Sukuk

As at end-June 2017, Cagamas has issued a total of 11 new issuances totalling RM6.0 billion, comprising an aggregate of RM4.5 billion bonds and RM1.5 billion sukuk which includes RM500 million Islamic Commercial Papers (ICP) which has matured on 23rd of June 2017. The total issuances to date represent more than 50% of the targeted issuances for the year of RM11.0 billion. The issuances include 8 new Cagamas bonds, sukuk and commercial papers in ringgit as well as 3 new Cagamas Foreign Currency issuances. RM4.0 billion or 66% was raised from the ringgit market while the remaining RM2.0 billion or 34% was issued under the Company's Multicurrency MTN and Sukuk Programmes.

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 2017 decreased to 21.4% as compared to 22.3% as at 31 December 2016. As at 1H 2017 RWCR remains stable at 23%, 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. Total shareholder's funds for the Group had grown to RM3.3 billion from RM3.2 billion arising from profits generated during the period, while net tangible assets per share increased by 3% to RM21.99 per share as at 30 June 2017.

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 2017, 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.