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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

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

Registration No.
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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	Group		Company	
		30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
ASSETS					
Cash and short-term funds	1	157,096	109,071	138,669	89,848
Deposits and placement with financial Institutions	2	135,279	102,886	135,279	102,886
Financial asset at fair value through profit or loss (FVTPL)	3	195,363	193,466	195,363	193,466
Financial asset at fair value through other comprehensive income (FVOCI)	4	2,702,726	2,383,316	2,702,726	2,383,316
Financial asset at amortised cost	5	355,032	-	355,032	-
Derivative financial instruments	6	56,162	57,904	56,162	57,904
Amount due from counterparties	7	14,981,496	14,069,195	14,981,496	14,069,195
Islamic financing assets	8	9,009,281	9,662,661	9,009,281	9,662,661
Mortgage assets					
- Conventional	9	4,109,516	4,366,916	4,109,516	4,366,916
- Islamic	10	4,899,871	5,115,509	4,899,871	5,115,509
Hire purchase assets					
- Islamic	11	18	34	18	34
Amount due from					
- Related company		931	1,375	931	1,375
- Subsidiaries		-	-	3,594	3,565
Other assets	12	7,598	7,431	7,599	7,417
Tax recoverable		54,765	87,885	54,765	87,885
Investment in subsidiaries		-*	-*	-*	-*
Property and equipment		2,651	3,245	2,651	3,245
Intangible assets		19,636	20,344	19,636	20,344
Right of use of assets		12,697	3,043	12,697	3,043
TOTAL ASSETS		36,700,118	36,184,281	36,685,286	36,168,609
LIABILITIES					
Short-term borrowings		73,207	125,145	73,207	125,145
Derivative financial instruments	3	31,044	45,963	31,044	45,963
Other liabilities	13	166,045	133,305	165,643	132,896
Lease liability	14	14,889	4,583	14,889	4,583
Provision for taxation		41	41	-	-
Deferred taxation		154,005	170,080	154,005	170,080
Loans/financing from subsidiaries	15	-	-	1,519,734	671,757
Unsecured bearer bonds and notes	16	18,319,827	17,482,979	16,801,016	16,811,578
Sukuk	17	13,750,747	14,063,392	13,750,747	14,063,392
TOTAL LIABILITIES		32,509,805	32,025,488	32,510,285	32,025,394
Share capital		150,000	150,000	150,000	150,000
Reserves		4,040,313	4,008,793	4,025,001	3,993,215
SHAREHOLDER'S FUNDS		4,190,313	4,158,793	4,175,001	4,143,215
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		36,700,118	36,184,281	36,685,286	36,168,609
NET TANGIBLE ASSETS PER SHARE (RM)		27.80	27.59	27.70	27.49

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

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2020 and the accompanying explanatory notes on pages 10 to 62 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 23 August 2021.

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CAGAMAS BERHAD
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CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Note	Group		Company	
		6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000
Interest income	18	413,212	514,603	413,212	514,603
Interest expense	19	(312,298)	(395,601)	(312,284)	(395,908)
Income from Islamic operations	23	62,587	60,249	62,587	60,249
Non-interest income/(expense)	20	5,925	(579)	5,925	(579)
		169,426	178,672	169,440	178,365
Personnel costs		(15,439)	(15,422)	(15,439)	(15,422)
Administration and general expenses		(14,736)	(14,600)	(14,484)	(14,406)
OPERATING PROFIT		139,251	148,650	139,517	148,537
(Allowance)/write-back for impairment losses		(1,517)	8,792	(1,517)	8,792
PROFIT BEFORE TAXATION		137,734	157,442	138,000	157,329
Taxation		(33,120)	(37,805)	(33,120)	(37,759)
PROFIT FOR THE FINANCIAL PERIOD		104,614	119,637	104,880	119,570
EARNINGS PER SHARE (SEN)		69.74	79.76	69.92	79.71
DIVIDEND PER SHARE (SEN)		15.00	15.00	15.00	15.00

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 2020 and the accompanying explanatory notes on pages 10 to 62 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 23 August 2021.

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CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000
Profit for the financial period	104,614	119,637	104,880	119,570
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net (loss)/gain on fair value changes before taxation	(59,419)	31,420	(59,419)	31,420
- FVOCI ECL	314	-	314	-
- Deferred taxation	14,260	(7,540)	14,260	(7,540)
Cash flow hedge				
- Net (loss)/gain on cash flow hedge before taxation	(7,565)	6,070	(7,565)	6,070
- Deferred taxation	1,816	(1,457)	1,816	(1,457)
Other comprehensive (loss)/income for the financial period, net of taxation	(50,594)	28,493	(50,594)	28,493
Total comprehensive income for the financial period	54,020	148,130	54,286	148,063

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Group	**Share capital RM'000**	**Financial asset at FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2021	150,000	72,411	11,062	99,778	3,825,542	4,158,793
Profit for the financial period	-	-	-	-	104,614	104,614
Other comprehensive income	-	(44,845)	(5,749)	-	-	(50,594)
Total comprehensive income for the financial period	-	(44,845)	(5,749)	-	104,614	54,020
Transfer to retained profits	-	-	-	(5,228)	5,228	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2021	150,000	27,566	5,313	94,550	3,912,884	4,190,313

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

Group	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Distributable Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2020	150,000	37,576	7,268	109,779	3,621,619	3,926,242
Profit for the financial period	-	-	-	-	119,637	119,637
Other comprehensive income	-	23,880	4,613	-	-	28,493
Total comprehensive income for the financial period	-	23,880	4,613	-	119,637	148,130
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2020	150,000	61,456	11,881	109,779	3,718,756	4,051,872

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Company	**Share capital RM'000**	**Financial asset at FVOCI reserves RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2021	150,000	72,411	11,062	99,778	3,809,964	4,143,215
Profit for the financial period	-	-	-	-	104,880	104,880
Other comprehensive income	-	(44,845)	(5,749)	-	-	(50,594)
Total comprehensive income for the financial period	-	(44,845)	(5,749)	-	104,880	54,286
Transfer to retained profits	-	-	-	(5,228)	5,228	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2021	150,000	27,566	5,313	94,550	3,897,572	4,175,001

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
Company	Share capital RM'000	Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2020	150,000	37,576	7,268	109,779	3,606,022	3,910,645
Profit for the financial period	-	-	-	-	119,570	119,570
Other comprehensive income	-	23,880	4,613	-	-	28,493
Total comprehensive income for the financial period	-	23,880	4,613	-	119,570	148,063
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2020	150,000	61,456	11,881	109,779	3,703,092	4,036,208

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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000
OPERATING ACTIVITIES				
Profit before taxation	137,734	157,442	138,000	157,329
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- Financial investment at FVOCI	1,436	(5,470)	1,436	(5,470)
Accretion of discount on:				
Mortgage assets				
- Conventional	(35,968)	(50,907)	(35,968)	(50,907)
- Islamic	(43,857)	(44,451)	(43,857)	(44,451)
Allowance for impairment losses	1,203	(8,833)	1,203	(8,833)
Interest income	(415,048)	(464,229)	(415,048)	(464,229)
Income from Islamic operations	(334,428)	(351,364)	(334,428)	(351,364)
Interest expense	358,574	394,367	359,042	394,554
Profit attributable to Sukuk holders	269,425	340,782	269,425	340,782
Depreciation of property and equipment	820	787	820	787
Amortisation of intangible assets	1,888	1,752	1,888	1,752
Amortisation of right of use of assets	892	312	892	312
Interest on lease liability	547	1,234	547	1,234
Gain on disposal of:				
- Property and equipment	(1)	(8)	(1)	(8)
- Financial investment at FVOCI	(6,167)	(5,559)	(6,167)	(5,559)
Operating loss before working capital changes	(62,950)	(34,145)	(62,216)	(34,071)
Changes in deposits and placements of other FIs	(32,187)	(56,329)	(32,187)	(56,329)
Change in short-term borrowings	(51,630)	-	(51,630)	-
Changes in amount due from counterparties	(910,421)	1,712,692	(910,421)	1,712,692
Changes in Islamic financing assets	640,508	428,979	640,508	428,979
Changes in mortgage assets				
- Conventional	287,928	297,601	287,928	297,601
- Islamic	256,307	249,528	256,307	249,528
Changes in hire purchase assets				
- Islamic	16	88	16	88
Changes in other assets	(55)	394	233	356
Changes in right of use of assets	(10,546)	78	(10,546)	78
Changes in other liabilities	44,541	(20,895)	44,548	(20,861)
Cash generated from operations	161,511	2,577,991	162,540	2,578,061

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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	**6 Months to 30 Jun 2020 RM'000**	**6 Months to 30 Jun 2021 RM'000**	**6 Months to 30 Jun 2020 RM'000**
Interest received	379,516	453,785	379,516	453,785
Profit received from Islamic assets	342,317	347,514	342,317	347,514
Interest received on derivatives	31,667	66,656	31,667	66,656
Profit received on derivatives	5,287	22,675	5,287	22,675
Interest paid on derivatives	(36,940)	(92,836)	(36,940)	(92,836)
Profit paid on derivatives	(7,724)	(22,325)	(7,724)	(22,325)
Payment of:				
- Zakat	(1,255)	(926)	(1,255)	(926)
- Taxation	-	(23,710)	-	(23,710)
Other adjustments for non-operating and non-cash items	3,785	5,713	3,790	5,685
Net cash generated from operating activities	878,164	3,334,537	879,198	3,334,579
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(1,141,406)	(869,708)	(1,141,406)	(869,708)
- Financial investment at AC	(355,000)	-	(355,000)	-
Proceeds from sale/redemption of				
- Financial investment at FVOCI	773,155	513,507	773,155	513,507
Purchase of:				
- Property and equipment	(234)	(246)	(234)	(246)
- Intangible assets	(1,180)	(1,352)	(1,180)	(1,352)
Income received from:				
- Financial investment at FVTPL	1,887	-	1,887	-
- Financial investment at FVOCI	38,393	40,875	38,393	40,875
Proceeds from disposal of property and equipment	9	-	9	-
Net cash utilised in investing activities	(684,376)	(316,924)	(684,376)	(316,924)
FINANCING ACTIVITIES				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Proceeds from issuance				
- Unsecured bearer bonds and notes	5,407,644	2,900,000	4,585,000	2,900,000
- Sukuk	2,740,000	910,000	2,740,000	910,000
Proceeds from loans/financing from subsidiary	-	-	822,644	-
Redemption of:				
- Unsecured bearer bonds and notes	(4,590,000)	(4,623,500)	(4,590,000)	(3,080,000)
- Sukuk	(3,035,000)	(1,210,000)	(3,035,000)	(1,210,000)
Repayment of loans/financing from subsidiary	-	-	-	(1,543,500)
Interest paid	(358,051)	(406,562)	(358,289)	(407,498)
Profit paid to Sukuk holders	(287,069)	(346,293)	(287,069)	(346,293)
Lease rental paid	(787)	(1,402)	(787)	(1,402)
Net cash utilised in financing activities	(145,763)	(2,800,257)	(146,001)	(2,801,193)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000
Net increase in cash and cash equivalents	48,025	217,356	48,821	216,462
Cash and cash equivalents as at 1 January	109,071	341,307	89,848	322,000
Cash and cash equivalents as at 30 June	157,096	558,663	138,669	538,462
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	157,096	558,663	138,669	538,462

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021

A1 General information

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

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

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

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2021 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 2021 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 2020. 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 2020. 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 2020.

A3 Economic entities in the Group

Subsidiaries

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A3 Economic entities in the Group (continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

A4 Amount due from counterparties and Islamic financing assets

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

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A6 Investment in subsidiaries

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

A7 Property and equipment and depreciation

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

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

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

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

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

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

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

A8 Financial assets

(a) Classification

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

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

(b) Recognition and de-recognition

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

A8 Financial assets (continued)

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

<u>Debt instruments</u>

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

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

(i) Amortised cost ("AC")

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

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

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

Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in non-interest income/(expense) and allowance/(write back) of impairment losses are presented as separate line item in the income statements.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in income statements and presented net within non-interest income/(expense) in the period which it arises.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A8 Financial assets (continued)

(c) Measurement (continued)

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to income statements following the derecognition of the investment. Dividends from such investments continue to be recognised in income statements as other income when the Group's or the Company's right to receive payments is established.

Changes in the fair value of financial asset at FVTPL are recognised in other gains/(losses) in the income statements.

A9 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss and are de-recognised when extinguished.

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

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near
term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note A18 on hedge accounting.

(b) Borrowings measured at amortised cost

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

Borrowings measured at amortised cost are unsecured bearer bonds and notes and sukuk.

(c) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are re-measured at amortised cost using the effective interest rate. Other financial liabilities measured at amortised cost are deferred guarantee fee income, deferred Wakalah fee income and other liabilities.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A10 Impairment of assets

A10.1 Financial assets

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

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

Under MFRS 9, impairment model requires the recognition of ECL for all financial assets, except for financial asset classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment.

General approach

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

- Stage 1: 12 months ECL – not credit impaired
  For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

- Stage 2: Lifetime ECL – not credit impaired
  For credit exposures where there has been a significant increase in credit risk initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

- Stage 3: Lifetime ECL – credit impaired
  Financial assets are assessed as credit impaired when one or more objectives evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. A lifetime ECL will be recognised for financial assets that have become credit impaired. Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

Simplified approach

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

Significant increase in credit risk

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A10 Impairment of assets (continued)

A10.1 Financial assets (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

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

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

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

Definition of default and credit impaired financial assets

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

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

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

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

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

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

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

A10 Impairment of assets (continued)

A10.2 Non-financial assets

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

A11 Write-off

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practicable recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. Impairment losses are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off will result in impairment gains which is credited against the same line item.

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

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

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

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

A14 Current and deferred tax

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A15 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

A16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

A17 Segment reporting

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

A18 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS"), cross currency swap ("CCS") and Islamic cross currency swap ("ICCS"). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its Bond/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate.

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

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

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

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

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

Cash flow hedge

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A18 Derivative financial instruments and hedge accounting (continued)

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

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

A19 Provisions

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

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

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

A20 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contributions plans

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A21 Intangible assets

(a) Computer software

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

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

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

(b) Service rights to transaction administrator and administrator fees

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

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

A22 Share capital

(a) Classification

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

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

(b) Dividends to the shareholder of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date. Upon the dividend becoming payable, it will be accounted for as a liability.

A23 Currency translations

(a) Functional and presentation currency

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

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

(b) Foreign currency transactions and balances

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

A24 Contingent liabilities and contingent assets

The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group and the Company do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company.

A25 Deferred financing fees

Deferred financing fees consist of expenses incurred in relation to the unsecured bond and notes/Sukuk issuance. Upon unsecured bond and notes/Sukuk issuance, deferred financing fees will be deducted from the carrying amount of the unsecured bond and notes/Sukuk and amortised using the effective interest/profit rate method.

A26 Leases

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

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

A26 Leases (continued)

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

Lease liability

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A26 Leases (continued)

Lease liability (continued)

Variable lease payments that depend on sales are recognised in the income statements in the period in which the condition that triggers those payments occurs.

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

Reassessment of lease liability

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

Short term leases and leases of low value assets

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

A27 Auditor's report on preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

A28 Seasonality or Cyclical factors

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

A29 Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Company for the financial period ended 30 June 2021.

A30 Changes in estimates

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

A31 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2020 was paid on 5 April 2021.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

A32 Subsequent events

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

A33 Changes in the composition of the Group

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

1. CASH AND SHORT-TERM FUNDS

	Group		Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**	**30 Jun 2021 RM'000**	**31 Dec 2020 RM'000**
Cash and balances with banks and other financial institutions	18,750	19,716	322	493
Money at call and deposit and placements maturing with maturity less than 3 months	108,635	35,892	108,635	35,892
Mudharabah money at call and deposit and placements maturing with maturity less than 3 months	29,711	53,463	29,712	53,463
	157,096	109,071	138,669	89,848
Less: Allowance for impairment losses	-	-	-	-
	157,096	109,071	138,669	89,848

As at reporting date, the gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Stage 1		
At 1 January	-	105
Write-back during the year	-	(105)
At 30 June/ 31 Dec	-	-

2. Deposits and placements with financial institutions

Licensed Banks	135,279	102,886

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

Unit trust	195,363	193,466

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

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

	Group and Company	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Debt instruments:		
Malaysian Government securities	509,957	479,266
Corporate bonds	353,186	311,979
Government investment issues	780,892	808,610
Sukuk	650,409	386,744
Quasi Government Sukuk	408,282	396,717
	2,702,726	2,383,316

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

Maturing within one year	441,779	342,574
One to three years	691,583	727,173
Three to five years	413,627	334,100
More than five years	1,155,737	979,469
	2,702,726	2,383,316

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI and the impairment allowance are within Stage 1 allocation. Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Stage 1		
At 1 January	77	128
Allowance during the year on new assets purchased	337	30
Loans derecognised during the period due to maturity of assets	(12)	(23)
Write-back during the year due to changes in credit risk	(12)	(58)
At 30 June/ 31 Dec	390	77

5. FINANCIAL ASSET AT AMORTISED COST

Sukuk	355,497	-
Less: Allowance for impairment losses	(465)	-
	355,032	-
Stage 1		
At 30 June/ 31 Dec	465	-

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

6. DERIVATIVE FINANCIAL INSTRUMENTS

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

						Group and Company
			30 Jun 2021			31 Dec 2020
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cash flow hedges:						
IRS/IPRS						
Maturing within one year	1,200,000	7,171	(4,012)	1,100,000	13,994	(2,803)
One to three years	1,055,000	1,319	(27,032)	1,355,000	-	(41,133)
More than five years	160,000	26,303	-	160,000	38,802	-
	2,415,000	34,793	(31,044)	2,615,000	52,796	(43,936)
CCS/ICCS						
Maturing within one year	1,493,007	21,369	-	669,927	5,108	(2,027)
	3,908,007	56,162	(31,044)	3,284,927	57,904	(45,963)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

7. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2021	**31 Dec 2020**
	RM'000	**RM'000**
Relating to:		
Mortgage loans	14,500,459	13,397,099
Hire purchase and leasing debts	481,037	672,096
	14,981,496	14,069,195

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

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Maturing within one year	9,139,749	6,093,353
One to three years	5,204,146	7,338,049
Three to five years	226,134	226,133
More than five years	411,567	411,679
	14,981,596	14,069,214
Less: Allowance for impairment losses	(100)	(19)
	14,981,496	14,069,195

The gross carrying value of amount due from counterparties and the impairment allowance are within Stage 1 allocation (12-month ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021	**31 Dec 2020**
	RM'000	**RM'000**
Stage 1		
At 1 January	19	59
Allowance during the year on new assets purchased	55	11
Loans derecognised during the period due to maturity of assets	(2)	(9)
Allowance/(write-back) during the year due to changes in credit risk	28	(42)
At 30 June/ 31 Dec	100	19

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

8. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Relating to:		
Islamic house financing	9,009,281	9,662,661

The maturity structure of Islamic financing assets are as follows:

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Maturing within one year	3,393,067	3,528,607
One to three years	4,782,556	5,218,907
Three to five years	833,772	915,246
	9,009,395	9,662,760
Less: Allowance for impairment losses	(114)	(99)
	9,009,281	9,662,661

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Stage 1		
At 1 January	99	653
Allowance during the year on new assets purchased	22	3
Loans derecognised during the period due to maturity of assets	(3)	(3)
Write-back during the year due to changes in credit risk	(4)	(554)
At 30 June/ 31 Dec	114	99

9. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Purchase without Recourse ("PWOR")	4,109,516	4,366,916

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

Maturing within one year	695,030	729,768
One to three years	884,311	923,536
Three to five years	737,439	774,026
More than five years	1,818,047	1,965,556
	4,134,827	4,392,886
Less: Allowance for impairment losses	(25,311)	(25,970)
	4,109,516	4,366,916

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage allocation:		
2021		
Stage 1 (12-months ECL; non credit impaired)	4,101,848	14,950
Stage 2 (Lifetime ECL; non credit impaired)	2,369	541
Stage 3 (Lifetime ECL; credit impaired)	30,610	9,820
At 30 June	4,134,827	25,311
Impairment allowance over gross carrying value (%)		0.61
2020		
Stage 1 (12-months ECL; non credit impaired)	4,358,528	15,154
Stage 2 (Lifetime ECL; non credit impaired)	1,599	307
Stage 3 (Lifetime ECL; credit impaired)	32,759	10,509
At 31 December	4,392,886	25,970
Impairment allowance over gross carrying value (%)		0.59

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

10. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
PWOR	4,899,871	5,115,509

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

Maturing within one year	632,530	637,751
One to three years	797,219	806,481
Three to five years	756,055	766,538
More than five years	2,741,278	2,933,185
	4,927,082	5,143,955
Less: Allowance for impairment losses	(27,211)	(28,446)
	4,899,871	5,115,509

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage allocation:		
2021		
Stage 1 (12-months ECL; non credit impaired)	4,896,351	17,652
Stage 2 (Lifetime ECL; non credit impaired)	2,680	560
Stage 3 (Lifetime ECL; credit impaired)	28,051	8,999
At 30 June	4,927,082	27,211
Impairment allowance over gross carrying value (%)		0.55
2020		
Stage 1 (12-months ECL; non credit impaired)	5,110,791	18,051
Stage 2 (Lifetime ECL; non credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
At 31 December	5,143,955	28,446
Impairment allowance over gross carrying value (%)		0.55

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

11. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
PWOR	18	34

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

Maturing within one year	29	46
Less:		
Allowance for impairment losses	(11)	(12)
	18	34

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage allocation:		
2021		
Stage 3 (Lifetime ECL; credit impaired)	29	11
At 30 June	29	11
Impairment allowance over gross carrying value (%)		37.93
2020		
Stage 1 (12-months ECL; non credit impaired)	10	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	46	12
Impairment allowance over gross carrying value (%)		26.09

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

12. OTHER ASSETS

	Group		Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**	**30 Jun 2021 RM'000**	**31 Dec 2020 RM'000**
Staff loans and financing	2,911	2,883	2,911	2,883
Deposits	898	898	897	897
Prepayments	2,771	2,387	2,768	2,374
Management fee receivable	603	829	603	829
Compensation receivable from originator on mortgage assets	391	415	391	415
Other receivables	24	19	29	19
	7,598	7,431	7,599	7,417

13. OTHER LIABILITIES

	Group		Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**	**30 Jun 2021 RM'000**	**31 Dec 2020 RM'000**
Provision for zakat	-	2,106	-	2,106
Amount due to Government*	135,300	99,624	135,300	99,624
Accruals	29,304	30,197	28,932	29,787
Other payables	1,441	1,378	1,411	1,379
	166,045	133,305	165,643	132,896

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

14. Lease liability

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
At 1 January	4,583	4,791
Modification arising from extension of lease term	10,546	-
Lease obligation interest expense	547	2,441
Lease obligation repayment	(787)	(2,649)
At 30 June/ 31 December	14,889	4,583

The maturity structure of lease liability are as follows:

Maturing within one year	2,319	495
One to five years	10,408	4,088
More than five years	2,162	-
Total present value of minimum lease payments	14,889	4,583

15. LOANS/FINANCING FROM SUBSIDIARIES

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

	Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
HKD	599,337	163,295
USD	116,370	112,838
SGD	804,027	395,624
	1,519,734	671,757

The Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 0.91% to 3.25% per annum (2020: 2.58% to 3.735% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Maturing within one year	1,519,734	671,757

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

16. UNSECURED BEARER BONDS AND NOTES

		Group			
		30 Jun 2021		31 Dec 2020	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Commercial paper	2021	700,000	1.990	2,800,000	1.900 – 2.050
Add:					
Interest payable		701		6,388	
		700,701		2,806,388	
(b) Conventional medium-term notes	2021	4,536,808	0.850 – 5.380	4,483,959	0.850 – 5.380
	2022	7,480,000	2.100 – 4.480	6,850,000	2.130 – 4.650
	2023	2,770,000	2.180 – 6.050	570,000	2.180 – 6.050
	2024	485,000	2.380 – 5.520	430,000	4.000 – 5.520
	2025	640,000	4.550 – 4.850	640,000	4.550 – 4.850
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 – 4.900	275,000	4.140 – 4.900
	2028	890,000	4.750 – 6.500	890,000	4.750 – 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 – 5.750
	2035	160,000	5.070	160,000	5.070
		17,491,808		14,553,959	
Add:					
Interest payable		127,951		122,942	
Less:					
Deferred financing fees		(633)		(301)	
Unamortised discount		-		(9)	
		17,619,126		14,676,591	
		18,319,827		17,482,979	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

					Company
			30 Jun 2021		31 Dec 2020
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Commercial paper	2021	700,000	1.990	2,800,000	1.900 – 2.050
Add: Interest payable		701		6,388	
		700,701		2,806,388	
(b) Conventional medium-term notes					
	2021	3,025,000	2.000 – 5.380	3,815,000	2.000 – 5.380
	2022	7,480,000	2.100 – 4.480	6,850,000	2.130 – 4.650
	2023	2,770,000	2.180 – 6.050	570,000	2.180 – 6.050
	2024	485,000	2.380 – 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
		15,980,000		13,885,000	
Add: Interest payable		120,315		120,199	
Less: Unamortised discount		-		(9)	
		16,100,315		14,005,190	
		16,801,016		16,811,578	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**	**30 Jun 2021 RM'000**	**31 Dec 2020 RM'000**
Maturing within one year	5,364,827	7,412,979	3,846,016	6,741,578
One to three years	10,250,000	7,420,000	10,250,000	7,420,000
Three to five years	1,125,000	1,070,000	1,125,000	1,070,000
More than five years	1,580,000	1,580,000	1,580,000	1,580,000
	18,319,827	17,482,979	16,801,016	16,811,578

Cagamas issues debt securities, inclusive of sustainability, green and social bonds to finance the purchase of housing mortgages and other consumer receivables for conventional loans.

(a) Floating Rate Notes ("FRNs")

FRNs are Ringgit denominated CMTNs with tenures of more than one year with floating rate pegged to a reference rate, e.g. Kuala Lumpur Interbank Offered Rate (KLIBOR). Interest distributions of the FRNs are normally made on quarterly or half-yearly basis. The redemption of the relevant FRNs are at face value together with the interest due upon maturity.

(b) Commercial paper ("CP")

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
HKD	598,753	163,218
USD	116,354	112,781
SGD	803,703	395,401
	1,518,810	671,400

17. SUKUK

	Group and Company				
	Year of maturity	**30 Jun 2021 Amount outstanding RM'000**	**30 Jun 2021 Effective interest rate %**	**31 Dec 2020 Amount outstanding RM'000**	**31 Dec 2020 Effective interest rate %**
(a) Islamic commercial papers	2021	645,000	1.990 – 2.000	845,000	1.900 – 2.000
Add: Profit payable		2,013		2,256	
		647,013		847,256	
(b) Islamic medium-term notes	2021	1,900,000	2.050 – 5.380	3,545,000	2.050 – 5.380
	2022	3,060,000	2.250 – 4.480	3,060,000	2.250 – 4.700
	2023	3,745,000	2.230 – 6.350	2,945,000	2.230 – 6.350
	2024	1,535,000	2.780 – 5.520	1,135,000	3.550 – 5.520
	2025	455,000	4.550 – 4.650	455,000	4.550 – 4.650
	2026	370,000	3.150 – 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
		13,015,000		13,110,000	
Add: Profit payable		88,734		106,136	
		13,103,734		13,216,136	
		13,750,747		14,063,392	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

17. SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	Group and Company	
	30 Jun 2021	**31 Dec 2020**
	RM'000	**RM'000**
Maturing within one year	2,635,747	4,498,392
One to three years	6,805,000	6,005,000
Three to five years	1,990,000	1,590,000
More than five years	2,320,000	1,970,000
	13,750,747	14,063,392

Cagamas issues debt securities, inclusive of sustainability, green and social sukuk, to finance the purchase of housing mortgages and other consumer receivables for Islamic financing.

(a) Islamic commercial papers ("ICP")

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

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

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

(c) Variable Profit Rate Notes ("VRN")

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

(d) Multicurrency Sukuk

Under the Multicurrency Sukuk Programme, foreign currency sukuk ("Islamic EMTN") is currently issued based on Shariah principle of Wakalah. The Islamic EMTN issuance is on a fully-paid basis and at a par issue price and the method of calculating the profit rate may vary between the issue date and the maturity date of the relevant series of Islamic EMTNs issued. There is no Islamic EMTN outstanding at the end of financial year which are not in the functional currencies of the Group.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

18. INTEREST INCOME

	Group and Company	
	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2020 RM'000
Amount due from counterparties	248,975	322,613
Mortgage assets	90,256	102,455
Compensation from mortgage assets	4	9
Financial assets designated as FVOCI	37,866	36,431
Deposits and placements with financial institutions	889	1,483
	377,990	462,991
Accretion of discount less amortisation of premium (net)	35,222	51,612
	413,212	514,603

19. INTEREST EXPENSE

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2020 RM'000
Medium-term	(288,432)	(375,488)	(280,955)	(346,973)
Floating rate notes	-	(1,558)	-	(1,558)
Commercial paper	(22,052)	(17,201)	(22,052)	(17,201)
Deposits and placements of financial Institutions	(1,267)	(120)	(1,267)	(120)
Loans/financing from subsidiaries	-	-	(7,463)	(28,822)
Lease liability	(547)	(1,234)	(547)	(1,234)
	(312,298)	(395,601)	(312,284)	(395,908)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

20. NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	6 Months to 30 Jun 2021 RM'000	**6 Months to 30 Jun 2020 RM'000**	**6 Months to 30 Jun 2021 RM'000**	**6 Months to 30 Jun 2020 RM'000**
Net loss arising from derivatives	(3,004)	(9,399)	(3,004)	(9,399)
Income from financial asset at FVTPL	756	1,238	756	1,238
Gain on disposal of:				
- Financial asset at FVOCI	6,167	5,559	6,167	5,559
- Property and equipment	1	8	1	8
Net amount reclassified from hedge reserve into profit or loss	(15,876)	55,705	(15,876)	55,705
Net gain/(loss) on foreign exchange	15,750	(56,933)	15,750	(56,933)
Other non-operating income	2,131	3,243	2,131	3,243
	5,925	(579)	5,925	(579)

21. 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 segment 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 segment during the financial period.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

21. SEGMENT REPORTING (CONTINUED)

	PWR RM'000	PWOR RM'000	Total RM'000
30 Jun 2021			
Group			
External revenue	461,167	286,519	747,686
External interest/profit expense	(400,227)	(180,949)	(581,176)
Profit from operations	40,052	97,682	137,734
Taxation	(9,073)	(24,047)	(33,120)
Profit after taxation by segment	30,979	73,635	104,614
Segment assets	26,805,819	9,894,299	36,700,118
Segment liabilities	23,555,351	8,954,454	32,509,805
Other information			
Capital expenditure	1,033	381	1,414
Depreciation and amortisation	599	221	820
Amortisation of right of use of assets	1,379	509	1,888
Company			
External revenue	461,167	286,519	747,686
Internal interest/profit expense	(7,463)	-	(7,463)
External interest/profit expense	(392,750)	(180,949)	(573,699)
Total interest/profit expense	(400,213)	(180,949)	(581,162)
Profit from operations	40,318	97,682	138,000
Taxation	(9,073)	(24,047)	(33,120)
Profit after taxation by segment	31,245	73,635	104,880
Segment assets	26,790,989	9,894,297	36,685,286
Segment liabilities	23,555,831	8,954,454	32,510,285
Other information			
Capital expenditure	1,033	381	1,414
Depreciation and amortisation	599	221	820
Amortisation of right of use of assets	1,379	509	1,888

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

21. SEGMENT REPORTING (CONTINUED)

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

22. 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 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	%	**%**	**%**	**%**
CET 1 capital ratio	44.5	43.6	44.4	43.4
Tier 1 capital ratio	44.5	43.6	44.4	43.4
Total capital ratio	46.2	45.3	46.1	45.1
	RM'000	**RM'000**	**RM'000**	**RM'000**
The capital adequacy ratios are as follows:				
CET 1/Tier 1 capital:				
Issued capital	150,000	150,000	150,000	150,000
Retained profits	4,007,434	3,925,320	3,992,122	3,909,742
	4,157,434	4,075,320	4,142,122	4,059,742
Financial asset at FVOCI reserves	12,405	32,585	12,405	32,585
Deferred tax assets	(21,620)	(23,330)	(21,620)	(23,330)
Less: Regulatory reserves	(94,550)	(99,778)	(94,550)	(99,778)
Total Tier 1 capital	4,053,669	3,984,797	4,038,357	3,969,219
Tier 2 capital				
Allowance for impairment losses	60,740	54,623	60,740	54,623
Add: Regulatory reserves	94,550	99,778	94,550	99,778
Total Tier 2 capital	155,290	154,401	155,290	154,401
Total capital	4,208,959	4,139,198	4,193,647	4,123,620
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	8,449,935	8,464,774	8,449,845	8,464,480
Operational risk	656,530	673,290	656,530	673,290
Total risk-weighted assets	9,106,465	9,138,064	9,106,375	9,137,770

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	Group		Company	
		30 Jun 2021 RM'000	31 Dec 2020 RM'000	30 Jun 2021 RM'000	31 Dec 2020 RM'000
ASSETS					
Cash and short-term funds	(a)	29,782	53,643	29,772	53,633
Financial asset at fair value through profit or loss (FVTPL)		121,944	120,802	121,944	120,802
Financial asset at fair value through other comprehensive income (FVOCI)	(b)	595,507	319,278	595,507	319,278
Financial asset at amortised cost		355,032	-	355,032	-
Derivative financial instruments		1,319	-	1,319	-
Financing assets	(c)	9,009,281	9,662,661	9,009,281	9,662,661
Mortgage assets	(d)	4,897,923	5,113,267	4,897,923	5,113,267
Hire purchase assets	(e)	10	26	10	26
Other assets and prepayments		289,127	289,112	291,539	291,524
Tax Recoverable		25,728	40,462	25,728	40,462
TOTAL ASSETS		15,325,653	15,599,251	15,328,055	15,601,653
LIABILITIES					
Derivative financial instruments		6,871	9,287	6,871	9,287
Other liabilities	(f)	7,883	10,473	6,606	9,270
Deferred taxation		86,321	86,943	86,321	86,943
Sukuk	(g)	13,750,747	14,063,392	13,750,747	14,063,392
TOTAL LIABILITIES		13,851,822	14,170,095	13,850,545	14,168,892
ISLAMIC OPERATIONS' FUNDS		1,473,831	1,429,156	1,477,510	1,432,761
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		15,325,653	15,599,251	15,328,055	15,601,653

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Note	Group		Company	
		6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2020 RM'000
Total income attributable		334,474	400,581	334,474	400,581
Income attributable to the Sukuk holders	(h)	(269,425)	(340,782)	(269,425)	(340,782)
Non-profit (expense)/income		(2,462)	450	(2,462)	450
Total net income attributable	(i)	62,587	60,249	62,587	60,249
Administration and general expenses		(1,015)	(1,437)	(941)	(1,359)
(Allowance)/writeback for impairment losses		(256)	5,706	(256)	5,706
PROFIT BEFORE TAXATION		61,316	64,518	61,390	64,596
Taxation		(14,733)	(15,503)	(14,733)	(15,503)
PROFIT FOR THE FINANCIAL PERIOD		46,583	49,015	46,657	49,093

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	Note	Group		Company	
		6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2020 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2020 RM'000
Profit for the financial period		46,583	49,015	46,657	49,093
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss					
Financial investment at FVOCI					
- Net (loss)/gain on fair value changes before taxation		(6,377)	2,156	(6,377)	2,156
- FVOCI ECL		64	-	64	-
- Deferred taxation		1,530	(517)	1,530	(517)
Cash flow hedge					
- Net gain/(loss) on cash flow hedge before taxation		3,783	(4,350)	3,783	(4,350)
- Deferred taxation		(908)	1,044	(908)	1,044
Other comprehensive loss for the financial period, net of taxation		(1,908)	(1,667)	(1,908)	(1,667)
Total comprehensive income for the financial period		44,675	47,348	44,749	47,426

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

		Non-distributable			Distributable	
Group	**Allocated capital funds RM'000**	**Financial asset at FVOCI reserve RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,080,858	1,429,156
Profit for the financial period	-	-	-	-	46,583	46,583
Other comprehensive income/(loss)	-	(4,783)	2,875	-	-	(1,908)
Total comprehensive income/(loss) for the financial period	-	(4,783)	2,875	-	46,583	44,675
Transfer to retained profits	-	-	-	(2,494)	2,494	-
Balance as at 30 June 2021	294,159	2,070	(3,774)	51,441	1,129,935	1,473,831
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	990,606	1,345,076
Profit for the financial period	-	-	-	-	49,015	49,015
Other comprehensive income/(loss)	-	1,639	(3,306)	-	-	(1,667)
Total comprehensive income/(loss) for the financial period	-	1,639	(3,306)	-	49,015	47,348
Balance as at 30 June 2020	294,159	5,546	(5,463)	58,561	1,039,621	1,392,424

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

		Non-distributable			Distributable	
Company	**Allocated capital funds RM'000**	**Financial asset at FVOCI reserve RM'000**	**Cash flow hedge reserves RM'000**	**Regulatory reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2021	294,159	6,853	(6,649)	53,935	1,084,463	1,432,761
Profit for the financial period	-	-	-	-	46,657	46,657
Other comprehensive income/(loss)	-	(4,783)	2,875	-	-	(1,908)
Total comprehensive income/(loss) for the financial period	-	(4,783)	2,875	-	46,657	44,749
Transfer to retained profits	-	-	-	(2,494)	2,494	-
Balance as at 30 June 2021	294,159	2,070	(3,774)	51,441	1,133,614	1,477,510
Balance as at 1 January 2020	294,159	3,907	(2,157)	58,561	994,059	1,348,529
Profit for the financial period	-	-	-	-	49,093	49,093
Other comprehensive income/(loss)	-	1,639	(3,306)	-	-	(1,667)
Total comprehensive income/(loss) for the financial period	-	1,639	(3,306)	-	49,093	47,426
Balance as at 30 June 2020	294,159	5,546	(5,463)	58,561	1,043,152	1,395,955

Explanatory notes to the Condensed Interim Financial Statements as at 30 JUNE 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 June 2021

	Group		Company	
	6 months to 30 Jun 2021 RM'000	**6 months to 30 Jun 2020 RM'000**	**6 months to 30 Jun 2021 RM'000**	**6 months to 30 Jun 2020 RM'000**
OPERATING ACTIVITIES				
Profit before taxation	61,316	64,518	61,390	64,596
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on financial investment at FVOCI	902	(4,766)	902	(4,766)
Accretion of discount on:				
- Mortgage assets	(43,857)	(44,451)	(43,857)	(44,451)
Allowance for impairment losses	192	(5,723)	192	(5,723)
Income from Islamic operations	(334,474)	(351,364)	(334,474)	(351,364)
Profit attributable to Sukuk holders	269,425	340,782	269,425	340,782
Operating loss before working capital changes	(46,496)	(1,004)	(46,422)	(926)
Changes in financing assets	640,508	428,979	640,508	428,979
Changes in mortgage assets	256,058	249,151	256,058	249,151
Changes in hire purchase assets	16	89	16	89
Changes in other assets and prepayments	(15)	24	(15)	19
Changes in other liabilities	(1,335)	438	(1,409)	371
Cash generated from operations	848,736	677,677	848,736	677,683
Profit received from Islamic assets	342,317	347,514	342,317	347,514
Payment of:				
- Zakat	(1,255)	(926)	(1,255)	(926)
- Taxation	-	(13,609)	-	(13,609)
Other adjustments for non-operating and Non-cash items	(1,945)	(792)	(1,945)	(792)
Net cash generated from operating activities	1,187,853	1,009,864	1,187,853	1,009,870

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	Group		Company	
	6 months to 30 Jun 2021 RM'000	**6 months to 30 Jun 2020 RM'000**	**6 months to 30 Jun 2021 RM'000**	**6 months to 30 Jun 2020 RM'000**
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(483,996)	(402,471)	(483,996)	(402,471)
- Financial investment at AC	(355,000)	-	(355,000)	-
Sale of:				
- Financial investment at FVOCI	201,276	273,820	201,276	273,820
Income received from				
- Financial investment at FVOCI	1,887	5,911	1,887	5,911
- Financial investment at AC	6,189	-	6,189	-
Net cash utilised in investing activities	(629,644)	(122,740)	(629,644)	(122,740)
FINANCING ACTIVITIES				
Proceeds from issuance of Sukuk	2,740,000	910,000	2,740,000	910,000
Redemption of Sukuk	(3,035,000)	(1,210,000)	(3,035,000)	(1,210,000)
Profit paid to Sukuk holders	(287,070)	(346,293)	(287,070)	(346,293)
Net cash utilised in financing activities	(582,070)	(646,293)	(582,070)	(646,293)
Net increase in cash and cash equivalents	(23,861)	240,831	(23,861)	240,837
Cash and cash equivalents as at 1 January	53,643	136,916	53,633	136,900
Cash and cash equivalents as at 30 June	29,782	377,747	29,772	377,737
Analysis of cash and cash equivalents as at 30 June				
Cash and short-term funds	29,782	377,747	29,772	377,737

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

23. ISLAMIC OPERATIONS (CONTINUED)

(a) Cash and short-term funds

	Group 30 Jun 2021 RM'000	Group 31 Dec 2020 RM'000	Company 30 Jun 2021 RM'000	Company 31 Dec 2020 RM'000
Cash and bank balances with banks and other financial institutions	70	180	60	170
Mudharabah money at call and deposit placements maturing within one month	29,712	53,463	29,712	53,463
	29,782	53,643	29,772	53,633
Less: Allowance for impairment losses	-	-	-	-
	29,782	53,643	29,772	53,633

As at reporting date, the gross carrying value of cash and short-term funds and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company 30 Jun 2021 RM'000	Group and Company 31 Dec 2020 RM'000
At 1 January	-	105
Write-back during the year	-	(105)
At 30 June/ 31 Dec	-	-

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

	Group and Company 30 Jun 2021 RM'000	Group and Company 31 Dec 2020 RM'000
At fair value:		
Sukuk	353,508	107,561
Government investment issues	138,948	123,159
Quasi government securities	103,051	88,558
	595,507	319,278

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

23. ISLAMIC OPERATIONS (CONTINUED)

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

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
The maturity structure of financial asset at FVOCI are as follows:		
Maturing within one year	191,176	99,139
One to three years	175,056	119,458
Three to five years	77,011	20,880
More than five years	152,264	79,801
	595,507	319,278

The carrying amount of debt instruments at FVOCI is equivalent to their fair value. The ECL is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The gross carrying value of financial asset at FVOCI and the impairment allowance are within Stage 1 allocation. Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Stage 1		
At 1 January	3	9
Allowance during the year on new assets purchased	65	3
Loans derecognised during the period due to maturity of assets	-	(9)
At 30 June/ 31 Dec	68	3

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets*

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Relating to:		
House financing	9,009,281	9,662,661

The maturity structure of financing assets are as follows:

Maturing within one year	3,393,067	3,528,607
One to three years	4,782,556	5,218,907
Three to five years	833,772	915,246
	9,009,395	9,662,760
Less: Allowance for impairment losses	(114)	(99)
	9,009,281	9,662,661

The gross carrying value of Islamic financing assets and the impairment allowance are within Stage 1 allocation (12-months ECL). Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Stage 1		
At 1 January	99	653
Allowance during the year on new assets purchased	22	3
Loans derecognised during the period due to maturity of assets	(3)	(3)
Write-back during the year due to changes in credit risk	(4)	(554)
At 30 June/ 31 Dec	114	99

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

(d) Mortgage assets

	Group and Company	
	30 Jun 2021 RM'000	31 Dec 2020 RM'000
PWOR	4,897,923	5,113,267

The maturity structure of mortgage assets are as follows:

Maturing within one year	632,022	637,154
One to three years	796,463	805,470
Three to five years	755,693	765,669
More than five years	2,740,951	2,933,415
	4,925,129	5,141,708
Less: Allowance for impairment losses	(27,206)	(28,441)
	4,897,923	5,113,267

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

By stage allocation:	Gross carrying value RM'000	Impairment allowance RM'000
2021		
Stage 1 (12-months ECL; non credit impaired)	4,894,398	17,647
Stage 2 (Lifetime ECL; non credit impaired)	2,680	560
Stage 3 (Lifetime ECL; credit impaired)	28,051	8,999
At 30 June	4,925,129	27,206
Impairment allowance over gross carrying value (%)		0.55
2020		
Stage 1 (12-months ECL; non credit impaired)	5,108,544	18,046
Stage 2 (Lifetime ECL; non credit impaired)	1,733	312
Stage 3 (Lifetime ECL; credit impaired)	31,431	10,083
At 30 June	5,141,708	28,441
Impairment allowance over gross carrying value (%)		0.55

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
(e) Hire purchase assets		
PWOR	10	26
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	20	37
Less: Allowance for impairment losses	(10)	(11)
	10	26

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

	Gross carrying value RM'000	**Impairment allowance RM'000**
By stage allocation:		
2021		
Stage 3 (Lifetime ECL; credit impaired)	20	10
At 30 June	20	10
Impairment allowance over gross carrying value (%)		50.00
2020		
Stage 1 (12-months ECL; non credit impaired)	3	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
At 30 June	37	11
Impairment allowance over gross carrying value (%)		29.73

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

(f) Other liabilities

	Group		Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**	**30 Jun 2021 RM'000**	**31 Dec 2020 RM'000**
Zakat	-	2,106	-	2,106
Other payables	7,883	8,367	6,606	7,164
	7,883	10,473	6,606	9,270

(g) Sukuk

	Group and Company	
	30 Jun 2021 RM'000	**31 Dec 2020 RM'000**
Commercial papers	647,013	847,256
Medium-term notes	13,103,734	13,216,136
	13,750,747	14,063,392

The maturity structure of Sukuk are as follows:

Maturing within one year	2,635,747	4,498,392
One to three years	6,805,000	6,005,000
Three to five years	1,990,000	1,590,000
More than five years	2,320,000	1,970,000
	13,750,747	14,063,392

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

(h) Income attributable to the Sukuk holders

	Group and Company	
	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Mortgage assets	99,945	118,877
Hire purchase assets	56	70
Financing assets	169,363	221,835
Short-term borrowings	61	-
	269,425	340,782

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

Bai Al-Dayn	269,425	340,782

(i) Total income attributable

Income from:		
Mortgage assets	50,051	40,450
Hire purchase assets	(56)	(110)
Financing assets	6,626	6,558
Financial asset at FVOCI	6,913	11,058
Financial asset at amortised cost	496	-
Deposit and placements with financial institutions	1,020	1,843
Non-profit (expense)/income	(2,463)	450
	62,587	60,249

Total net income analysed by concept are as follows:

Bai Al-Dayn	54,159	46,898
Murabahah	5,791	4,699
Ijarah	206	168
Mudharabah	208	6,607
Musyarakah	616	1,072
Wakalah	622	473
Bai Bithaman Ajil	-	332
Tawarruq	643	-
Qard Al-Hasan	342	-
	62,587	60,249

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

23. ISLAMIC OPERATIONS (CONTINUED)

(j) Capital adequacy

	Group		Company	
	30 Jun 2021	**31 Dec 2020**	**30 Jun 2021**	**31 Dec 2020**
	%	%	%	%
CET 1 capital ratio	31.5	29.3	31.5	29.3
Tier 1 capital ratio	31.5	29.3	31.5	29.3
Total capital ratio	33.4	31.0	33.5	31.1
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET 1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	1,181,376	1,134,793	1,185,054	1,138,398
	1,475,535	1,428,952	1,479,213	1,432,557
Financial asset at FVOCI reserve	932	3,084	932	3,084
Deferred tax assets	(8,774)	(9,367)	(8,774)	(9,367)
Less: Regulatory reserves	(51,441)	(53,935)	(51,441)	(53,935)
Total CET 1/Tier 1 capital	1,416,252	1,368,734	1,419,930	1,372,339
Tier 2 capital:				
Add: Regulatory reserves	51,441	53,935	51,441	53,935
Allowance for impairment losses	35,005	28,560	35,005	28,560
Total Tier 2 capital	86,446	82,495	86,446	82,495
Total capital	1,502,698	1,451,229	1,506,376	1,454,834
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,279,982	4,455,755	4,282,392	4,458,163
Operational risk	219,620	220,114	219,620	220,114
Total risk-weighted assets	4,499,602	4,675,869	4,502,012	4,678,277

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

24. BUSINESS REVIEW

Market Environment

The global economy is projected to grow 6.0% in 2021 and 4.9% in 2022 (-3.3% in 2020)[1]. Global prospects remain uncertain with new virus mutations and the accumulating human toll raise concerns; even as growing vaccine coverage lifts the sentiment. Growth recovery is expected to diverge across countries and sectors, reflecting variations in pandemic related challenges as well as the extent of fiscal support. Based on recent data from IMF's World Economic Outlook in July 2021, despite a recent bout of volatility: buoyant equity markets, tight credit spreads, and healthy flows into emerging market currency funds, the global economy will generally continue to provide a positive lift to the baseline global outlook.

For Malaysia, the economy registered a smaller decline of 0.5%[2] (1Q2020: 0.7%). The growth performance was supported mainly by the improvement in domestic demand, robust exports performance and continued policy measures. In addressing the COVID-19 pandemic, Malaysia has announced the National Recovery Plan ("NRP") on 1 June 2021. Premised on a whole-of-nation approach, the Government is seeking cooperation from industry experts, NGOs, community leaders and the public in implementing the NRP. The NRP's systematic approach is expected to strike a good balance between protecting lives, and safeguarding livelihoods. Despite higher downside risk to growth due to the containment measures by the Malaysian Government, the marginal impact to the economy is expected to decrease as Malaysia moves through each phase of the NRP, particularly as more economic and social sectors reopen, and various sectors have adapted well to operating remotely by embracing digital technology[3]. The forecast gross domestic product of Malaysia in 2021 is between 6.0% and 7.5%.

As at June 2021[4], the banking system continued to record a healthy liquidity coverage ratio level at 149.1% (June 2020: 149.2%). Banks' funding profile also remained stable amid sustained growth in deposits. Overall gross and net impaired loans ratios remain broadly unchanged at 1.6% and 1.0%, respectively, amid a marginal monthly increase in impairments. The impaired loans ratio is expected to remain broadly stable in the immediate term as banks continue to facilitate repayment assistance for viable borrowers facing temporary financial difficulties. Despite this, banks continue to set aside additional provisions against potential credit losses, which currently stand at 1.8% of total banking system loans.

Bank Negara Malaysia ("BNM") held the Overnight Policy Rate ("OPR") unchanged at 1.75% in 1H2021 as the policy is seen as appropriate and accommodative to support the domestic economic recovery. BNM remained upbeat on the growth outlook and continue to view the global recovery in positive light as it expects the global environment to continue to strengthen, particularly in major economies, supported by manufacturing and trade activity. However, BNM reiterated that growth outlook is still subject to downside risks from uncertainties in developments related to the pandemic, and unprecedented challenges that might affect the vaccination roll-out plans both globally and domestically.

Despite the accommodative stance by BNM, the local fixed income market saw yields generally increased, especially in the longer tenures. Notably, the benchmark 10-year Malaysian Government Securities ("MGS") yield rose 64 basis points to 3.28% as at end of 1H2021, from 2.65% at the start of the year. This is in-line with the trend of higher yields in major global bond markets particularly the US Treasury ("UST") bond market where bond yield was driven higher by the pickup in growth and inflation prospects in the advanced economies, amid successful vaccination programmes and government policy supports. Nonetheless, the MYR bond market remains healthy, supported by its depth and liquidity as seen by the successful issuance of RM80.5 billion of MGS and Malaysian Government Investment Issue ("MGII") in 1H2021.

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[1] IMF, World Economic Outlook, July 2021
[2] BNM, Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2021
[3] Ministry of Finance Malaysia, Press Release June 2021
[4] BNM, Monthly Highlights, June 2021

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2021 (Continued)

24. BUSINESS REVIEW (CONTINUED)

Financial Performance

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

The Group recorded a write-off of impairment losses arising from reduction in principal balance and improvement in PWOR asset staging. As a result, the Group registered a pre-tax profit of RM137.7 million for the period ended 30 June 2021 as compared to RM157.4 million in the previous corresponding period.

The total assets of the Group as at 30 June 2021 stood at RM36.7 billion, an increase of 1.4% since 31 December 2020.

Purchase of Loans and Financing

Cagamas recorded RM5.0 billion of purchases of loans and financing (1H2020: RM1.8 billion) in the 1H2021. All purchases were under PWR scheme. As at 1H2021, residential mortgage continued to dominate Cagamas' portfolio at 98.5% (1H2020: 98.0%), followed by hire purchase loans and financing at 1.5% (1H2020: 2.0%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2021, Cagamas issued a total of RM8.15 billion worth of bonds and sukuk, through 15 issuance exercises. From the total issuances, 66% or RM5.41 billion were raised via conventional debt issuances and 34% or RM2.74 billion were raised via sukuk issuances.

Cagamas also continued to raise funding at a competitive price in foreign currency issuances through private placement deals. During the 1H2021, Cagamas printed Singapore dollar ("SGD") and Hong Kong dollar ("HKD") with a total value of RM823 million were successfully priced under the Company's Multicurrency EMTN programmes.

As part of the initiative to promote secondary market liquidity for the Company's bonds and sukuk, Cagamas continued to conduct reopening exercise under its RM60 billion Medium Term Notes ("MTN") programme. During 1H2021, Cagamas reopened one tranche of its existing 5-year sukuk by RM150 million, bringing the upsized tranche to RM350 million.

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

24. BUSINESS REVIEW (CONTINUED)

Capital Management

The Group's core capital ratio as at 30 June 2021 improved to 44.5% as compared to 43.6% as at 31 December 2020. As at the reporting date, TCR remains stable at 46.2%, 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.

Total shareholder's funds for the Group stands at RM4.2 billion arising from profits generated during the period, while net tangible assets per share increased by 0.8% to RM27.80 per share as at 30 June 2021.

Information About Company Employees, Social and Community Issues Including the Impact of the Company's Business on the Environment

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

Cagamas works to enhance education in our communities, build sustainable economic growth and invest in the future of the nation's workforce through its Corporate Social Responsibility ("CSR") programmes and Zakat initiatives.

In May 2021, under its Cagamas Zakat Wakalah Programme ("ZWP"), Cagamas donated Ramadhan care-packs containing food supplies to assist 268 asnaf recipients affected by the COVID-19 pandemic in Melaka, Negeri Sembilan and Kelantan. The ZWP also assisted the purchase of business equipment for five (5) eligible recipients under the "asnaf" category from Kuala Lumpur, Negeri Sembilan, Terengganu and Kedah. Equipment such as a sewing machine, a chiller, an oven, a blender, car repair tools, welding tools and a plow machine were purchased to assist the recipients improve productivity and income in their respective micro-businesses. In addition, Cagamas also donated 29 units of devices and 10 units of Quran braille for needy students to enable them to continue their learning online during the movement restriction orders.

The Cagamas Scholarship Programme ("CSP") continues to see the Company reaching out to deserving Malaysians who need financial aid to pursue their education. As at 2021, the CSP has sponsored a total of 26 scholars with 14 scholars who have graduated.

Cagamas also organised its second virtual Investors Briefing which was broadcasted from the Cagamas office in Kuala Lumpur and attended by over 93 registered attendees from across the region. Cagamas is adapting stakeholder engagements in the new normal in our effort to minimise the spread of Covid-19. The briefing was led by President/Chief Executive Officer, Datuk Chung Chee Leong who presented on the Company's financial performance in 2020 as well as its business initiatives for 2021.

Cagamas continues to participate as speakers/panellists in various virtual conferences on the topics of housing finance and capital market, both locally and internationally.