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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2022

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

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Group		Company	
		30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
ASSETS					
Cash and cash equivalents	1	363,016	318,943	345,136	300,433
Deposits and placement with financial institutions	2	124,899	172,021	124,899	172,021
Financial assets at fair value through profit or loss (FVTPL)	3	-	123,132	-	123,132
Financial assets at fair value through other comprehensive income (FVOCI)	4	3,511,206	2,792,094	3,511,206	2,792,094
Financial assets at amortised cost	5	1,362,966	354,353	1,362,966	354,353
Derivative financial instruments	6	76,232	29,607	76,232	29,607
Amount due from counterparties	7	13,472,229	17,141,175	13,472,229	17,141,175
Islamic financing assets	8	11,508,930	10,273,747	11,508,930	10,273,747
Mortgage assets					
- Conventional	9	3,644,379	3,886,956	3,644,379	3,886,956
- Islamic	10	4,479,839	4,691,424	4,479,839	4,691,424
Hire purchase assets					
- Islamic	11	62	62	62	62
Amount due from					
- Related company		615	735	615	735
- Subsidiaries		-	-	3,726	3,708
Other assets	12	6,949	7,570	6,942	7,562
Tax recoverable		25,882	64,194	25,882	64,194
Investment in subsidiaries		-*	-*	-*	-*
Property and equipment		1,687	2,338	1,687	2,338
Intangible assets		16,608	18,357	16,608	18,357
Right of use of assets	13	10,488	11,592	10,488	11,592
TOTAL ASSETS		38,605,987	39,888,300	38,591,826	39,873,490
LIABILITIES					
Short-term borrowings		622,926	302,367	622,926	302,367
Derivative financial instruments	6	9,611	28,595	9,611	28,595
Other liabilities	14	168,827	164,019	168,564	162,801
Lease liability	15	12,570	13,738	12,570	13,738
Deferred taxation		160,663	181,935	160,663	181,935
Loans/financing from subsidiaries	16	-	-	2,135,341	2,572,657
Unsecured bearer bonds and notes	17	16,982,671	19,956,954	14,848,707	17,386,080
Sukuk	18	16,477,482	15,082,028	16,477,482	15,082,028
TOTAL LIABILITIES		34,434,750	35,729,636	34,435,864	35,730,201
Share capital		150,000	150,000	150,000	150,000
Reserves		4,021,237	4,008,664	4,005,962	3,993,289
SHAREHOLDER'S FUNDS		4,171,237	4,158,664	4,155,962	4,143,289
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		38,605,987	39,888,300	38,591,826	39,873,490
NET TANGIBLE ASSETS PER SHARE (RM)		27.70	27.60	27.60	27.50

* 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 2021 and the accompanying explanatory notes on pages 8 to 61 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 30 August 2022.

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CAGAMAS BERHAD
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CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Note	Group		Company	
		6 Months to 30 Jun 2022 RM'000	6 Months to 30 Jun 2021 RM'000	6 Months to 30 Jun 2022 RM'000	6 Months to 30 Jun 2021 RM'000
Interest income	19	417,134	413,212	417,134	413,212
Interest expense	20	(298,173)	(312,298)	(298,224)	(312,284)
Income from Islamic operations	25	59,307	62,587	59,307	62,587
Non-interest (expense)/income	21	(15,528)	5,925	(15,528)	5,925
		162,740	169,426	162,689	169,440
Personnel costs		(15,627)	(15,439)	(15,627)	(15,439)
Administration and general expenses		(13,372)	(14,736)	(13,221)	(14,484)
OPERATING PROFIT		133,741	139,251	133,841	139,517
Allowance for impairment losses		1,849	(1,517)	1,849	(1,517)
PROFIT BEFORE TAXATION		135,590	137,734	135,690	138,000
Taxation		(32,566)	(33,120)	(32,566)	(33,120)
PROFIT FOR THE FINANCIAL PERIOD		103,024	104,614	103,124	104,880
EARNINGS PER SHARE (SEN)		68.68	69.74	68.75	69.92
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 2021 and the accompanying explanatory notes on pages 8 to 61 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 30 August 2022.

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Group		Company	
	6 Months to 30 Jun 2022 RM'000	**6 Months to 30 Jun 2021 RM'000**	**6 Months to 30 Jun 2022 RM'000**	**6 Months to 30 Jun 2021 RM'000**
Profit for the financial period	103,024	104,614	103,124	104,880
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Financial assets at FVOCI				
- Net (loss)/gain on fair value changes before taxation	(77,803)	(59,105)	(77,803)	(59,105)
- Deferred taxation	18,696	14,260	18,696	14,260
Cash flow hedge				
- Net (loss)/gain on cash flow hedge	(11,421)	(7,565)	(11,421)	(7,565)
- Deferred taxation	2,577	1,816	2,577	1,816
Other comprehensive (loss)/income for the financial period, net of taxation	(67,951)	(50,594)	(67,951)	(50,594)
Total comprehensive income for the financial period	35,073	54,020	35,173	54,286

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	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 2022	150,000	56	4,413	89,723	3,914,472	4,158,664
Profit for the financial period	-	-	-	-	103,024	103,024
Other comprehensive income	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive income for the financial period	-	(59,107)	(8,844)	-	103,024	35,073
Transfer to retained profits	-	-	-	(5,136)	5,136	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2022	150,000	(59,051)	(4,431)	84,587	4,000,132	4,171,237
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 2022

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable	
	Share capital	Financial asset at FVOCI reserves	Cash flow hedge reserves	Regulatory reserves	Retained profits	Total equity
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2022	150,000	56	4,413	89,723	3,899,097	4,143,289
Profit for the financial period	-	-	-	-	103,124	103,124
Other comprehensive income	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive income for the financial period	-	(59,107)	(8,844)	-	103,124	35,173
Transfer to retained profits	-	-	-	(5,136)	5,136	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2022	150,000	(59,051)	(4,431)	84,587	3,984,857	4,155,962
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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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Group		Company	
	6 Months to 30 Jun 2022 RM'000	**6 Months to 30 Jun 2021 RM'000**	**6 Months to 30 Jun 2022 RM'000**	**6 Months to 30 Jun 2021 RM'000**
OPERATING ACTIVITIES				
Profit before taxation	135,590	137,734	135,690	138,000
Adjustments for non-cash items	(187,763)	(200,684)	(187,353)	(200,216)
Operating loss before working capital changes	(52,173)	(62,950)	(51,663)	(62,216)
Net changes in operating assets and liabilities	3,964,915	942,369	4,016,915	942,669
Zakat paid	(5,094)	-	(5,094)	-
Tax refunded	5,747	-	5,747	-
Tax paid	-	(1,255)	-	(1,255)
Net cash generated from operating activities	3,913,395	878,164	3,965,905	879,198
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(2,031,187)	(1,141,406)	(2,031,187)	(1,141,406)
- Financial investment at AC	(1,000,000)	(355,000)	(1,000,000)	(355,000)
Proceeds from sale/redemption of				
- Financial investment at FVTPL	123,450	-	123,450	-
- Financial investment at FVOCI	1,236,766	773,155	1,236,766	773,155
Purchase of:				
- Property and equipment	(284)	(234)	(284)	(234)
- Intangible assets	(217)	(1,180)	(217)	(1,180)
Income received from:				
- Financial investment at FVTPL	1,808	1,887	1,808	1,887
- Financial investment at FVOCI	52,276	38,393	52,276	38,393
Proceeds from disposal of property and equipment	-	9	-	9
Net cash utilised in investing activities	(1,617,388)	(684,376)	(1,617,388)	(684,376)
FINANCING ACTIVITIES				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Proceeds from issuance				
- Unsecured bearer bonds and notes	4,279,019	5,407,644	3,968,000	4,585,000
- Sukuk	3,570,000	2,740,000	3,570,000	2,740,000
Proceeds from loans/financing from subsidiary		-	311,019	822,644
Redemption of:				
- Unsecured bearer bonds and notes	(7,829,013)	(4,590,000)	(6,998,000)	(4,590,000)
- Sukuk	(2,190,000)	(3,035,000)	(2,190,000)	(3,035,000)
Repayment of loans/financing from subsidiary	-	-	(831,011)	-
Interest paid	195,897	(358,051)	195,079	(358,289)
Profit paid to Sukuk holders	(253,971)	(287,069)	(253,971)	(287,069)
Lease rental paid	(1,366)	(787)	(1,366)	(787)
Net cash utilised in financing activities	(2,251,934)	(145,763)	(2,252,750)	(146,001)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (CONTINUED)

	Group		Company	
	6 Months to 30 Jun 2022 RM'000	**6 Months to 30 Jun 2021 RM'000**	**6 Months to 30 Jun 2022 RM'000**	**6 Months to 30 Jun 2021 RM'000**
Net increase in cash and cash equivalents	44,073	48,025	95,767	48,821
Cash and cash equivalents as at 1 January	318,943	109,071	300,433	89,848
Cash and cash equivalents as at 30 June	363,016	157,096	396,200	138,669

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022

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 2022 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 2022 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 2021. 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 2021. 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 2021.

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.

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 2022 (Continued)

A3 Economic entities in the Group (continued)

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.

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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

A7 Property and equipment and depreciation

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

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

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

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

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

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

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

A8 Financial assets

(a) Classification

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

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

(b) Recognition and de-recognition

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

A8 Financial assets (continued)

(c) Measurement

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

Debt instruments

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

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

(i) Amortised cost (“AC”)

Cash and short-term funds, financial assets 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 2022 (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 assets at FVTPL are recognised in other gains/(losses) in the income statements.

A9 Financial liabilities

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 2022 (Continued)

A10 Impairment of assets

A10.1 Financial assets

The Group and the Company have the following 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 assets at FVOCI;
- Financial assets at amortised cost; and
- Money market instruments

Under MFRS 9, impairment model requires the recognition of ECL for all financial assets, except for financial assets 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 2022 (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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

A10 Impairment of assets (continued)

A10.2 Non-financial assets

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

A11 Write-off

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

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

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

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

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

A14 Current and deferred tax

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

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

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

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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (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 2022 (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 2022 (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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

A23 Currency translations

(a) Functional and presentation currency

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

The financial statements are presented in Ringgit Malaysia, which is the 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.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

A26 Leases (continued)

Lease term

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

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease 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 2022 (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 2022.

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 2021.

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 2021 was paid on 11 May 2022.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (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 2022 (Continued)

1. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Cash and balances with banks and other financial institutions	18,326	19,498	446	988
Money at call and deposit and placements maturing with original maturity less than 3 months	40,837	185,392	40,837	185,392
Mudharabah money at call and deposit and placements maturing with original maturity less than 3 months	303,893	114,064	303,893	114,064
	363,056	318,954	345,176	300,444
Less:				
Allowance for impairment losses	(40)	(11)	(40)	(11)
	363,016	318,943	345,136	300,433

The gross carrying value of cash and cash equivalents 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 2022 RM'000	31 Dec 2021 RM'000
Stage 1		
At 1 January	11	-
Allowance/(reversal) during the period	29	11
At 30 June/ 31 Dec	40	11

2. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Licensed Banks	124,899	172,021

The gross carrying value of deposits and placements with financial institution are within Stage 1 allocation (12-month ECL). There is no ECL made for this category as at 30 June 2022 (2021: Nil).

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

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

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Unit trust	-	123,132

Financial assets classified or designated as FVTPL are not subjected to impairment assessment under MFRS 9.

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

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Debt instruments:		
Malaysian Government securities	484,056	436,933
Corporate bonds	453,085	248,430
Government investment issues	865,182	830,336
Corporate Sukuk	1,223,087	905,977
Quasi Government Sukuk	485,796	370,418
	3,511,206	2,792,094

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

Maturing within one year	1,112,646	677,907
One to three years	738,528	594,477
Three to five years	336,354	341,312
More than five years	1,323,678	1,178,398
	3,511,206	2,792,094

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 assets at FVOCI by stage of allocation are as follows:

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Stage 1		
At 1 January	304	77
Allowance during the period on new assets purchased	119	266
Loans derecognised during the period due to maturity of assets	(14)	(30)
Reversal during the period due to changes in credit risk	(7)	(9)
At 30 June/ 31 Dec	402	304

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

5. FINANCIAL ASSETS AT AMORTISED COST

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Corporate Sukuk	355,465	355,508
Corporate bonds	1,009,152	-
Less: Allowance for impairment losses	(1,651)	(1,155)
	1,362,966	354,353
Stage 1		
At 1 January	1,155	-
Allowance during the period on new assets purchased	496	1,155
At 30 June/ 31 Dec	1,651	1,155

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 2022			31 Dec 2021		
	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	765,000	315	(4,666)	1,165,000	12	(13,655)
One to three years	1,490,000	10,300	(4,945)	590,000	2,656	(7,813)
More than five years	160,000	6,958	-	160,000	20,367	-
	2,415,000	17,573	(9,611)	1,915,000	23,035	(21,468)
CCS/ICCS						
Maturing within one year	703,560	31,419	-	1,526,640	6,572	(3,210)
One to three years	1,344,600	27,240	-	1,036,600	-	(3,917)
	2,048,160	58,659	-	2,563,240	6,572	(7,127)
	4,463,160	76,232	(9,611)	4,478,240	29,607	(28,595)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

7. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Relating to:		
Mortgage loans	13,043,723	16,548,478
Hire purchase and leasing debts	428,506	592,697
	13,472,229	17,141,175

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

Maturing within one year	6,914,958	9,612,698
One to three years	5,919,488	6,890,791
Three to five years	226,134	226,134
More than five years	411,665	411,571
	13,472,245	17,141,194
Less: Allowance for impairment losses	(16)	(19)
	13,472,229	17,141,175

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 2022 RM'000	31 Dec 2021 RM'000
Stage 1		
At 1 January	19	19
Allowance during the period on new assets purchased	3	13
Loans derecognised during the period due to maturity of assets	(2)	(6)
Reversal during the period due to changes in credit risk	(4)	(7)
At 30 June/ 31 Dec	16	19

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

8. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Relating to:		
Islamic house financing	9,569,564	8,805,885
Islamic personal financing	1,939,366	1,467,862
	11,508,930	10,273,747

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	4,672,306	2,768,566
One to three years	6,836,695	7,505,242
	11,509,001	10,273,808
Less: Allowance for impairment losses	(71)	(61)
	11,508,930	10,273,747

The gross carrying value of Islamic financing assets 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 2022 RM'000	31 Dec 2021 RM'000
Stage 1		
At 1 January	61	99
Allowance during the period on new assets purchased	25	26
Loans derecognised during the period due to maturity of assets	(5)	(5)
Reversal during the period due to changes in credit risk	(10)	(59)
At 30 June/ 31 Dec	71	61

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

9. MORTGAGE ASSETS – CONVENTIONAL

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Purchase without Recourse ("PWOR")	3,644,379	3,886,956

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

	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	643,851	652,653
One to three years	814,062	846,026
Three to five years	699,399	715,011
More than five years	1,505,469	1,694,605
	3,662,781	3,908,295
Less: Allowance for impairment losses	(18,402)	(21,339)
	3,644,379	3,886,956

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:		
2022		
Stage 1 (12-months ECL; non credit impaired)	3,640,026	11,382
Stage 2 (Lifetime ECL; non credit impaired)	2,420	497
Stage 3 (Lifetime ECL; credit impaired)	20,335	6,523
At 30 June	3,662,781	18,402
Impairment allowance over gross carrying value (%)		0.50
2021		
Stage 1 (12-months ECL; non credit impaired)	3,878,389	12,086
Stage 2 (Lifetime ECL; non credit impaired)	2,512	465
Stage 3 (Lifetime ECL; credit impaired)	27,394	8,788
At 31 December	3,908,295	21,339
Impairment allowance over gross carrying value (%)		0.55

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

10. MORTGAGE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
PWOR	4,479,839	4,691,424

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

	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	594,420	595,770
One to three years	750,841	755,159
Three to five years	730,679	739,961
More than five years	2,424,878	2,623,166
	4,500,818	4,714,056
Less: Allowance for impairment losses	(20,979)	(22,632)
	4,479,839	4,691,424

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:		
2022		
Stage 1 (12-months ECL; non credit impaired)	4,478,371	14,070
Stage 2 (Lifetime ECL; non credit impaired)	2,639	555
Stage 3 (Lifetime ECL; credit impaired)	19,808	6,354
At 30 June	4,500,818	20,979
Impairment allowance over gross carrying value (%)		0.47
2021		
Stage 1 (12-months ECL; non credit impaired)	4,689,151	14,809
Stage 2 (Lifetime ECL; non credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,457	7,525
At 31 December	4,714,056	22,632
Impairment allowance over gross carrying value (%)		0.48

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

11. HIRE PURCHASE ASSETS – ISLAMIC

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
PWOR	62	62

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

Maturing within one year	74	74
Less: Allowance for impairment losses	(12)	(12)
	62	62

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage allocation:		
2022		
Stage 1 (12-month ECL; non-credit impaired)	38	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 30 June	74	12
Impairment allowance over gross carrying value (%)		15.78
2021		
Stage 1 (12-month ECL; non-credit impaired)	38	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	74	12
Impairment allowance over gross carrying value (%)		15.78

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

12. OTHER ASSETS

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Staff loans and financing	2,745	2,811	2,745	2,811
Deposits	923	923	922	922
Prepayments	2,277	2,761	2,271	2,754
Management fee receivable	627	675	627	675
Compensation receivable from originator on mortgage assets	366	377	366	377
Other receivables	11	23	11	23
	6,949	7,570	6,942	7,562

13. RIGHT OF USE OF ASSETS

Right-of-use of asset comprises of rental of office buildings and is being amortised over the tenure of rental period.

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Cost		
At 1 January	15,461	4,916
Modification arising from extension of lease term	-	10,545
At 30 June/ 31 December	15,461	15,461
Accumulated amortisation		
At 1 January	(3,869)	(1,873)
Charge for the period	(1,104)	(1,996)
At 30 June/ 31 December	(4,973)	(3,869)
Net book value		
At 30 June/ 31 December	10,488	11,592

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

14. OTHER LIABILITIES

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Provision for zakat	-	5,094	-	5,094
Amount due to Government*	145,705	129,921	145,705	129,921
Accruals	21,676	27,570	21,413	26,371
Other payables	1,446	1,434	1,446	1,415
	168,827	164,019	168,564	162,801

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

15. LEASE LIABILITY

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
At 1 January	13,738	4,583
Modification arising from extension of lease term	-	10,545
Lease obligation interest expense	198	763
Lease obligation repayment	(1,366)	(2,153)
At 30 June/ 31 December	12,570	13,738

The maturity structure of lease liability are as follows:

Due within 1 year	2,045	2,354
Due in 2 to 5 years	10,525	11,384
Total present value of minimum lease payments	12,570	13,738

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

16. 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 2022 RM'000	31 Dec 2021 RM'000
HKD	-	431,106
USD	952,610	1,119,238
SGD	1,182,731	1,022,313
	2,135,341	2,572,657

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.10% to 1.33% per annum (2021: 0.98% to 1.33% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	744,223	1,537,003
One to three years	1,391,118	1,035,654
	2,135,341	2,572,657

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

17. UNSECURED BEARER BONDS AND NOTES

	Group				
			30 Jun 2022		31 Dec 2021
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2022	200,000	1.940	200,000	1.940
	2023	680,000		-	
Add: Interest payable		2,333		393	
		882,333		200,393	
(b) Commercial paper	2022	-		1,300,000	1.990 – 2.080
Add: Interest payable		-		1,236	
		-		1,301,236	
(c) Conventional medium-term notes	2022	4,780,586	1.060 – 4.480	9,445,892	0.850 – 4.650
	2023	4,789,354	1.250 – 6.050	4,700,653	1.250 – 6.050
	2024	3,216,764	1.990 – 5.520	1,970,000	2.380 – 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	1,275,000	3.780 – 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
		16,006,704		18,336,545	
Add: Interest payable		94,878		120,264	
Less:					
Deferred financing fees		(1,244)		(1,484)	
Unamortised discount				-	
		16,100,338		18,455,325	
Total		16,982,671		19,956,954	

Registration No.
198601008739 (157931 A)

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

17 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

					Company
			30 Jun 2022		31 Dec 2021
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2022	200,000	1.940	200,000	1.940
	2023	680,000	-		
Add: Interest payable		2,333		393	
		882,333		200,393	
(b) Commercial paper	2022	-	-	1,300,000	1.990 –2.080
Add: Interest payable		-		1,236	
		-		1,301,236	
(c) Conventional medium-term notes	2022	4,040,000	2.130 – 4.480	7,915,000	2.100 – 4.650
	2023	3,715,000	2.180 – 6.050	3,665,000	2.180 – 6.050
	2024	2,900,000	2.380 – 5.520	1,970,000	2.380 – 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	1,275,000	3.780 – 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
		13,875,000		15,770,000	
Add: Interest payable		91,374		114,451	
		13,966,374		15,884,451	
Total		14,848,707		17,386,080	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

17. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	8,001,553	11,066,290	7,258,707	9,531,080
One to three years	5,761,118	6,670,664	4,370,000	5,635,000
Three to five years	1,650,000	650,000	1,650,000	650,000
More than five years	1,570,000	1,570,000	1,570,000	1,570,000
	16,982,671	19,956,954	14,848,707	17,386,080

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 2022 (Continued)

17. 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 and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
HKD	-	430,850
USD	1,182,365	1,118,649
SGD	951,599	1,021,375
	2,133,964	2,570,874

18. SUKUK

	Group and Company				
	30 Jun 2022			31 Dec 2021	
	Year of maturity	Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Islamic commercial papers	2022	-	-	645,000	1.980 – 1.990
Add: Profit payable		-		2,046	
		-		647,046	
(b) Variable profit rate notes	2023	645,000	-	-	-
Add: Profit payable		2,350		-	
		647,350		-	
(c) Islamic medium-term Notes	2022	2,885,000	2.150 – 4.700	3,785,000	1.980 – 3.700
	2023	4,040,000	2.230 – 6.350	3,895,000	2.230 – 6.350
	2024	4,085,000	2.670 – 5.520	3,885,000	2.670 – 5.520
	2025	2,390,000	3.100 – 4.650	455,000	4.550 – 4.650
	2026	370,000	3.150 – 4.920	370,000	3.150 – 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
		15,720,000		14,340,000	
Add: Profit payable		110,132		94,982	
		15,830,132		14,434,982	
		16,477,482		15,082,028	

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

18 SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	6,092,482	4,527,028
One to three years	7,460,000	7,780,000
Three to five years	975,000	825,000
More than five years	1,950,000	1,950,000
	16,477,482	15,082,028

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 2022 (Continued)

19. INTEREST INCOME

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Amount due from counterparties	248,553	248,975
Mortgage assets	79,622	90,256
Compensation from mortgage assets	3	4
Financial assets designated as FVOCI	40,693	37,866
Financial assets at amortised cost	9,152	-
Deposits and placements with financial institutions	2,072	889
	380,095	377,990
Accretion of discount less amortisation of premium (net)	37,039	35,222
	417,134	413,212

20. INTEREST EXPENSE

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Medium-term	(280,457)	(288,432)	(266,138)	(280,955)
Floating rate notes	(3,889)	-	(3,889)	-
Commercial paper	(10,312)	(22,052)	(10,312)	(22,052)
Deposits and placements of financial Institutions	(3,317)	(1,267)	(3,317)	(1,267)
Loans/financing from subsidiaries	-	-	(14,370)	(7,463)
Lease liability	(198)	(547)	(198)	(547)
	(298,173)	(312,298)	(298,224)	(312,284)

21. NON-INTEREST INCOME/(EXPENSE)

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Net loss arising from derivatives	(18,405)	(3,004)	(18,405)	(3,004)
Income from financial assets at FVTPL	-	756	-	756
Gain on disposal of:				
- Financial assets at FVOCI	1,116	6,167	1,116	6,167
- Property and equipment	-	1	-	1
Net amount reclassified from hedge reserve into profit or loss	(49,328)	(15,876)	(49,328)	(15,876)
Net gain/(loss) on foreign exchange	48,868	15,750	48,868	15,750
Other non-operating income	2,221	2,131	2,221	2,131
	(15,528)	5,925	(15,528)	5,925

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

22 CONTINGENCIES

On 26 January 2022, the Inland Revenue Board ("IRB") issued a review findings letter on the Company's tax return for Year of Assessment ("YA") 2018 with a disagreement on certain tax treatment that has been taken by the Company. The same tax treatment has been applied by the Company for its YA 2019 and YA 2020 tax returns.

The Company has been in discussion with the IRB as the tax treatment was applied consistently and discussed with the relevant authorities prior to adoption by the Company. An adverse decision from this disagreement could lead to additional tax liability (approximately RM103.8 million) and tax penalty (approximately RM15.6 million) for YA 2018 to YA 2020.

IRB issued Notice of Additional Assessment ("Form JA") on 4 July 2022 in relation to the additional tax payable (RM6.4 mil) and penalty (RM1.0 mil) for YA 2018.

The Company has on 1 August 2022 filed a notice of appeal ("Form Q") according to Section 99 (1) of the Income Tax Act, 1967 against the Form JA issued by IRB.

The estimated additional tax liability of RM103.8 million is not expected to significantly impact the profit after taxation ("PAT") of the Company as the Company has consistently recognised temporary differences as deferred tax on the tax treatment currently under dispute.

No provision has been made in the financial statements for the potential tax penalty as the Company is of the view that there are strong justifications for its appeal against the matter raised by the IRB.

23 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 2022 (Continued)

23 SEGMENT REPORTING (CONTINUED)

30 Jun 2022	PWR RM'000	PWOR RM'000	Total RM'000
Group			
External revenue	513,425	263,032	776,457
External interest/profit expense	(424,245)	(170,594)	(594,839)
Profit from operations	48,301	87,289	135,590
Taxation	(13,733)	(18,833)	(32,566)
Profit after taxation by segment	34,568	68,456	103,024
Segment assets	29,520,640	9,085,347	38,605,987
Segment liabilities	24,943,727	9,491,023	34,434,750
Other information			
Capital expenditure	382	117	499
Depreciation and amortisation	713	220	933
Amortisation of right of use of assets	2,347	723	3,070
Company			
External revenue	513,425	263,032	776,457
Internal interest/profit expense	(14,370)	-	(14,370)
External interest/profit expense	(409,926)	(170,594)	(580,520)
Total interest/profit expense	(424,296)	(170,594)	(594,890)
Profit from:			
Operations	48,401	87,289	135,690
Taxation	(13,733)	(18,833)	(32,566)
Profit after taxation by segment	34,668	68,456	103,124
Segment assets	29,506,478	9,085,348	38,591,826
Segment liabilities	24,944,840	9,491,024	34,435,864
Other information			
Capital expenditure	382	117	499
Depreciation and amortisation	713	220	933
Amortisation of right of use of assets	2,347	723	3,070

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

23. 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 2022 (Continued)

24. 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 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	%	%	%	%
CET 1 capital ratio	41.6	41.0	41.5	40.8
Tier 1 capital ratio	41.6	41.0	41.5	40.8
Total capital ratio	42.9	42.4	42.8	42.2

	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	4,084,719	4,004,195	4,069,444	3,988,820
	4,234,719	4,154,195	4,219,444	4,138,820
Financial assets at FVOCI reserves	(59,051)	25	(59,051)	25
Deferred tax assets	(23,540)	(20,627)	(23,540)	(20,627)
Less: Regulatory reserves	(84,587)	(89,723)	(84,587)	(89,723)
Total Tier 1 capital	4,067,541	4,043,870	4,052,266	4,028,495
Tier 2 capital:				
Allowance for impairment losses	41,574	45,533	41,574	45,533
Add: Regulatory reserves	84,587	89,723	84,587	89,723
Total Tier 2 capital	126,161	135,256	126,161	135,256
Total capital	4,193,702	4,179,126	4,178,427	4,163,751
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	9,133,268	9,212,424	9,133,411	9,212,422
Operational risk	639,653	649,569	639,653	649,569
Total risk-weighted assets	9,772,921	9,861,993	9,773,064	9,861,991

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Group		Company	
		30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
ASSETS					
Cash and cash equivalents	(a)	303,924	106,288	303,912	106,275
Deposits and placements with financial institutions		-	50,139	-	50,139
Financial assets at fair value through profit or loss (FVTPL)		-	123,132	-	123,132
Financial assets at fair value through other comprehensive income (FVOCI)	(b)	1,182,265	794,037	1,182,265	794,037
Financial assets at amortised cost		354,310	354,353	354,310	354,353
Derivative financial instruments		6,442	2,656	6,442	2,656
Financing assets	(c)	11,508,930	10,273,747	11,508,930	10,273,747
Mortgage assets	(d)	4,478,200	4,689,674	4,478,200	4,689,674
Hire purchase assets	(e)	55	55	55	55
Other assets and prepayments		289,135	289,113	291,667	291,639
Tax Recoverable		11,967	25,968	11,967	25,968
TOTAL ASSETS		18,135,228	16,709,162	18,137,748	16,711,675
LIABILITIES					
Derivative financial instruments		1,768	4,176	1,768	4,176
Other liabilities	(f)	4,560	10,534	3,282	9,311
Deferred taxation		99,505	100,788	99,505	100,788
Sukuk	(g)	16,477,482	15,082,028	16,477,482	15,082,028
TOTAL LIABILITIES		16,583,315	15,197,526	16,582,037	15,196,303
ISLAMIC OPERATIONS' FUNDS		1,551,913	1,511,636	1,555,711	1,515,372
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		18,135,228	16,709,162	18,137,748	16,711,675

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

		Group		Company	
	Note	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
Total income attributable		359,323	334,474	359,323	334,474
Income attributable to the Sukuk holders	(h)	(296,666)	(269,425)	(296,666)	(269,425)
Non-profit (expense)/income		(3,350)	(2,462)	(3,350)	(2,462)
Total net income attributable	(i)	59,307	62,587	59,307	62,587
Administration and general expenses		(1,005)	(1,015)	(943)	(941)
Allowance for impairment losses		(28)	(256)	(28)	(256)
PROFIT BEFORE TAXATION		58,274	61,316	58,336	61,390
Taxation		(14,001)	(14,733)	(14,001)	(14,733)
PROFIT FOR THE FINANCIAL PERIOD		44,273	46,583	44,335	46,657

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25 ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Note	Group		Company	
		6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
Profit for the financial period		44,273	46,583	44,335	46,657
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss					
Financial investment at FVOCI					
- Net loss on fair value changes before taxation		(11,320)	(6,313)	(11,320)	(6,313)
- Deferred taxation		2,733	1,530	2,733	1,530
Cash flow hedge					
- Net gain on cash flow hedge before taxation		6,041	3,783	6,041	3,783
- Deferred taxation		(1,450)	(908)	(1,450)	(908)
Other comprehensive loss for the financial period, net of taxation		(3,996)	(1,908)	(3,996)	(1,908)
Total comprehensive income for the financial period		40,277	44,675	40,339	44,749

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

		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 2022	294,159	(622)	(692)	49,203	1,169,588	1,511,636
Profit for the financial period	-	-	-	-	44,273	44,273
Other comprehensive income/(loss)	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive income/(loss) for the financial period	-	(8,587)	4,591	-	44,273	40,277
Transfer to retained profits	-	-	-	(2,470)	2,470	-
Balance as at 30 June 2022	294,159	(9,209)	3,899	46,733	1,216,331	1,551,913
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

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

		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 2022	294,159	(622)	(692)	49,203	1,173,324	1,515,372
Profit for the financial period	-	-	-	-	44,335	44,335
Other comprehensive income/(loss)	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive income/(loss) for the financial period	-	(8,587)	4,591	-	44,335	40,339
Transfer to retained profits	-	-	-	(2,470)	2,470	-
Balance as at 30 June 2022	294,159	(9,209)	3,899	46,733	1,220,129	1,555,711
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

Explanatory notes to the Condensed Interim Financial Statements as at 30 JUNE 2022 (Continued)

25 ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 June 2022

	Group		Company	
	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
OPERATING ACTIVITIES				
Profit before taxation	58,274	61,316	58,336	61,390
Adjustment for non-cash items	(87,498)	(107,812)	(87,498)	(107,812)
Operating loss before working capital changes	(29,224)	(46,496)	(29,162)	(46,422)
Change in operating assets and liabilities	(641,305)	1,235,604	(641,366)	1,235,530
Zakat paid	(5,094)	(1,255)	(5,094)	(1,255)
Net cash (utilised in)/generated from operating activities	(675,623)	1,187,853	(675,622)	1,187,853
INVESTING ACTIVITIES				
Purchase of:				
- Financial investment at FVOCI	(1,158,229)	(483,996)	(1,158,229)	(483,996)
- Financial investment at AC	-	(355,000)	-	(355,000)
Sale/redemption of:				
- Financial investment at FVTPL	123,450	-	123,450	-
- Financial investment at FVOCI	759,836	201,276	759,836	201,276
Income received from				
- Financial investment at FVTPL	1,808	-	1,808	-
- Financial investment at FVOCI	12,925	1,887	12,925	1,887
- Financial investment at AC	7,440	6,189	7,440	6,189
Net cash utilised in investing activities	(252,770)	(629,644)	(252,770)	(629,644)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 (CONTINUED)

	Group		Company	
	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2021 RM'000
FINANCING ACTIVITIES				
Proceeds from issuance of Sukuk	3,570,000	2,740,000	3,570,000	2,740,000
Redemption of Sukuk	(2,190,000)	(3,035,000)	(2,190,000)	(3,035,000)
Profit paid to Sukuk holders	(253,971)	(287,070)	(253,971)	(287,070)
Net cash utilised in financing activities	1,126,029	(582,070)	1,126,029	(582,070)
Net increase/(decrease) in cash and cash equivalents	197,636	(23,861)	197,637	(23,861)
Cash and cash equivalents as at 1 January	106,288	53,643	106,275	53,633
Cash and cash equivalents as at 30 June	303,924	29,782	303,912	29,772

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
(a) Cash and short-term funds				
Cash and bank balances with banks and other financial institutions	71	252	59	239
Mudharabah money at call and deposit placements maturing with original maturity less than 3 months	303,893	106,047	303,893	106,047
	303,964	106,299	303,952	106,286
Less: Allowance for impairment losses	(40)	(11)	(40)	(11)
	303,924	106,288	303,912	106,275

The gross carrying value of cash and cash equivalents 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 2022 RM'000	31 Dec 2021 RM'000
At 1 January	11	-
Write-back during the year	29	11
At 30 June/ 31 Dec	40	11

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

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
At fair value:		
Corporate Sukuk	758,137	548,605
Government investment issues	130,669	137,000
Quasi government securities	293,459	108,432
	1,182,265	794,037

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

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

	Group and Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
The maturity structure of financial assets at FVOCI are as follows:		
Maturing within one year	672,869	378,020
One to three years	296,293	210,473
Three to five years	59,042	65,313
More than five years	154,061	140,231
	1,182,265	794,037

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 assets at FVOCI by stage of allocation are as follows:

	Group and Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Stage 1		
At 1 January	58	3
Allowance during the year on new assets purchased	79	57
Loans derecognised during the period due to maturity of assets	(6)	-
Reversal during the year due to changes in credit risk	(6)	(2)
At 30 June/ 31 Dec	125	58

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

(c) *Financing assets*

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Relating to:		
House financing	9,569,569	8,805,885
Personal financing	1,939,361	1,467,862
	11,508,930	10,273,747

The maturity structure of financing assets are as follows:

	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	4,672,306	2,768,566
One to three years	6,836,695	7,505,242
	11,509,001	10,273,808
Less: Allowance for impairment losses	(71)	(61)
	11,508,930	10,273,747

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 2022 RM'000	31 Dec 2021 RM'000
<u>Stage 1</u>		
At 1 January	61	99
Allowance during the year on new assets purchased	26	26
Loans derecognised during the period due to maturity of assets	(6)	(5)
Reversal during the year due to changes in credit risk	(10)	(59)
At 30 June/ 31 Dec	71	61

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

(d) Mortgage assets

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
PWOR	4,478,200	4,689,674

The maturity structure of mortgage assets are as follows:

Maturing within one year	593,966	595,295
One to three years	750,028	754,333
Three to five years	730,449	739,680
More than five years	2,424,733	2,622,993
	4,499,176	4,712,301
Less: Allowance for impairment losses	(20,976)	(22,627)
	4,478,200	4,689,674

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage allocation:		
2022		
Stage 1 (12-months ECL; non credit impaired)	4,476,729	14,067
Stage 2 (Lifetime ECL; non credit impaired)	2,639	555
Stage 3 (Lifetime ECL; credit impaired)	19,808	6,354
At 30 June	4,499,176	20,976
Impairment allowance over gross carrying value (%)		0.47
2021		
Stage 1 (12-months ECL; non credit impaired)	4,687,397	14,804
Stage 2 (Lifetime ECL; non credit impaired)	1,448	298
Stage 3 (Lifetime ECL; credit impaired)	23,456	7,525
At 31 December	4,712,301	22,627
Impairment allowance over gross carrying value (%)		0.48

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
(e) Hire purchase assets		
PWOR	55	55

The maturity structure of hire purchase assets are as follows:

	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Maturing within one year	66	66
Less: Allowance for impairment losses	(11)	(11)
	55	55

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

	Gross carrying value RM'000	Impairment allowance RM'000
By stage allocation:		
2022		
Stage 1 (12-months ECL; non credit impaired)	32	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
At 30 June	66	11
Impairment allowance over gross carrying value (%)		16.55
2021		
Stage 1 (12-months ECL; non credit impaired)	32	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
At 31 December	66	11
Impairment allowance over gross carrying value (%)		16.55

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

(f) Other liabilities

	Group		Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Zakat	-	5,094	--	5,094
Other payables	4,560	5,440	3,282	4,217
	4,560	10,534	3,282	9,311

(g) Sukuk

	Group and Company	
	30 Jun 2022 RM'000	31 Dec 2021 RM'000
Commercial papers	-	647,046
Variable profit rate notes	647,350	-
Medium-term notes	15,830,132	14,434,982
	16,477,482	15,082,028

The maturity structure of Sukuk are as follows:

Maturing within one year	6,092,482	4,527,028
One to three years	7,460,000	7,780,000
Three to five years	975,000	825,000
More than five years	1,950,000	1,950,000
	16,477,482	15,082,028

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

(h) Income attributable to the Sukuk holders

	Group and Company	
	30 Jun 2022	31 Dec 2021
	RM'000	RM'000
Mortgage assets	95,448	99,945
Hire purchase assets	52	56
Financing assets	201,166	169,363
Short-term borrowings	-	61
	296,666	269,425

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

Bai Al-Dayn	296,666	269,425

(i) Total income attributable

Income from:		
Mortgage assets	38,565	50,051
Hire purchase assets	(52)	(56)
Financing assets	7,937	7,122
Financial assets at FVOCI	14,080	6,913
Deposit and placements with financial institutions	2,127	1,020
Non-profit expense	(3,350)	(2,463)
	59,307	62,587

Total net income analysed by concept are as follows:

Bai Al-Dayn	43,100	54,159
Murabahah	6,731	5,791
Ijarah	790	206
Mudharabah	2,971	208
Musyarakah	2,083	616
Wakalah	1,546	622
Tawarruq	1,717	643
Qard Al-Hasan	369	342
	59,307	62,587

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

25. ISLAMIC OPERATIONS (CONTINUED)

(j) *Capital adequacy*

	Group		Company	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	RM'000	RM'000	RM'000	RM'000
	%	%	%	%
CET 1 capital ratio	27.1	29.1	27.1	29.2
Tier 1 capital ratio	27.1	29.1	27.1	29.2
Total capital ratio	28.3	30.6	28.4	30.7

The capital adequacy ratios are as follows:

	Group 30 Jun 2022	Group 31 Dec 2021	Company 30 Jun 2022	Company 31 Dec 2021
CET 1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	1,263,064	1,218,791	1,266,862	1,222,527
	1,557,223	1,512,950	1,561,021	1,516,686
Financial assets at FVOCI reserve	(9,209)	(622)	(9,209)	(622)
Deferred tax assets	(6,229)	(6,785)	(6,229)	(6,785)
Less: Regulatory reserves	(46,733)	(49,203)	(46,733)	(49,203)
Total CET 1/Tier 1 capital	1,495,052	1,456,340	1,498,850	1,460,076
Tier 2 capital:				
Add: Regulatory reserves	46,733	49,203	46,733	49,203
Allowance for impairment losses	22,384	23,933	22,384	23,933
Total Tier 2 capital	69,117	73,136	69,117	73,136
Total capital	1,564,169	1,529,476	1,567,967	1,533,212
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	5,295,177	4,773,247	5,297,707	4,775,770
Operational risk	226,732	225,058	226,732	225,058
Total risk-weighted assets	5,521,909	4,998,305	5,524,439	5,000,828

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 2022 (Continued)

26. BUSINESS REVIEW

Market Environment

In 2022, global growth is projected to continue on its recovery path, supported by the sustained reopening of the economy and stronger labour markets[1]. However, the military conflict in Ukraine and prolonged lockdown in China are expected to dampen the pace of the global recovery. Rising commodity prices have also led to higher global inflation and central banks in major economies have stepped up the pace of monetary policy tightening to tackle the higher inflation. Going forward, the pace of global growth is expected to moderate, and will continue to be affected by the elevated cost pressures, geopolitical conflict, global supply chain disruptions, and financial market volatility.

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). The growth is attributed to the low base from the Full Movement Control Order (FMCO) last year as well as particularly robust growth in April and May 2022 from the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders as well as the Malaysian Government's consistent policy support, specifically initiatives under the expansionary Budget 2022, spill over effect from Budget 2021 and previous stimulus and assistance packages[2]. In terms of economic activity, the services and manufacturing sectors continued to drive growth. The Malaysian economy is projected to expand further for the remainder of the year underpinned by firm domestic demand as external demand is expected to moderate, weighed by headwinds to global growth.

Malaysia’s banking system continued to record healthy liquidity positions, with the aggregate Liquidity Coverage Ratio at 148.4%[3]. Banks’ funding sources remained stable and supportive of credit intermediation in the economy amid sustained growth in deposits. Overall gross and net impaired loans ratios remained broadly stable at 1.7% and 1% respectively, reflecting the marginal increase in impairments from the business and household segments, following the tapering of repayment assistance measures since the first quarter of 2022. On 6 July 2022, Bank Negara Malaysia (BNM) increased the Overnight Policy Rate (OPR) by 25 basis points to 2.25 percent as the unprecedented Covid-19-driven conditions that necessitated a historically low OPR continued to recede[4]. At the current OPR level, BNM believed the stance of monetary policy remains accommodative and supportive of economic growth.

Malaysia’s fixed income market saw yields generally increased, tracking the increase in global bond yields as central banks tightened monetary policies amid rising inflationary pressure. Notably, the benchmark 10-year Malaysian Government Securities (“MGS”) yield rising by 66 basis points to 4.24% at the end of 1H2022, from 3.58% at the start of the year. Nonetheless, the MYR bond market remains healthy, supported by its depth and liquidity, as evident by the successful issuance of RM87.5 billion of MGS and Malaysian Government Investment Issue (“MGII”) in 1H2022.

[1] BNM, Economic and Financial Developments, Second Quarter 2022
[2] Ministry of Finance Malaysia, Press Release June 2022
[3] BNM, Monthly Highlights, June 2022
[4] BNM, Monetary Policy Statement, July 2022

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

26. 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 higher reversal 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 RM135.6 million for the period ended 30 June 2022 as compared to RM137.7 million in the previous corresponding period.

The total assets of the Group as at 30 June 2022 stood at RM38.6 billion, a decrease of 3.2% since 31 December 2021.

Purchase of Loans and Financing

Cagamas recorded RM4.5 billion of purchases of PWR loans and financing (1H2021: RM5.0 billion) in the 1H2022. As at 1H2022, residential mortgage continued to dominate Cagamas' portfolio at 93.8% (1H2021: 98.5%), personal loans at 4.4% (1H2021: Nil) and hire purchase loans and financing at 1.8% (1H2021: 1.5%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2022, Cagamas issued a total of RM7.53 billion worth of bonds and sukuk, through 14 issuance exercises. From the total issuances, 53% or RM3.96 billion were raised via conventional debt issuances and 47% or RM3.57 billion were raised via sukuk issuances.

Cagamas also continued to raise funding at a competitive price in foreign currency issuance through a private placement deal. During the 1H2022, Cagamas printed Singapore dollar ("SGD") with a value of RM308 million was successfully priced under the Company's Multicurrency EMTN programmes.

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 AAAIS/MARC-1IS, respectively. Reaffirmation of these ratings reflects Cagamas' ability to attract investment in its bonds and sukuk, underpinned by its strong credit rating, track record of strong capitalisation, robust asset quality and stable profitability.

Capital Management

The Group's core capital ratio as at 30 June 2022 improved to 41.6% as compared to 41.0% as at 31 December 2021. As at the reporting date, TCR remains stable at 42.9%, above the minimum ratio of 20% as stipulated in the Guidelines on Capital Adequacy Ratio, computed in accordance with the Basel II Capital Adequacy Framework.

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 0.4% to RM27.70 per share as at 30 June 2022.

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2022 (Continued)

26. BUSINESS REVIEW (CONTINUED)

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

Cagamas continued with the split team rotations from January to April 2022, which 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. Effective from 9 May 2022, Cagamas had reverted to 100% Work-In-Office arrangement with continuous safety measures as we slowly transition into the endemic phase. These includes requirement for weekly RTK self-test as an early detection to minimise the spreading of Covid-19 in the office, supply of test-kit, hand sanitiser and facemask to all staff, daily disinfection of high-touch items / areas, and continuous advisory on COVID-19 to keep staff informed on the latest Management's planning and decision among others. In consideration of the adjustment period towards endemic phase, Cagamas does provide WFH flexibility for case-to-case basis for parents who need to attend to their small children contracted with communicable diseases (including Covid-19 and HFMD).

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.

As at May 2022, under its Cagamas Zakat Wakalah Programme ("ZWP"), Cagamas has provided financial aid to 158 flood victims and asnaf students at Sekolah Kebangsaan Seksyen 27(2), Shah Alam, Selangor and Sekolah Kebangsaan Taman Bukit Subang, Shah Alam, Selangor. The ZWP also organised a "Back to School 2022" programme with 60 asnaf students from Sekolah Kebangsaan Marian Convent, Setapak, Kuala Lumpur, which involved purchases of school uniforms and supplies. The ZWP also donated care packs containing food supplies and food sponsors to assist 380 asnaf recipients in Kuala Lumpur and Selangor through various programmes organised by the suraus, non-profit organizations, and tahfiz schools during the month of Ramadhan. Apart from sponsoring these activities, the ZWP has also assisted in the purchase of 27 units of wheelchairs for eligible asnaf in Kelantan and Kuala Lumpur and business equipment for baking and pastry to assist eligible recipients in Selangor and Terengganu to improve productivity and income in their respective micro-businesses. In addition, Cagamas has also helped in medical support by purchasing a hearing aid and financial assistance for heart surgery and brain tumour operations for eligible asnaf.

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 2022, the CSP has sponsored a total of 31 scholars with 15 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 65 registered attendees from across the region. The briefing was led by President/Chief Executive Officer, Datuk Chung Chee Leong, who presented on the Company's financial performance in 2021 as well as its business initiatives for 2022.

With the endemic phase for Covid-19, Cagamas' stakeholder engagements have started to include physical participation in conferences as speakers/panellists on the topics of housing finance and capital market, both locally and internationally.