

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

CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2023

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

Registration No.

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CAGAMAS BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Group		Company	
		30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
ASSETS					
Cash and cash equivalents	1	432,707	159,765	432,669	159,722
Deposits and placements with financial institutions	2	331,493	132,570	331,493	132,570
Financial assets at fair value through other comprehensive income (FVOCI)	3	3,466,056	3,493,471	3,466,056	3,493,471
Financial assets at amortised cost	4	2,075,084	1,817,754	2,075,084	1,817,754
Derivative financial instruments	5	355,177	102,583	355,177	102,583
Amount due from counterparties	6	19,547,543	17,097,746	19,547,543	17,097,746
Islamic financing assets	7	17,651,945	15,482,284	17,651,945	15,482,284
Mortgage assets					
- Conventional	8	3,203,631	3,426,761	3,203,631	3,426,761
- Islamic	9	4,076,836	4,275,424	4,076,836	4,275,424
Islamic hire purchase assets	10	53	50	53	50
Reverse Mortgage		1,280	552	1,280	552
Amount due from					
- Related company		294	378	294	378
- Subsidiaries		-	-	3,995	3,963
Other assets	11	19,094	33,261	19,086	33,241
Tax recoverable		29,559	51,501	29,559	51,501
Investment in subsidiaries		-*	-*	-*	-*
Property and equipment		1,482	1,459	1,482	1,459
Intangible assets		18,718	18,586	18,718	18,586
Right of use of assets	12	8,280	9,384	8,280	9,384
TOTAL ASSETS		51,219,232	46,103,529	51,223,181	46,107,429
LIABILITIES					
Short-term borrowings		188,297	812,339	188,297	812,339
Derivative financial instruments	5	2,175	6,619	2,175	6,619
Other liabilities	13	152,085	201,371	151,880	201,199
Lease liability	14	10,525	11,384	10,525	11,384
Deferred taxation		219,973	213,063	219,973	213,063
Loans/financing from subsidiaries	15	-	-	6,284,672	3,138,031
Unsecured bearer bonds and notes	16	25,578,915	20,414,672	19,295,879	17,279,594
Sukuk	17	20,644,233	20,135,060	20,644,233	20,135,060
TOTAL LIABILITIES		46,796,203	41,794,508	46,797,634	41,797,289
SHAREHOLDER'S FUNDS					
Share capital		150,000	150,000	150,000	150,000
Reserves		4,273,029	4,159,021	4,275,547	4,160,140
SHAREHOLDER'S FUNDS		4,423,029	4,309,021	4,425,547	4,310,140
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		51,219,232	46,103,529	51,223,181	46,107,429
NET TANGIBLE ASSETS PER SHARE (RM)					
		29.36	28.60	29.38	28.61

* 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 2022 and the accompanying explanatory notes on pages 8 to 63 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 25 August 2023.

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CAGAMAS BERHAD
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CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	Note	Group		Company	
		6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000
Interest income	18	503,999	417,134	503,999	417,134
Interest expense	19	(434,056)	(298,173)	(432,748)	(298,224)
Income from Islamic operations	24	88,275	59,307	88,275	59,307
Non-interest income/(expense)	20	17,040	(15,528)	17,040	(15,528)
NET OPERATING INCOME		<u>175,258</u>	<u>162,740</u>	<u>176,566</u>	<u>162,689</u>
Personnel costs		(16,227)	(15,574)	(16,227)	(15,574)
Administration and general expenses		(12,832)	(13,425)	(12,741)	(13,274)
OPERATING PROFIT		<u>146,199</u>	<u>133,741</u>	<u>147,598</u>	<u>133,841</u>
Allowance for impairment losses		4,872	1,849	4,872	1,849
PROFIT BEFORE TAXATION		<u>151,071</u>	<u>135,590</u>	<u>152,470</u>	<u>135,690</u>
Taxation		(36,593)	(32,566)	(36,593)	(32,566)
PROFIT FOR THE FINANCIAL PERIOD		<u><u>114,478</u></u>	<u><u>103,024</u></u>	<u><u>115,877</u></u>	<u><u>103,124</u></u>
EARNINGS PER SHARE (SEN)		<u><u>76.32</u></u>	<u><u>68.68</u></u>	<u><u>77.25</u></u>	<u><u>68.75</u></u>
DIVIDEND PER SHARE (SEN)		<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>	<u><u>15.00</u></u>

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2022 and the accompanying explanatory notes on pages 8 to 63 attached to the condensed interim financial statements. The condensed interim financial statements were approved for issue by the Board of Directors on 25 August 2023.

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CAGAMAS BERHAD

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**CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD
ENDED 30 JUNE 2023**

	Group		Company	
	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000
Profit for the financial period	114,478	103,024	115,877	103,124
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Financial assets at FVOCI				
- Net gain/(loss) on fair value changes before taxation	34,950	(77,901)	34,950	(77,901)
- FVOCI ECL	148	98	148	98
- Deferred taxation	(8,388)	18,696	(8,388)	18,696
Cash flow hedge				
- Net loss on cash flow hedge	(6,158)	(11,421)	(6,158)	(11,421)
- Deferred taxation	1,478	2,577	1,478	2,577
Other comprehensive income/(loss) for the financial period, net of taxation	22,030	(67,951)	22,030	(67,951)
Total comprehensive income for the financial period	136,508	35,073	137,907	35,173

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

<u>Group</u>	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2023	150,000	(37,188)	(2,381)	79,440	4,119,150	4,309,021
Profit for the financial period	-	-	-	-	114,478	114,478
Other comprehensive income/(loss)	-	26,710	(4,680)	-	-	22,030
Total comprehensive income/(loss) for the financial period	-	26,710	(4,680)	-	114,478	136,508
Transfer to retained profits	-	-	-	(4,633)	4,633	-
Dividends paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2023	<u>150,000</u>	<u>(10,478)</u>	<u>(7,061)</u>	<u>74,807</u>	<u>4,215,761</u>	<u>4,423,029</u>
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 loss	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive (loss)/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	<u>150,000</u>	<u>(59,051)</u>	<u>(4,431)</u>	<u>84,587</u>	<u>4,000,132</u>	<u>4,171,237</u>

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

<u>Company</u>	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Financial asset at FVOCI reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2022	150,000	(37,188)	(2,381)	79,440	4,120,269	4,310,140
Profit for the financial period	-	-	-	-	115,877	115,877
Other comprehensive income/(loss)	-	26,710	(4,680)	-	-	22,030
Total comprehensive income/(loss) for the financial period	-	26,710	(4,680)	-	115,877	137,907
Transfer to retained profits	-	-	-	(4,633)	4,633	-
Dividend paid	-	-	-	-	(22,500)	(22,500)
Balance as at 30 June 2023	<u>150,000</u>	<u>(10,478)</u>	<u>(7,061)</u>	<u>74,807</u>	<u>4,218,279</u>	<u>4,425,547</u>
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 loss	-	(59,107)	(8,844)	-	-	(67,951)
Total comprehensive (loss)/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	<u>150,000</u>	<u>(59,051)</u>	<u>(4,431)</u>	<u>84,587</u>	<u>3,984,857</u>	<u>4,155,962</u>

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CAGAMAS BERHAD
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CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	Group		Company	
	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000	6 Months to 30 Jun 2023 RM'000	6 Months to 30 Jun 2022 RM'000
OPERATING ACTIVITIES				
Profit before taxation	151,071	135,590	152,470	135,690
Adjustments for non-cash items	(165,819)	(187,763)	(165,818)	(187,353)
Operating loss before working capital changes	(14,748)	(52,173)	(13,348)	(51,663)
Net changes in operating assets and liabilities	(4,402,124)	2,964,915	(4,403,519)	3,016,915
Zakat paid	(2,828)	(5,094)	(2,828)	(5,094)
Tax refunded	-	5,747	-	5,747
Tax paid	(14,652)	-	(14,652)	-
Net cash generated from operating activities	(4,434,352)	2,913,395	(4,434,347)	2,965,905
INVESTING ACTIVITIES				
Purchase of Financial investment at FVOCI	(1,274,853)	(2,031,187)	(1,274,853)	(2,031,187)
Proceeds from sale/redemption of				
- Financial investment at FVTPL	-	123,450	-	123,450
- Financial investment at FVOCI	1,343,927	1,236,766	1,343,927	1,236,766
Purchase of:				
- Property and equipment	(383)	(284)	(383)	(284)
- Intangible assets	(1,884)	(217)	(1,884)	(217)
Income received from:				
- Financial investment at FVTPL	-	1,808	-	1,808
- Financial investment at FVOCI	61,036	52,276	61,036	52,276
Net cash utilised in investing activities	127,843	(617,388)	127,843	(617,388)
FINANCING ACTIVITIES				
Dividends paid to holding company	(22,500)	(22,500)	(22,500)	(22,500)
Proceeds from issuance				
- Unsecured bearer bonds and notes	8,007,049	4,279,019	5,125,000	3,968,000
- Sukuk	3,690,000	3,570,000	3,690,000	3,570,000
Proceeds from loans/financing from subsidiary	-	-	2,882,049	311,019
Redemption of:				
- Unsecured bearer bonds and notes	(3,225,000)	(7,829,013)	(3,225,000)	(6,998,000)
- Sukuk	(3,195,000)	(2,190,000)	(3,195,000)	(2,190,000)
Repayment of loans/financing from subsidiary	-	-	-	(831,011)
Interest paid	(281,462)	(286,440)	(281,462)	(286,440)
Profit paid to Sukuk holders	(392,611)	(253,971)	(392,611)	(253,971)
Lease rental paid	(1,025)	(1,366)	(1,025)	(1,366)
Net cash utilised in financing activities	4,579,451	(2,251,934)	4,579,451	(2,252,750)

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023
(CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>6 Months to 30 Jun 2023</u>	<u>6 Months to 30 Jun 2022</u>	<u>6 Months to 30 Jun 2023</u>	<u>6 Months to 30 Jun 2022</u>
	RM'000	RM'000	RM'000	RM'000
Net increase in cash and cash equivalents	272,942	44,073	272,947	95,767
Cash and cash equivalents as at 1 January	159,765	318,943	159,722	300,433
Cash and cash equivalents as at 30 June	<u>432,707</u>	<u>363,016</u>	<u>432,669</u>	<u>396,200</u>

CAGAMAS BERHAD
(Incorporated in Malaysia)

Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023

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 2023 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 2023 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 2022. 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 2022. 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 2022.

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.

CAGAMAS BERHAD
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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

CAGAMAS BERHAD
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

CAGAMAS BERHAD
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)****A8 Financial assets (continued)**

(c) Measurement (continued)

Equity instruments

The Group and the Company subsequently measure 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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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 objective 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. They consider available reasonable and supportable forward-looking information.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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 unlikelihood 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.

CAGAMAS BERHAD
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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)".

CAGAMAS BERHAD
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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 disclose 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 disclose 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.

CAGAMAS BERHAD
(Incorporated in Malaysia)**Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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 is 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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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 2022 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 2023.

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 2022.

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 2022 was paid on 9 May 2023.

Registration No.

198601008739 (157931 A)

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (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.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

1. CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Cash and balances with banks and other financial institutions	731	1,412	693	1,369
Money at call, deposits and placements maturing with original maturity less than 3 months	366,272	78,448	366,272	78,448
Mudharabah money at call, deposits and placements maturing with original maturity less than 3 months	65,722	79,906	65,722	79,906
	<u>432,725</u>	<u>159,766</u>	<u>432,687</u>	<u>159,723</u>
Less:				
Allowance for impairment losses	(18)	(1)	(18)	(1)
	<u>432,707</u>	<u>159,765</u>	<u>432,669</u>	<u>159,722</u>

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:

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<u>Stage 1</u>		
At 1 January	1	11
Allowance during the year on new assets purchased	18	1
Financial assets derecognised during the period due to maturity of assets	(1)	(11)
At 30 June/ 31 December	<u>18</u>	<u>1</u>

2. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Licensed Banks	331,497	132,570
Less:		
Allowance for impairment losses	(4)	-
	<u>331,493</u>	<u>132,570</u>

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:

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

2. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS (CONTINUED)

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	-	-
Allowance during the year on new assets purchased	4	-
At 30 June/ 31 December	<u>4</u>	<u>-</u>

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

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<i>Debt instruments:</i>		
Malaysian government securities	441,202	576,407
Corporate bonds	300,987	282,622
Government investment issues	811,006	775,418
Corporate Sukuk	1,282,468	1,235,504
Quasi Government Sukuk	531,347	523,656
Negotiable instruments of deposit	-	50,018
Islamic treasury bills	99,046	49,846
	<u>3,466,056</u>	<u>3,493,471</u>

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

Maturing within one year	942,626	1,172,957
One to three years	607,671	493,730
Three to five years	507,372	475,704
More than five years	1,408,387	1,351,080
	<u>3,466,056</u>	<u>3,493,471</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

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

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:

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<u>Stage 1</u>		
At 1 January	365	304
Allowance during the period on new assets purchased	203	106
Financial assets derecognised during the period due to maturity of assets	(50)	(21)
Reversal during the period due to changes in credit risk	(6)	(24)
At 30 June/ 31 December	512	365

4. FINANCIAL ASSETS AT AMORTISED COST

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Corporate bonds	1,604,207	1,463,359
Corporate Sukuk	470,877	354,395
	2,075,084	1,817,754

The maturity structure of financial assets at amortised cost are as follows:

More than five years	2,078,326	1,820,889
Less: Allowance for impairment losses	(3,242)	(3,135)
	2,075,084	1,817,754

The gross carrying value of financial assets at amortised cost 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:

<u>Stage 1</u>		
At 1 January	3,135	1,155
Allowance during the year on new assets purchased	108	2,022
Reversal during the year due to changes in credit risk	(1)	(42)
At 30 June/ 31 December	3,242	3,135

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30 Jun 2023			Group and Company 31 Dec 2022		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives designated as cash flow hedges						
<u>IRS/IPRS</u>						
Maturing within one year	1,490,000	3,987	(1,895)	490,000	5,577	(3,247)
One to three years	445,000	706	(280)	1,000,000	6,767	-
Three to five years	90,000	273	-	-	-	-
More than five years	160,000	12,136	-	160,000	9,428	-
	<u>2,185,000</u>	<u>17,102</u>	<u>(2,175)</u>	<u>1,650,000</u>	<u>21,772</u>	<u>(3,247)</u>
<u>CCS/ICCS</u>						
Maturing within one year	5,275,981	326,007	-	2,705,125	67,054	(3,372)
One to three years	597,870	12,068	-	308,000	13,757	-
	<u>5,873,851</u>	<u>338,075</u>	<u>-</u>	<u>3,013,125</u>	<u>80,811</u>	<u>(3,372)</u>
	<u>8,058,851</u>	<u>355,177</u>	<u>(2,175)</u>	<u>4,663,125</u>	<u>102,583</u>	<u>(6,619)</u>

6. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Relating to:		
Mortgage loans	19,114,132	16,641,501
Hire purchase and leasing debts	433,411	456,245
	<u>19,547,543</u>	<u>17,097,746</u>

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

Maturing within one year	7,531,060	6,619,978
One to three years	7,367,013	6,028,557
Three to five years	4,288,170	4,288,658
More than five years	361,322	160,569
	<u>19,547,565</u>	<u>17,097,762</u>
Less: Allowance for impairment losses	(22)	(16)
	<u>19,547,543</u>	<u>17,097,746</u>

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6. AMOUNT DUE FROM COUNTERPARTIES (CONTINUED)

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:

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<u>Stage 1</u>		
At 1 January	16	19
Allowance during the year on new assets purchased	12	10
Financial assets derecognised during the period due to maturity of assets	(1)	(9)
Reversal during the year due to changes in credit risk	(5)	(4)
At 30 June/ 31 December	<u>22</u>	<u>16</u>

7. ISLAMIC FINANCING ASSETS

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Relating to:		
Islamic house financing	14,850,340	13,100,130
Islamic hire purchase	504,613	-
Islamic personal financing	2,296,992	2,382,154
	<u>17,651,945</u>	<u>15,482,284</u>

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	4,476,120	4,664,996
One to three years	10,226,014	8,872,270
Three to five years	2,949,914	1,945,111
	<u>17,652,048</u>	<u>15,482,377</u>
Less: Allowance for impairment losses	(103)	(93)
	<u>17,651,945</u>	<u>15,482,284</u>

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7. ISLAMIC FINANCING ASSETS (CONTINUED)

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:

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<u>Stage 1</u>		
At 1 January	93	61
Allowance during the year on new assets purchased	19	59
Loans derecognised during the period due to maturity of assets	(1)	(20)
(Write-back)/allowance during the year due to changes in credit risk	(8)	(7)
	<u>103</u>	<u>93</u>
At 30 June/ 31 Dec	<u>103</u>	<u>93</u>

8. MORTGAGE ASSETS – CONVENTIONAL

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Purchase without Recourse ("PWOR")	<u>3,203,631</u>	<u>3,426,761</u>
The maturity structure of mortgage assets - conventional are as follows:		
Maturing within one year	646,392	570,966
One to three years	765,498	710,627
Three to five years	653,079	654,002
More than five years	1,151,756	1,506,063
	<u>3,216,725</u>	<u>3,441,658</u>
Less: Allowance for impairment losses	(13,094)	(14,897)
	<u>3,203,631</u>	<u>3,426,761</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

8. MORTGAGE ASSETS – CONVENTIONAL (CONTINUED)

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>June 2023</u>		
Stage 1 (12-months ECL; non credit impaired)	3,200,626	8,098
Stage 2 (Lifetime ECL; non credit impaired)	1,147	199
Stage 3 (Lifetime ECL; credit impaired)	14,952	4,797
At 30 June	<u>3,216,725</u>	<u>13,094</u>
Impairment allowance over gross carrying value (%)		<u>0.41</u>
<u>December 2022</u>		
Stage 1 (12-months ECL; non credit impaired)	3,421,242	8,677
Stage 2 (Lifetime ECL; non credit impaired)	2,102	345
Stage 3 (Lifetime ECL; credit impaired)	18,314	5,875
At 31 December	<u>3,441,658</u>	<u>14,897</u>
Impairment allowance over gross carrying value (%)		<u>0.43</u>

9. MORTGAGE ASSETS – ISLAMIC

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
PWOR	<u>4,076,836</u>	<u>4,275,424</u>
The maturity structure of mortgage assets - Islamic are as follows:		
Maturing within one year	602,705	617,661
One to three years	777,621	791,051
Three to five years	698,363	721,141
More than five years	2,013,499	2,162,762
	<u>4,092,188</u>	<u>4,292,615</u>
Less: Allowance for impairment losses	(15,352)	(17,191)
	<u>4,076,836</u>	<u>4,275,424</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

9. MORTGAGE ASSETS – ISLAMIC (CONTINUED)

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>June 2023</u>		
Stage 1 (12-months ECL; non credit impaired)	4,075,560	10,363
Stage 2 (Lifetime ECL; non credit impaired)	2,340	405
Stage 3 (Lifetime ECL; credit impaired)	14,288	4,584
At 30 June	<u>4,092,188</u>	<u>15,352</u>
Impairment allowance over gross carrying value (%)		<u>0.38</u>
<u>December 2022</u>		
Stage 1 (12-months ECL; non credit impaired)	4,272,454	10,923
Stage 2 (Lifetime ECL; non credit impaired)	1,053	138
Stage 3 (Lifetime ECL; credit impaired)	19,108	6,130
At 31 December	<u>4,292,615</u>	<u>17,191</u>
Impairment allowance over gross carrying value (%)		<u>0.40</u>

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10. ISLAMIC HIRE PURCHASE ASSETS

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
PWOR	53	50
	<u>53</u>	<u>50</u>
The maturity structure of hire purchase assets - Islamic are as follows:		
Maturing within one year	61	62
Less: Allowance for impairment losses	(8)	(12)
	<u>53</u>	<u>50</u>

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>June 2023</u>		
Stage 1 (12-month ECL; non-credit impaired)	36	-
Stage 3 (Lifetime ECL; credit impaired)	25	8
At 30 June	<u>61</u>	<u>8</u>
Impairment allowance over gross carrying value (%)		<u>13.11</u>
<u>December 2022</u>		
Stage 1 (12-month ECL; non-credit impaired)	26	-
Stage 3 (Lifetime ECL; credit impaired)	36	12
At 31 December	<u>62</u>	<u>12</u>
Impairment allowance over gross carrying value (%)		<u>19.35</u>

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11. OTHER ASSETS

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Staff loans and financing	2,484	2,546	2,484	2,546
Deposits	928	923	927	922
Prepayments	2,651	2,339	2,644	2,320
Management fee receivable	607	619	607	619
Compensation receivable from originator on mortgage assets	-	353	-	353
Collateral receivable	11,077	25,495	11,077	25,495
Other receivables	1,004	986	1,004	986
	<u>19,094</u>	<u>33,261</u>	<u>19,086</u>	<u>33,241</u>

12. 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.

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<u>Cost</u>		
At 1 January	15,461	15,461
At 30 June/ 31 December	<u>15,461</u>	<u>15,461</u>
<u>Accumulated amortisation</u>		
At 1 January	(6,077)	(3,869)
Charge for the period	(1,104)	(2,208)
At 30 June/ 31 December	<u>(7,181)</u>	<u>(6,077)</u>
<u>Net book value</u>		
At 30 June/ 31 December	<u>8,280</u>	<u>9,384</u>

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13. OTHER LIABILITIES

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Provision for zakat	-	2,828	-	2,828
Amount due to GOM*	134,217	172,694	134,217	172,694
Accruals	16,352	24,329	16,147	24,162
Other payables	1,516	1,520	1,516	1,515
	<u>152,085</u>	<u>201,371</u>	<u>151,880</u>	<u>201,199</u>

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

14. LEASE LIABILITY

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
At 1 January	11,384	13,738
Lease obligation interest expense	166	379
Lease obligation repayment	(1,025)	(2,733)
At 30 June/ 31 December	<u>10,525</u>	<u>11,384</u>

The maturity structure of lease liability are as follows:

Due in 1 year or less	2,129	2,076
Due in 2 to 5 years	8,396	9,308
Total present value of minimum lease payments	<u>10,525</u>	<u>11,384</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

15. LOANS/FINANCING FROM SUBSIDIARIES

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

	<u>Company</u>	
	<u>30 Jun 2023</u>	<u>31 Dec 2022</u>
	RM'000	RM'000
HKD	484,401	-
USD	467,132	2,697,024
SGD	5,333,140	441,007
	<u>6,284,673</u>	<u>3,138,031</u>

Loans/financing from subsidiary are unsecured and subject to interest/profit rates ranging from 1.31% to 5.00% per annum (2022: 1.31% to 4.83% per annum). The maturity structure of loans/financing from subsidiary are as follows:

	<u>Company</u>	
	<u>30 Jun 2023</u>	<u>31 Dec 2022</u>
	RM'000	RM'000
Maturing within one year	5,665,643	2,809,772
One to three years	619,030	328,259
	<u>6,284,673</u>	<u>3,138,031</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

16. UNSECURED BEARER BONDS AND NOTES

	Year of maturity	30 Jun 2023		Group 31 Dec 2022	
		Amount outstanding RM'000	Effective interest rate %	Amount outstanding RM'000	Effective interest rate %
(a) Floating rate notes	2023	200,000	2.830	880,000	2.830
Add: Interest payable		3,183		5,985	
		<u>203,183</u>		<u>885,985</u>	
(b) Commercial paper	2023	1,085,000	3.410-3.470	-	-
Add: Interest payable		2,942		-	
		<u>1,087,942</u>		<u>-</u>	
(c) Conventional medium-term notes	2023	4,510,449	1.250-6.050	6,617,476	1.250-6.050
	2024	6,717,623	1.995-5.520	3,878,259	1.990-5.520
	2025	3,499,515	3.620-4.850	1,860,000	3.850 – 4.850
	2026	2,099,515	3.620-4.410	10,000	4.410
	2027	5,725,000	3.780-4.900	5,725,000	3.780 – 4.900
	2028	940,000	4.280-6.500	890,000	4.750 – 6.500
	2029	245,000	5.500-5.750	245,000	5.500 – 5.750
	2033	200,000	4.200	-	-
	2035	160,000	5.070	160,000	5.070
		<u>24,097,102</u>		<u>19,385,735</u>	
Add: Interest payable		193,275		145,088	
Less:					
Deferred financing fees		(2,587)		(2,136)	
		<u>24,287,790</u>		<u>19,528,687</u>	
Total		<u><u>25,578,915</u></u>		<u><u>20,414,672</u></u>	

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16 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

	Year of maturity	Amount outstanding RM'000	30 Jun 2023	Company	
			Effective interest rate %	31 Dec 2022	Effective interest rate %
(a) Floating rate notes	2023	200,000	2.830	880,000	2.830
Add: Interest payable		3,183		5,985	
		<u>203,183</u>		<u>885,985</u>	
(b) Commercial paper	2023	1,085,000	3.410-3.470	-	-
Add: Interest payable		2,942		-	
		<u>1,087,942</u>		<u>-</u>	
(c) Conventional medium-term notes	2023	1,585,000	2.369-6.050	3,830,000	2.180 – 6.050
	2024	4,030,000	2.380-5.520	3,550,000	2.380 – 5.520
	2025	3,190,000	3.720-4.850	1,860,000	3.850 – 4.850
	2026	1,790,000	3.880-4.410	10,000	4.41
	2027	5,725,000	3.780-4.900	5,725,000	3.780 – 4.900
	2028	940,000	4.280-6.500	890,000	4.750 – 6.500
	2029	245,000	5.500-5.750	245,000	5.500 – 5.750
	2033	200,000	4.200	-	-
	2035	160,000	5.070	160,000	5.07
		<u>17,865,000</u>		<u>16,270,000</u>	
Add: Interest payable		141,533		123,609	
Less:					
Deferred financing fees		(1,779)		-	
		<u>18,004,754</u>		<u>16,393,609</u>	
Total		<u><u>19,295,879</u></u>		<u><u>17,279,594</u></u>	

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16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Maturing within one year	10,330,669	7,646,413	4,666,663	4,839,594
One to three years	7,968,246	5,738,259	7,349,216	5,410,000
Three to five years	5,785,000	5,735,000	5,785,000	5,735,000
More than five years	1,495,000	1,295,000	1,495,000	1,295,000
	<u>25,578,915</u>	<u>20,414,672</u>	<u>19,295,879</u>	<u>17,279,594</u>

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 papers ("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.

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16. UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
HKD	484,401	-
USD	467,065	440,873
SGD	5,331,570	2,694,205
	<u>6,283,036</u>	<u>3,135,078</u>

17. SUKUK

	Year of maturity	<u>30 Jun 2023</u>		<u>Group and Company</u>	
		<u>Amount outstanding</u> RM'000	<u>Effective interest rate</u> %	<u>Amount outstanding</u> RM'000	<u>Effective interest rate</u> %
(a) Islamic commercial papers	2023	400,000	3.420-3.480	-	-
Add: Profit payable		2,616		-	
		<u>402,616</u>		<u>-</u>	
(b) Islamic medium-term Notes	2023	3,575,000	2.230-6.350	6,370,000	2.230-6.350
	2024	5,070,000	2.670-5.520	5,070,000	2.670-5.520
	2025	4,920,000	3.100-4.650	4,300,000	3.100-4.650
	2026	1,525,000	3.150-4.920	370,000	3.150-4.920
	2027	1,955,000	4.140-4.620	1,955,000	4.140-4.620
	2028	2,195,000	3.980-6.500	1,080,000	4.750-6.500
	2029	180,000	5.500-5.750	180,000	5.500-5.750
	2033	675,000	5.000	675,000	5.000
		<u>20,095,000</u>		<u>20,000,000</u>	
Add: Profit payable		147,735		137,888	
Less:					
Unamortised Amount		(1,118)		(2,828)	
		<u>20,241,617</u>		<u>20,135,060</u>	
		<u>20,644,233</u>		<u>20,135,060</u>	

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17. SUKUK (CONTINUED)

The maturity structure of Sukuk is as follows:

	Group and Company	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Maturing within one year	4,879,233	6,505,060
One to three years	10,750,000	9,370,000
Three to five years	3,080,000	2,325,000
More than five years	1,935,000	1,935,000
	20,644,233	20,135,060

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.

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18. INTEREST INCOME

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	30 Jun 2022 RM'000
Amount due from counterparties	323,328	248,553
Mortgage assets	69,775	79,622
Compensation from mortgage assets	2	3
Financial asset at amortised cost	31,839	9,152
Reverse mortgage	29	-
Financial asset at FVOCI	42,697	40,693
Deposits and placements with financial institutions	3,644	2,072
	<u>471,314</u>	<u>380,095</u>
Accretion of discount less amortisation of premium (net)	32,685	37,039
	<u>503,999</u>	<u>417,134</u>

19. INTEREST EXPENSE

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	30 Jun 2022 RM'000	30 Jun 2023 RM'000	30 Jun 2022 RM'000
Floating rate notes	(13,891)	(3,889)	(13,891)	(3,889)
Medium-term notes	(406,892)	(280,457)	(330,873)	(266,138)
Commercial papers	(5,641)	(10,312)	(5,641)	(10,312)
Loans/financing from subsidiaries	-	-	(74,711)	(14,370)
Deposits and placements of financial institutions	(7,466)	(3,317)	(7,466)	(3,317)
Lease liability	(166)	(198)	(166)	(198)
	<u>(434,056)</u>	<u>(298,173)</u>	<u>(432,748)</u>	<u>(298,224)</u>

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20. NON-INTEREST INCOME/(EXPENSE)

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	30 Jun 2022 RM'000	30 Jun 2023 RM'000	30 Jun 2022 RM'000
Net gain/(loss) arising from derivatives	12,563	(18,405)	12,563	(18,405)
Income from financial asset at FVTPL	-	-	-	-
Gain on disposal of:				
- Financial asset at FVOCI	4,403	1,116	4,403	1,116
- Property and equipment	3	-	3	-
Net amount reclassified into profit or loss – cash flow hedge (Note 7)	(228,176)	(49,328)	(228,176)	(49,328)
Unrealised (loss)/gain on foreign exchange	226,362	48,868	226,362	48,868
Dividend income	-	-	-	-
Income from repo collateral	127	-	127	-
Other non-interest income	1,758	2,221	1,758	2,221
	<u>17,040</u>	<u>(15,528)</u>	<u>17,040</u>	<u>(15,528)</u>

21. 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 was applied by the Company for YA 2019 to YA 2022.

The Company had 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.

On 16 June 2023, the IRB issued the tax clearance letter and all the tax matters had been resolved. No penalty was levied on the Company.

22. 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 and the Company. The Group and the Company have determined the following operating segments based on reports reviewed by the chief operating decision maker in making its strategic decisions:

(a) PWR

Under the PWR scheme, the Group and the Company purchase the mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal financing from the primary lenders approved by the Group and the Company. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential eligibility criteria.

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

22. SEGMENT REPORTING (CONTINUED)

(b) PWOR

Under the PWOR scheme, the Group and the Company purchase the mortgage assets and hire purchase assets from counterparty on an outright basis for the remaining tenure of the respective assets purchased. The purchases are made without recourse to counterparty, other than certain warranties to be provided by the seller pertaining to the quality of the assets.

(c) Treasury

Under Treasury, the Group and the Company manage and invest surplus cashflow in approved treasury-related activities. The income consists of interest/profit and gains on the appreciation in the value of investment.

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

<u>30 June 2023</u>	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	672,638	224,517	77,989	42,419	1,017,563
External interest/ profit expense	(642,045)	(163,550)	(72)	(36,638)	(842,305)
Segment result (Net Operating Income)	30,593	60,967	77,917	5,781	175,258
Profit before taxation and zakat					151,071
Taxation					(36,593)
Profit after taxation and zakat					114,478
Segment assets	37,199,488	7,280,520	4,230,256	2,508,968	51,219,232
Segment liabilities	37,604,289	6,546,919	188,297	2,456,698	46,796,203
<u>Other information</u>					
Capital expenditure	1,446	283	164	97	1,990
Depreciation and amortisation	2,396	469	272	162	3,299

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

22. SEGMENT REPORTING (CONTINUED)

<u>30 June 2022</u>	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Group Total RM'000
External revenue	450,259	253,653	57,392	18,572	779,876
External interest/ profit expense	(430,186)	(172,667)	(14)	(14,269)	(617,136)
Segment result (Net Operating Income)	20,073	80,986	57,378	4,303	162,740
Profit before taxation and zakat					135,590
Taxation					(32,566)
Profit after taxation and zakat					103,024
Segment assets	24,981,159	8,124,280	3,999,121	1,501,427	38,605,987
Segment liabilities	25,055,274	7,045,594	622,926	1,710,956	34,434,750
<u>Other information</u>					
Capital expenditure	323	105	52	19	499
Depreciation and amortisation	2,590	842	415	156	4,003

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 June 2023	Company				
	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	672,638	224,517	77,989	42,419	1,017,563
Internal interest/ profit expense	(74,711)	-	-	-	(74,711)
External interest/ profit expense	(566,027)	(163,550)	(72)	(36,637)	(766,286)
Total interest/ profit expense	(640,738)	(163,550)	(72)	(36,637)	(840,997)
Segment result (Net Operating Income)	31,900	60,967	77,917	5,782	176,566
Profit before taxation and zakat					152,470
Taxation					(36,593)
Profit after taxation and zakat					115,877
Segment assets	37,199,488	7,280,520	4,230,218	2,512,955	51,223,181
Segment liabilities	31,321,253	6,546,919	188,297	8,741,165	46,797,634
Other information					
Capital expenditure	1,446	283	164	97	1,990
Depreciation and amortisation	2,396	469	272	162	3,299

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

22. SEGMENT REPORTING (CONTINUED)

30 June 2022	Company				
	PWR RM'000	PWOR RM'000	Treasury RM'000	Others RM'000	Total RM'000
External revenue	450,259	253,653	57,392	18,572	779,876
Internal interest/ profit expense	(14,370)	-	-	-	(14,370)
External interest/ profit expense	(415,867)	(172,667)	(14)	(14,269)	(602,817)
Total interest/ profit expense	(430,237)	(172,667)	(14)	(14,269)	(617,187)
Segment result (Net Operating Income)	20,022	80,986	57,378	4,303	162,689
Profit before taxation and zakat					135,690
Taxation					(32,566)
Profit after taxation and zakat					103,124
Segment assets	24,981,159	8,124,280	3,981,241	1,505,146	38,591,826
Segment liabilities	22,921,309	7,045,594	622,926	3,846,035	34,435,864
Other information					
Capital expenditure	323	105	52	19	499
Depreciation and amortisation	2,590	842	415	156	4,003

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

23. 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.

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
	%	%	%	%
CET 1 capital ratio	34.0	37.0	34.0	37.0
Tier 1 capital ratio	34.0	37.0	34.0	37.0
Total capital ratio	34.9	38.0	34.9	38.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	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	4,290,568	4,198,590	4,293,086	4,199,709
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	4,440,568	4,348,590	4,443,086	4,349,709
Financial assets at FVOCI reserves	(10,478)	(37,188)	(10,478)	(37,188)
Deferred tax assets	(24,430)	(33,580)	(24,430)	(33,580)
Less: Regulatory reserves	(74,807)	(79,440)	(74,807)	(79,440)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Tier 1 capital	4,330,853	4,198,382	4,333,371	4,199,501
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Tier 2 capital:				
Allowance for impairment losses	32,354	35,709	32,354	35,709
Add: Regulatory reserves	74,807	79,440	74,807	79,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Tier 2 capital	107,161	115,149	107,161	115,149
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital	4,438,014	4,313,531	4,440,532	4,314,650
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The breakdown of risk-weighted assets by each major risk category are as follows:				
Credit risk	12,096,417	10,703,611	12,100,397	10,707,546
Operational risk	637,154	639,049	637,154	639,049
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total risk-weighted assets	12,733,571	11,342,660	12,737,551	11,346,595
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Group		Company	
		30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
ASSETS					
Cash and cash equivalents	(a)	65,866	79,951	65,854	79,939
Deposits and placements with financial institutions	(b)	141,357	-	141,357	-
Financial assets at fair value through other comprehensive income (FVOCI)	(c)	1,302,554	1,368,939	1,302,554	1,368,939
Financial assets at amortised cost	(d)	470,877	354,395	470,877	354,395
Derivative financial instruments		3,454	6,527	3,454	6,527
Financing assets	(e)	17,651,945	15,482,284	17,651,945	15,482,284
Mortgage assets	(f)	4,075,419	4,273,893	4,075,419	4,273,893
Hire purchase assets	(g)	48	45	48	45
Other assets and prepayments		289,134	289,123	291,815	291,799
Tax Recoverable		-	12,132	-	12,132
TOTAL ASSETS		24,000,654	21,867,289	24,003,323	21,869,953
LIABILITIES					
Short-term borrowing		1,563,466	-	1,563,466	-
Derivative financial instruments		280	-	280	-
Other liabilities	(h)	2,904	6,640	1,606	5,406
Provision for taxation		9,335	-	9,335	-
Deferred taxation		120,681	119,395	120,681	119,395
Sukuk	(i)	20,644,233	20,135,060	20,644,233	20,135,060
TOTAL LIABILITIES		22,340,899	20,261,095	22,339,601	20,259,861
ISLAMIC OPERATIONS' FUNDS		1,659,755	1,606,194	1,663,722	1,610,092
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		24,000,654	21,867,289	24,003,323	21,869,953

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	Note	<u>Group</u>		<u>Company</u>	
		6 months to 30 Jun 2023 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2023 RM'000	6 months to 30 Jun 2022 RM'000
Total income attributable		493,109	359,323	493,109	359,323
Income attributable to the Sukuk holders	(j)	(406,784)	(296,666)	(406,784)	(296,666)
Non-profit expense		(16,580)	(3,350)	(16,580)	(3,350)
Total net income attributable	(k)	69,745	59,307	69,745	59,307
Administration and general expenses		(1,181)	(1,005)	(1,112)	(943)
Allowance for impairment losses		2,284	(28)	2,284	(28)
PROFIT BEFORE TAXATION		70,848	58,274	70,917	58,336
Taxation		(21,467)	(14,001)	(21,467)	(14,001)
PROFIT FOR THE FINANCIAL PERIOD		49,381	44,273	49,450	44,335

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	<u>Group</u>		<u>Company</u>	
	<u>6 months to 30 Jun 2023 RM'000</u>	<u>6 months to 30 Jun 2022 RM'000</u>	<u>6 months to 30 Jun 2023 RM'000</u>	<u>6 months to 30 Jun 2022 RM'000</u>
Profit for the financial period	49,381	44,273	49,450	44,335
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Financial investment at FVOCI				
- Net gain/(loss) on fair value changes before taxation	8,975	(11,387)	8,975	(11,387)
- FVOCI ECL	108	67	108	67
- Deferred taxation	(2,154)	2,733	(2,154)	2,733
Cash flow hedge				
- Net (loss)/gain on cash flow hedge before taxation	(3,617)	6,041	(3,617)	6,041
- Deferred taxation	868	(1,450)	868	(1,450)
Other comprehensive gain/(loss) for the financial period, net of taxation	4,180	(3,996)	4,180	(3,996)
Total comprehensive income for the financial period	53,561	40,277	53,630	40,339

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

Group	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Non-distributable		Distributable	Total RM'000
			Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,250	1,269,979	1,606,194
Profit for the financial period	-	-	-	-	49,381	49,381
Other comprehensive income/(loss)	-	6,929	(2,749)	-	-	4,180
Total comprehensive income/(loss) for the financial period	-	6,929	(2,749)	-	49,381	53,561
Transfer to retained profits	-	-	-	(2,181)	2,181	-
Balance as at 30 June 2023	<u>294,159</u>	<u>397</u>	<u>1,589</u>	<u>42,069</u>	<u>1,321,541</u>	<u>1,659,755</u>
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 (loss)/income	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive (loss)/income 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 2023	<u>294,159</u>	<u>(9,209)</u>	<u>3,899</u>	<u>46,733</u>	<u>1,216,331</u>	<u>1,551,913</u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

Company	Allocated capital funds RM'000	Financial asset at FVOCI reserve RM'000	Non-distributable		Distributable	Total RM'000
			Cash flow hedge reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2023	294,159	(6,532)	4,338	44,471	1,273,656	1,610,092
Profit for the financial period	-	-	-	-	49,450	49,450
Other comprehensive income/(loss)	-	6,929	(2,749)	-	-	4,180
Total comprehensive income/(loss) for the financial period	-	6,929	(2,749)	-	49,450	53,630
Transfer to retained profits	-	-	-	(2,181)	2,181	-
Balance as at 30 June 2023	<u>294,159</u>	<u>397</u>	<u>1,589</u>	<u>42,290</u>	<u>1,325,287</u>	<u>1,663,722</u>
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 (loss)/income	-	(8,587)	4,591	-	-	(3,996)
Total comprehensive (loss)/income 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 2023	<u>294,159</u>	<u>(9,209)</u>	<u>3,899</u>	<u>46,733</u>	<u>1,220,129</u>	<u>1,555,711</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 June 2023

	Group		Company	
	6 months to 30 Jun 2023 RM'000	6 months to 30 Jun 2022 RM'000	6 months to 30 Jun 2023 RM'000	6 months to 30 Jun 2022 RM'000
OPERATING ACTIVITIES				
Profit before taxation	70,848	58,274	70,917	58,336
Adjustment for non-cash items	(82,871)	(87,498)	(82,871)	(87,498)
Operating loss before working capital changes	(12,023)	(29,224)	(11,954)	(29,162)
Change in operating assets and liabilities	(198,136)	(633,865)	(198,205)	(633,926)
Zakat paid	(2,828)	(5,094)	(2,828)	(5,094)
Net cash (utilised in)/generated from operating activities	(212,987)	(668,183)	(212,987)	(668,182)
INVESTING ACTIVITIES				
Purchase of Financial investment at FVOCI	(759,308)	(1,158,229)	(759,308)	(1,158,229)
Sale/redemption of:				
- Financial investment at FVTPL	-	123,450	-	123,450
- Financial investment at FVOCI	838,036	759,836	838,036	759,836
Income received from:				
- Financial investment at FVTPL	-	1,808	-	1,808
- Financial investment at FVOCI	17,785	12,925	17,785	12,925
Net cash utilised in investing activities	96,513	(260,210)	96,513	(260,210)

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24. ISLAMIC OPERATIONS (CONTINUED)

CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	<u>Group</u>		<u>Company</u>	
	<u>6 months to 30 Jun 2023</u>	<u>6 months to 30 Jun 2022</u>	<u>6 months to 30 Jun 2023</u>	<u>6 months to 30 Jun 2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
FINANCING ACTIVITIES				
Proceeds from issuance of Sukuk	3,690,000	3,570,000	3,690,000	3,570,000
Redemption of Sukuk	(3,195,000)	(2,190,000)	(3,195,000)	(2,190,000)
Profit paid to Sukuk holders	(392,611)	(253,971)	(392,611)	(253,971)
Net cash utilised in financing activities	<u>102,389</u>	<u>1,126,029</u>	<u>102,389</u>	<u>1,126,029</u>
Net increase/(decrease) in cash and cash equivalents	(14,085)	197,636	(14,085)	197,637
Cash and cash equivalents as at 1 January	<u>79,951</u>	<u>106,288</u>	<u>79,939</u>	<u>106,275</u>
Cash and cash equivalents as at 30 June	<u><u>65,866</u></u>	<u><u>303,924</u></u>	<u><u>65,854</u></u>	<u><u>303,912</u></u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(a) *Cash and short-term funds*

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Cash and bank balances with banks and other financial institutions	146	46	134	34
Mudharabah money at call, deposits and placements maturing with original maturity less than 3 months	65,722	79,906	65,722	79,906
	<u>65,868</u>	<u>79,952</u>	<u>65,856</u>	<u>79,940</u>
Less: Allowance for impairment losses	(2)	(1)	(2)	(1)
	<u><u>65,866</u></u>	<u><u>79,951</u></u>	<u><u>65,854</u></u>	<u><u>79,939</u></u>

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:

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
<u>Stage 1</u>		
As at 1 January	1	11
Allowance during the period on new assets	2	1
Financial assets derecognised during the period due to maturity of assets	(1)	(11)
As at 30 June/ 31 December	<u><u>2</u></u>	<u><u>1</u></u>

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Explanatory notes to the Condensed Interim Financial Statements as at 30 June 2023 (Continued)

24. ISLAMIC OPERATIONS (CONTINUED)

(b) *Deposits and placements with financial institutions*

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Licensed banks	141,361	-
Less: Allowance for impairment losses	(4)	-
	<u>141,357</u>	<u>-</u>

The gross carrying value of deposits and placements with financial institutions 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:

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	-	-
Allowance during the period on new assets	4	-
	<u>4</u>	<u>-</u>
As at 30 June/ 31 December	<u>4</u>	<u>-</u>

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

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<i>At fair value:</i>		
Corporate Sukuk	687,420	820,020
Government investment issues	158,664	142,944
Quasi government securities	357,424	356,129
Islamic treasury bills	99,046	49,846
	<u>1,302,554</u>	<u>1,368,939</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

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

	<u>Group and Company</u>	
	<u>30 Jun 2023</u>	<u>31 Dec 2022</u>
	RM'000	RM'000
The maturity structure of financial assets at FVOCI are as follows:		
Maturing within one year	800,349	997,809
One to three years	94,912	59,895
Three to five years	81,546	89,680
More than five years	325,747	221,555
	<u>1,302,554</u>	<u>1,368,939</u>

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 impairment allowance are within Stage 1 allocation (12-months ECL).

Movement in impairment allowances that reflects the ECL model on impairment are as follows:

	<u>Group and Company</u>	
	<u>30 Jun 2023</u>	<u>31 Dec 2022</u>
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	115	58
Allowance during the period on new assets	127	74
Financial assets derecognised during the period due to maturity of assets	(16)	(15)
Reversal during the year due to changes in credit risk	(3)	(2)
As at 30 June/ 31 December	<u>223</u>	<u>115</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(d) Financial assets at amortised cost

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Corporate Sukuk	470,877	354,395

The maturity structure of financial asset at amortised cost are as follows:

Maturing within one year	472,039	355,508
Less: Allowance for impairment losses	(1,162)	(1,113)
	<u>470,877</u>	<u>354,395</u>

The gross carrying value of financial assets at amortised cost 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:

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	1,113	1,155
Allowance during the period on new assets	49	-
Reversal during the year due to changes in credit risk	-	(42)
As at 30 June/ 31 December	<u>1,162</u>	<u>1,113</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(e) *Financing assets*

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
Relating to:		
House financing	14,850,340	13,100,130
Hire Purchase	504,613	-
Personal financing	2,296,992	2,382,154
	<u>17,651,945</u>	<u>15,482,284</u>

The maturity structure of financing assets are as follows:

Maturing within one year	4,476,120	4,664,995
One to three years	10,226,014	8,872,270
Three to five years	2,949,914	1,945,111
	<u>17,652,048</u>	<u>15,482,376</u>
Less: Allowance for impairment losses	(103)	(93)
	<u>17,651,945</u>	<u>15,482,283</u>

The gross carrying value of 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:

	<u>Group and Company</u>	
	30 Jun 2023	31 Dec 2022
	RM'000	RM'000
<u>Stage 1</u>		
As at 1 January	93	61
Allowance during the period on new assets purchased	19	59
Loans derecognised during the period due to maturity of assets	(1)	(20)
Reversal during the year due to changes in credit risk	(8)	(7)
	<u>103</u>	<u>93</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(f) *Mortgage assets*

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
PWOR	4,075,419	4,273,893

The maturity structure of mortgage assets are as follows:

Maturing within one year	602,260	617,200
One to three years	777,171	790,370
Three to five years	698,110	721,723
More than five years	2,013,227	2,161,787
	<u>4,090,768</u>	<u>4,291,080</u>
Less: Allowance for impairment losses	(15,349)	(17,187)
	<u>4,075,419</u>	<u>4,273,893</u>

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>June 2023</u>		
Stage 1 (12-months ECL; non credit impaired)	4,074,140	10,360
Stage 2 (Lifetime ECL; non credit impaired)	2,340	405
Stage 3 (Lifetime ECL; credit impaired)	14,288	4,584
As at 30 June	<u>4,090,768</u>	<u>15,349</u>
Impairment allowance over gross carrying value (%)		<u>0.38</u>
<u>December 2022</u>		
Stage 1 (12-months ECL; non credit impaired)	4,270,919	10,919
Stage 2 (Lifetime ECL; non credit impaired)	1,053	138
Stage 3 (Lifetime ECL; credit impaired)	19,108	6,130
As at 31 December	<u>4,291,080</u>	<u>17,187</u>
Impairment allowance over gross carrying value (%)		<u>0.40</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(g) Hire purchase assets

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
PWOR	48	45
	<u>48</u>	<u>45</u>

The maturity structure of hire purchase assets are as follows:

Maturing within one year	56	56
Less: Allowance for impairment losses	(8)	(11)
	<u>48</u>	<u>45</u>

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

	<u>Gross carrying value</u> RM'000	<u>Impairment allowance</u> RM'000
By stage allocation:		
<u>June 2023</u>		
Stage 1 (12-months ECL; non credit impaired)	31	-
Stage 3 (Lifetime ECL; credit impaired)	25	8
	<u>56</u>	<u>8</u>
As at 30 June	<u>56</u>	<u>8</u>

Impairment allowance over gross carrying value (%)	<u>14.29</u>
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December 2022

Stage 1 (12-months ECL; non credit impaired)	22	-
Stage 3 (Lifetime ECL; credit impaired)	34	11
	<u>56</u>	<u>11</u>
As at 31 December	<u>56</u>	<u>11</u>

Impairment allowance over gross carrying value (%)	<u>19.64</u>
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24. ISLAMIC OPERATIONS (CONTINUED)

(h) *Other liabilities*

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Zakat	-	2,828	-	2,828
Other payables	2,904	3,812	1,606	2,578
	<u>2,904</u>	<u>6,640</u>	<u>1,606</u>	<u>5,406</u>

(i) *Sukuk*

	<u>Group and Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000
Commercial papers	402,616	-
Medium-term notes	20,241,617	20,135,060
	<u>20,644,233</u>	<u>20,135,060</u>

The maturity structure of Sukuk are as follows:

Maturing within one year	4,879,233	6,505,060
One to three years	10,750,000	9,370,000
Three to five years	3,080,000	2,325,000
More than five years	1,935,000	1,935,000
	<u>20,644,233</u>	<u>20,135,060</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(j) *Income attributable to the Sukuk holders*

	Group and Company	
	30 Jun 2023	30 Jun 2022
	RM'000	RM'000
Mortgage assets	95,081	95,448
Hire purchase assets	38	52
Financing assets	311,593	201,166
Short-term borrowings	72	-
	<u>406,784</u>	<u>296,666</u>

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

Bai Al-Dayn	<u>406,784</u>	<u>296,666</u>
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(k) *Total income attributable*

Income from:		
Mortgage assets	25,040	38,565
Hire purchase assets	(38)	(52)
Financing assets	32,216	7,937
Financial assets at FVOCI	23,846	14,080
Deposit and placements with financial institutions	5,261	2,127
Non-profit expense	(16,580)	(3,350)
	<u>69,745</u>	<u>59,307</u>

Total net income analysed by concept are as follows:

Bai Al-Dayn	40,638	43,100
Murabahah	8,036	6,731
Ijarah	1,280	790
Mudharabah	7,327	2,971
Musarakah	3,189	2,083
Wakalah	4,014	1,546
Tawarruq	4,939	1,717
Qard Al-Hasan	322	369
	<u>69,745</u>	<u>59,307</u>

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24. ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy

	<u>Group</u>		<u>Company</u>	
	30 Jun 2023 RM'000	31 Dec 2022 RM'000 %	30 Jun 2023 RM'000 %	31 Dec 2022 RM'000 %
CET 1 capital ratio	23.0	24.4	23.0	24.5
Tier 1 capital ratio	23.0	24.4	23.0	24.5
Total capital ratio	23.8	25.4	23.8	25.4

The capital adequacy ratios are as follows:

CET 1/Tier 1 capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Retained profits	1,363,610	1,314,229	1,367,577	1,318,127
	<u>1,657,769</u>	<u>1,608,388</u>	<u>1,661,736</u>	<u>1,612,286</u>
Financial assets at FVOCI reserve	179	(6,531)	179	(6,531)
Deferred tax assets	(4,552)	(6,706)	(4,552)	(6,706)
Less: Regulatory reserves	(42,069)	(44,249)	(42,069)	(44,249)
Total CET 1/Tier 1 capital	<u>1,611,327</u>	<u>1,550,902</u>	<u>1,615,294</u>	<u>1,554,800</u>
Tier 2 capital:				
Add: Regulatory reserves	42,069	44,249	42,069	44,249
Allowance for impairment losses	16,854	18,526	16,854	18,526
Total Tier 2 capital	<u>58,923</u>	<u>62,775</u>	<u>58,923</u>	<u>62,775</u>
Total capital	<u>1,670,250</u>	<u>1,613,677</u>	<u>1,674,217</u>	<u>1,617,575</u>

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

Credit risk	6,780,348	6,133,688	6,783,026	6,136,361
Operational risk	238,650	221,853	238,650	221,853
Total risk-weighted assets	<u>7,018,998</u>	<u>6,355,541</u>	<u>7,021,676</u>	<u>6,358,214</u>

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.

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25. BUSINESS REVIEW

Market Environment

The International Monetary Fund (“IMF”) predicts global economic growth to slow down from 3.5% in 2022 to 3.0%¹ in 2023, with major economies having to deal with the impact of steep interest rate hikes since last year resulting in slower business activities and modest global trading activities. The weakening global trade had also impacted Malaysian economy as Gross Domestic Product (“GDP”) in 1Q 2023 growing slower by 5.6% year-on-year (2022: 8.7%)². Nonetheless, private consumption continues to support the economy as well as realisation of investment activity underpinned by implementation of multi-year projects. Furthermore, recovery in inbound tourism also contributed to the growth. It is foreseen that Malaysia will be able to achieve the growth of between 4% and 5%³ for 2023, amid an uncertain external environment.

The domestic financial markets were also affected by external factors, with the ringgit depreciating against the US dollar by 6.0%⁴ and the FBM KLCI declining by 7.9%⁵, in June 2023, year to-date. The 10-year Malaysian Government Securities had also decreased by 24 basis points (“bps”)⁶ in June 2023, in line with the global bond yields’ movement. Despite uncertainty in the global economic outlook, the investors’ outlook on emerging economies, including Malaysia, remained intact due to its limited exposure from the recent banking stress in advanced economies and that the domestic financial conditions will remain broadly stable in 2023.

The headline inflation moderated to 2.4% in June 2023⁶ (2022: 3.3%) and expected to continue to be in the range of 2.8% to 3.8%² in overall for 2023, given the impact of easing commodity prices trend and improved supply chain but remains challenging with the potential partial removal of subsidy for a targeted group. In May 2023, The Monetary Policy Committee (“MPC”) of Bank Negara Malaysia (“BNM”) had further increased the overnight policy rate (“OPR”) by 25 bps to 3.00%² after raising it four times in 2022, in line with the expectation to maintain an accommodative monetary policy stance.

Banks in Malaysia remain healthy underpinned by strong liquidity. This is reflected by the Liquidity Coverage Ratio which was 155.3%⁶ as of June 2023. The funding profile was also well-diversified with June 2023’s loan-to-fund ratio and loan-to-fund-and-equity ratio at 81.6% and 70.9%⁶, respectively. The banking system also remains well-capitalised with the total capital ratio stood at 18.2%⁶ as of June 2023.

Cagamas is focused on growing its revenue streams by continuously building its financing book and expanding its product and solutions whilst concurrently defending its competitive funding base. We remain vigilant of the risks arising from the global market volatility and continue to proactively engage counterparties to support their liquidity requirements. Cagamas is also committed to support the nation’s home ownership aspirations and undertake its developmental role in the housing space leveraging on its expertise in the housing market. To support the industry’s transition to low-carbon economy, Cagamas intends to scale-up green residential mortgages and make energy-efficient homes more mainstream through the development of industry-recognised methodology for green housing and green home improvement financing.

¹ IMF World Economic Outlook, Near-Term Resilience, Persistent Challenges, July 2023

² BNM Quarterly Bulletin 1Q 2023

³ Ministry of Finance, Press Release Economy Achieves Growth Of 5.6% In First Quarter 2023, May 2023

⁴ BNM Exchange Rates

⁵ CEIC Data, Bursa Malaysia

⁶ BNM Monthly Highlights & Statistics in June 2023

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26. BUSINESS REVIEW (CONTINUED)

Purchase of Loans and Financing

Cagamas recorded RM9.9 billion of purchases of PWR loans and financing (1H 2022: RM4.5 billion) in the 1H 2023. As at 1H 2023, residential mortgage continued to dominate Cagamas' portfolio at 93.3% (1H 2022: 93.8%), personal loans at 5.1% (1H 2022: 4.4%) and hire purchase loans and financing at 1.5% (1H 2022: 1.8%).

Issuance of Bonds and Sukuk

For the financial period ended 30 June 2023, Cagamas has raised a total of RM12.1 billion of which RM11.8 billion was raised via issuance of bonds and Sukuk through 29 issuance exercises and the remaining RM0.3 billion was from other funding sources. From the total funding, 69% or RM8.4 billion were raised via conventional funding and 31% or RM3.7 billion were raised via Sukuk funding.

Cagamas also continued to raise funding at a competitive price in foreign currency issuance through private placement exercises. During the 1H 2023, Cagamas printed debt securities in Singapore Dollar ("SGD") and Hong Kong Dollar ("HKD") with a total value of RM2.9 billion equivalent which were 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. In addition, MARC Ratings Berhad ("MARC Ratings") 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.

Financial Performance

The Group's net interest income increased due to higher purchase of PWR and CMS assets during the period. As a result, the Group registered a pre-tax profit of RM151.1 million for the period ended 30 June 2023 as compared to RM135.6 million in the previous corresponding period.

The total assets of the Group as at 30 June 2023 stood at RM51.2 billion, an increase of 11.1% since 31 December 2022.

Capital Management

The Group's core capital ratio as at 30 June 2023 decreased to 34.0% mainly due to purchases of PWR assets as compared to 37.0% as at 31 December 2022. As at the reporting date, TCR remains stable at 34.9%, 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 RM4.4 billion arising from profits generated during the period, while net tangible assets per share increased by 2.7% to RM29.36 per share as at 30 June 2023.

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26. BUSINESS REVIEW (CONTINUED)

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

Leveraging on our role in the secondary mortgage market through liquidity support to banks, Cagamas intends to encourage the adoption of green and energy-efficient homes which have positive environmental impact, while also benefiting the community and the economy. In line with this effort, Cagamas received a confirmation in May 2023 from the Chair and Secretariat of the Joint Committee on Climate Change (JC3)'s Sub-committee 3 (SC3) on Product and Innovation on its admission as a member of the SC3. Moving forward, Cagamas will work with SC3 on green initiatives to contribute to the nation's goals of reducing Malaysia's greenhouse gas emissions intensity to 45% of GDP by 2030.

Cagamas is committed to providing a safe and attractive workplace where all employees are recognised, feel appreciated, and treated with respect. For 2023, the Company continue to organise activities such as Staff Overseas Trip, Staff Annual Diner, Divisional Off-Site meeting and Staff Festival Luncheon. In addition to these activities, aligned with its objectives to build a trustworthy team that is motivated to work hard and is engaged and satisfied with their jobs, initiatives such as *Smart Casual Dress Code* and *Work From Home* ("WFH") flexibility were introduced in early 2023.

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 2023, under its Cagamas Zakat Wakalah Programme ("ZWP"), Cagamas has provided financial aid to 941 flood victims in Kelantan, Terengganu and Johor. The ZWP also organised a "Back to School 2023" programme with 648 asnaf students in collaboration with various schools and organisations in Kuala Lumpur which involved purchases of school uniforms and supplies. The ZWP also donated care packs containing food supplies and food sponsors to assist 1,392 asnaf recipients 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 purchasing business equipment and providing short-term financial assistance to support basic living expenses for the 3 eligible asnaf to improve productivity and income in their respective micro-businesses. In addition, Cagamas has also helped in medical support by purchasing an oxygen machine as medical equipment to the 13 years' OKU daughter that suffering respiratory failure since it is not part of free hospital charges for school children.

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 2023, the CSP has sponsored a total of 36 scholars with 20 scholars who have graduated.