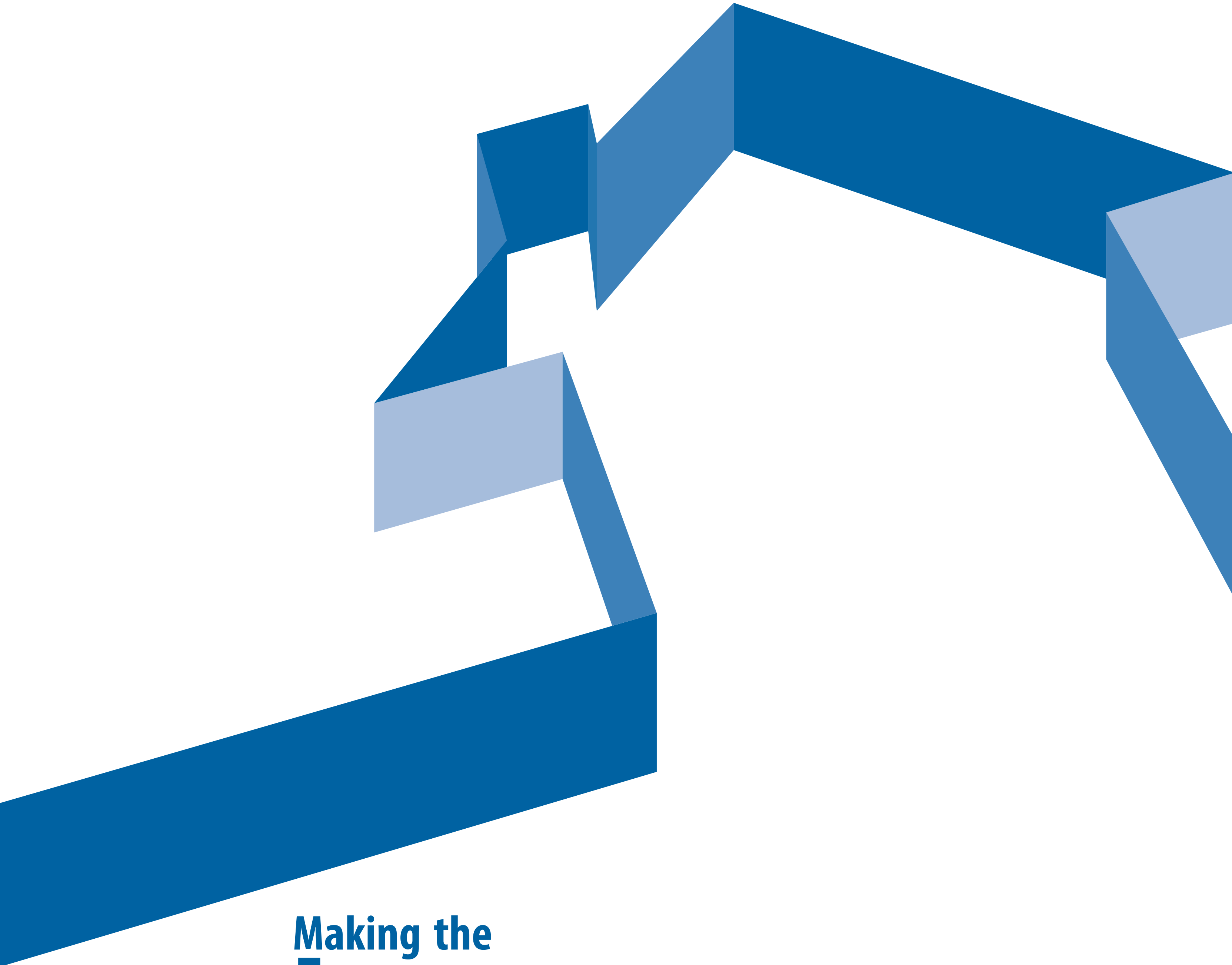

Making the

home ownership

dream a reality

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP"), Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of sukuk.

CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency. CGP commenced its business since 22 September 2014.

CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of sukuk in foreign currency. CGS has yet to commence its operations.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage-backed securities ("RMBS") and Islamic residential mortgage-backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme ("Skim Rumah Pertamaku") initiated by the GOM.

The principal activities of CMGP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME consist of the purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

There were no other significant changes in the nature of these activities during the financial year, other than declared above.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	**391,226**	**39,741**

DIVIDEND

The dividends paid by the Company since 31 December 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014,	
– a first interim dividend of 15 sen per share on 150,000,000 ordinary shares paid on 28 March 2014	22,500
– a second interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 17 November 2014	7,500
	30,000

The Directors now recommend the payment of a first interim dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2014, which is subject to approval of member at the forthcoming Annual General Meeting of the Company.

SHARE CAPITAL

There was no change in the authorised, issued and paid–up capital of the Company during the financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

RATING PROFILE OF THE BONDS AND SUKUK

RAM Rating Services Berhad ("RAM") assigned a rating of AAA/P1 to the bonds, notes and sukuk issued by the Group. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAA$_{ID}$ and MARC-1/MARC-1$_{ID}$ to bonds, notes and sukuk issued by the Group. Moody's Investors Service has also assigned a rating of A3 as the Group's long term local and foreign currency issuer rating. In addition, RAM and MARC have assigned ratings of AAA and AAA/AAA$_{ID}$/AAA$_{IS}$ respectively to the assets-backed Fixed Rate Serial Bonds and Sukuk Musyarakah issuance.

In addition, RAM and Moody's have assigned ratings of gA2(s) and A3 respectively to the USD2.5 billion multicurrency Medium Term Note ("EMTN") programme and USD2.5 billion multicurrency sukuk programme issued by its sub-subsidiaries.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Group involving mortgage loans, hire purchase and leasing debts, available-for-sale ("AFS") investment securities, Islamic financing facilities as well as issuance of unsecured debt securities and sukuk are done with various financial institutions including those who are substantial shareholders of the Company.

DIRECTORS

The Directors who have held office during the financial year since the date of the last report are as follows:

Dato' Ooi Sang Kuang (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Cheah Tek Kuang
Datuk George Ratilal
Marzunisham bin Omar
Datuk Abdul Farid Alias
YM Tengku Dato' Zafrul bin Tengku Abdul Aziz (Appointed on 10.2.2014)

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dato' Ooi Sang Kuang and Mr. Cheah Tek Kuang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re–election.

Tan Sri Dato' Sri Tay Ah Lek who retires pursuant to Section 129(6) of the Companies Act, 1965, offers himself for reappointment as a Director of the Company.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company is a party, being arrangements with the object or objects of enabling the Directors of the Group and the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Group and the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there is no bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and the Company to meet its obligations when they fall due.

At this date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading or inappropriate.

In the opinion of the Directors:

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

AUDITORS

Our auditor, PricewaterhouseCoopers, has expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

DATO' OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Cash and short-term funds	5	**892,044**	1,263,965	**14,160**	564
Deposits and placements with financial institutions	6	**12,114**	851,692	**862**	723
Derivative financial instruments	7	**68,518**	7,286	**–**	–
AFS investment securities	8	**2,932,264**	2,583,486	**–**	–
Amount due from counterparties	9	**6,540,219**	3,825,726	**–**	–
Islamic financing assets	10	**6,541,190**	6,107,933	**–**	–
Mortgage assets					
– Conventional	11	**10,189,845**	11,064,322	**–**	–
– Islamic	12	**10,176,230**	10,648,208	**–**	–
Hire purchase assets					
– Conventional		**4**	4	**–**	–
– Islamic	13	**7,268**	11,196	**–**	–
Other assets	14	**25,375**	30,132	**–**	–
Property and equipment	15	**3,216**	4,019	**–**	–
Intangible assets	16	**8,200**	9,873	**–**	–
Deferred taxation	17	**9,890**	12,050	**–**	–
Deferred financing fees		**1,163**	–	**–**	–
Tax recoverable		**207**	159	**207**	159
Investment in subsidiaries	18	**–**	–	**4,181,628**	4,185,663
Investment in structured entity	19	**–***	–*	**–***	–*
TOTAL ASSETS		**37,407,747**	36,420,051	**4,196,857**	4,187,109
LIABILITIES					
Unsecured bearer bonds and notes	20	**13,291,643**	11,521,708	**–**	–
Sukuk	21	**13,261,704**	13,403,003	**–**	–
Derivative financial instruments	7	**32,743**	35,898	**–**	–
RMBS	22	**2,464,529**	3,195,347	**–**	–
IRMBS	23	**2,594,171**	2,865,314	**–**	–
Deposits and placements of financial institutions		**30,003**	–	**–**	–
Deferred guarantee fee income		**2,431**	1,685	**–**	–
Deferred Wakalah fee income		**2,937**	1,130	**–**	–
Deferred taxation	17	**464,384**	519,646	**7**	–
Provision for taxation		**61,342**	46,003	**–**	–
Other liabilities	24	**68,598**	65,550	**–**	–
TOTAL LIABILITIES		**32,274,485**	31,655,284	**7**	–
Share capital	25	**150,000**	150,000	**150,000**	150,000
Reserves	26	**4,983,262**	4,614,767	**4,046,850**	4,037,109
SHAREHOLDERS' FUNDS		**5,133,262**	4,764,767	**4,196,850**	4,187,109
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**37,407,747**	36,420,051	**4,196,857**	4,187,109
NET TANGIBLE ASSETS PER SHARE (RM)	27	**34.17**	31.70	**27.98**	27.91

* denotes RM2

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS
For The Financial Year Ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Interest income	28	**1,060,873**	1,057,273	**65**	41
Interest expense	29	**(657,978)**	(592,397)	**–**	–
Income from Islamic operations	47	**258,117**	286,077	**–**	–
Non-interest (expense)/income	30	**(7,152)**	(3,203)	**39,665**	30,005
		653,860	747,750	**39,730**	30,046
Discretionary bonus fee		**(58,273)**	–	**–**	–
Administration and general expenses		**(19,174)**	(21,048)	**(1)**	(1)
Personnel costs		**(23,070)**	(20,840)	**–**	–
OPERATING PROFIT		**553,343**	705,862	**39,729**	30,045
Allowance for impairment losses	31	**(6,860)**	(2,702)	**–**	–
PROFIT BEFORE TAXATION AND ZAKAT	32	**546,483**	703,160	**39,729**	30,045
Zakat		**(4,112)**	(2,029)	**–**	–
Taxation	34	**(151,145)**	(173,539)	**12**	(7,511)
PROFIT FOR THE FINANCIAL YEAR		**391,226***	527,592*	**39,741**	22,534
EARNINGS PER SHARE (SEN)	27	**260.82**	351.73	**26.49**	15.02
DIVIDEND PER SHARE (SEN)	35	**–**	–	**20.00**	15.00

* As set out in Note 48 to the financial statements, profit for the financial year of the Group includes profit from CMBS of RM137,167,000 (2013: RM203,014,000) that may be subject to a discretionary bonus fee to the GOM after full settlement of the RMBS/IRMBS.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2014

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit for the financial year	**391,226**	527,592	**39,741**	22,534
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
AFS investment securities				
– Net loss on fair value changes before taxation	**(3,689)**	(26,678)	**–**	–
– Deferred taxation	**959**	6,669	**–**	–
Cash flow hedge				
– Net gain on cash flow hedge before taxation	**13,332**	23,920	**–**	–
– Deferred taxation	**(3,333)**	(5,980)	**–**	–
Other comprehensive income/(loss) for the financial year, net of taxation	**7,269**	(2,069)	**–**	–
Total comprehensive income for the financial year	**398,495**	525,523	**39,741**	22,534

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2014

Group	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable						
		Share capital RM'000	Share premium relief reserve RM'000	Reverse acquisition relief reserve RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Other reserves* RM'000	Total equity RM'000
Balance as at 1 January 2014		150,000	3,831,628	(3,831,628)	(14,165)	(18,689)	2,627,316	2,020,305	4,764,767
Profit for the financial year		-	-	-	-	-	391,226	-	391,226
Other comprehensive (loss)/income		-	-	-	(2,730)	9,999	-	-	7,269
Total comprehensive (loss)/income for the financial year		-	-	-	(2,730)	9,999	391,226	-	398,495
Transfer to share reserve		-	-	-	-	-	(137,167)	137,167	-
First interim dividends in respect of the financial year ended 31 December 2014	35	-	-	-	-	-	(22,500)	-	(22,500)
Second interim dividends in respect of the financial year ended 31 December 2014	35	-	-	-	-	-	(7,500)	-	(7,500)
Balance as at 31 December 2014	25 & 26	150,000	3,831,628	(3,831,628)	(16,895)	(8,690)	2,851,375	2,157,472	5,133,262

On 22 December 2014, CMBS has paid a discretionary bonus fee as the first issue of RMBS was fully redeemed on its maturity date.

* As set out in Note 48 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMBS.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2014 (Continued)

		Issued and fully paid ordinary shares of RM1 each	Non-distributable						
Group	**Note**	**Share capital RM'000**	**Share premium relief reserve RM'000**	**Reverse acquisition relief reserve RM'000**	**AFS reserves RM'000**	**Cash flow hedge reserves RM'000**	**Retained profits RM'000**	**Other reserves* RM'000**	**Total equity RM'000**
Balance as at 1 January 2013		150,000	3,831,628	(3,831,628)	5,844	(36,629)	2,325,238	1,817,291	4,261,744
Profit for the financial year		–	–	–	–	–	527,592	–	527,592
Other comprehensive (loss)/income		–	–	–	(20,009)	17,940	–	–	(2,069)
Total comprehensive (loss)/income for the financial year		–	–	–	(20,009)	17,940	527,592	–	525,523
Transfer to share reserve		–	–	–	–	–	(203,014)	203,014	–
First interim dividends in respect of the financial year ended 31 December 2013	35	–	–	–	–	–	(16,875)	–	(16,875)
Second interim dividends in respect of the financial year ended 31 December 2013	35	–	–	–	–	–	(5,625)	–	(5,625)
Balance as at 31 December 2013	25 & 26	150,000	3,831,628	(3,831,628)	(14,165)	(18,689)	2,627,316	2,020,305	4,764,767

* As set out in Note 48 to the financial statements, other reserves relate to retained profits of CMBS that may be subject to a discretionary bonus fee to the GOM after the full settlement of the RMBS/IRMBS.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2014

		Issued and fully paid ordinary shares of RM1 each	Non-distributable		
Company	**Note**	**Share capital RM'000**	**Share premium relief reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
Balance as at 1 January 2014		**150,000**	**3,831,628**	**205,481**	**4,187,109**
Profit for the financial year		**–**	**–**	**39,741**	**39,741**
Other comprehensive income		**–**	**–**	**–**	**–**
Total comprehensive income for the financial year		**–**	**–**	**39,741**	**39,741**
First interim dividends in respect of financial year ended 31 December 2014	35	**–**	**–**	**(22,500)**	**(22,500)**
Second interim dividends in respect of financial year ended 31 December 2014	35	**–**	**–**	**(7,500)**	**(7,500)**
Balance as at 31 December 2014	25 & 26	**150,000**	**3,831,628**	**215,222**	**4,196,850**
Balance as at 1 January 2013		150,000	3,831,628	205,447	4,187,075
Profit for the financial year		–	–	22,534	22,534
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		–	–	22,534	22,534
First interim dividends in respect of financial year ended 31 December 2013	35	–	–	(16,875)	(16,875)
Second interim dividends in respect of financial year ended 31 December 2013	35	–	–	(5,625)	(5,625)
Balance as at 31 December 2013	25 & 26	150,000	3,831,628	205,481	4,187,109

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		**391,226**	527,592	**39,741**	22,534
Adjustments for investment items and items not involving the movement of cash and cash equivalents:					
Amortisation of premium less accretion of discount on AFS investment securities		**(8,242)**	(8,671)	**–**	–
Accretion of discount on:					
Mortgage assets					
– Conventional		**(278,517)**	(283,510)	**–**	–
– Islamic		**(194,309)**	(160,730)	**–**	–
Hire purchase assets					
– Islamic		**(290)**	(363)	**–**	–
Interest income		**(735,489)**	(735,369)	**–**	–
Income from Islamic operations		**(724,748)**	(720,714)	**–**	–
Interest expense		**658,149**	592,397	**–**	–
Profit attributable to sukuk holders		**685,086**	614,551	**–**	–
Guarantee fee income		**1**	(151)	**–**	–
Wakalah fee income		**(553)**	(155)	**–**	–
Depreciation of property and equipment		**1,069**	1,148	**–**	–
Amortisation of intangible assets		**1,916**	2,132	**–**	–
Gain on disposal of property and equipment		**–**	(14)	**–**	–
Gain on disposal of AFS investment securities		**(1,657)**	(2,623)	**–**	–
Allowance for impairment losses on mortgage assets and hire purchase assets and Islamic mortgage assets and Islamic hire purchase assets		**6,860**	2,702	**–**	–
Taxation		**151,144**	181,040	**(12)**	7,511
Zakat		**4,112**	2,029	**–**	–
Operating (loss)/profit before working capital changes		**(44,242)**	11,291	**39,729**	30,045

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2014 (Continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Increase in amount due from counterparties		**(2,698,875)**	(129,876)	**–**	–
(Increase)/decrease in Islamic financing assets		**(427,205)**	1,963,777	**–**	–
Decrease/(increase) in mortgage assets					
– Conventional		**1,106,591**	(1,067,749)	**–**	–
– Islamic		**642,442**	(3,291,423)	**–**	–
Decrease in hire purchase assets					
– Conventional		**–**	6	**–**	–
– Islamic		**2,062**	5,706	**–**	–
(Increase)/decrease in other assets		**(91)**	1,431	**–**	89
Increase in unsecured bearer bonds and notes		**1,764,939**	2,295,000	**–**	–
Decrease/(increase) in Sukuk		**(138,000)**	1,690,000	**–**	–
Decrease/(increase) in					
– RMBS		**(725,000)**	104	**–**	–
– IRMBS		**(270,000)**	–	**–**	–
Increase in deposits and placements of institutions		**30,000**	–	**–**	–
Increase in other liabilities		**798**	1,481	**–**	(21)
Cash (utilised in)/generated from operations		**(756,581)**	1,479,748	**39,729**	30,113
Profit received from Islamic assets		**738,175**	649,705	**–**	–
Guarantee fee paid		**–**	(8)	**–**	–
Wakalah fee (paid)/received		**(221)**	1,673	**–**	–
Fee income received		**3,310**	–	**–**	–
Interest received		**708,259**	640,796	**–**	–
Interest paid		**(658,968)**	(583,191)	**–**	–
Profit attributable to Sukuk holders		**(689,525)**	(609,109)	**–**	–
Payment of					
– Zakat		**(2,029)**	(1,119)	**–**	–
– Taxation		**(191,331)**	(112,058)	**(29)**	(7,658)
Net cash (utilised in)/generated from operating activities		**(848,911)**	1,466,437	**39,700**	22,455

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For The Financial Year Ended 31 December 2014 (Continued)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
INVESTING ACTIVITIES					
Purchase of AFS investment securities		**(1,087,805)**	(3,814,129)	**–**	–
Sale of AFS investment securities		**749,206**	3,363,715	**–**	–
Derivative financial instruments		**(51,054)**	(94)	**–**	–
Purchase of:					
– Property and equipment		**(266)**	(804)	**–**	–
– Intangible assets		**(245)**	(2,453)	**–**	–
Proceeds received from disposal of property and equipment		**–**	14	**–**	–
Income received from AFS investment securities		**26,096**	49,153	**–**	–
Income received from Islamic debt securities		**31,480**	–	**–**	–
Net cash utilised in investing activities		**(332,588)**	(404,598)	**–**	–
FINANCING ACTIVITIES					
Dividends paid to shareholders		**(30,000)**	(22,500)	**(30,000)**	(22,500)
Capital injection of investment in a subsidiary		**–**	–	**(100,000)**	–
Capital reduction of investment in a subsidiary		**–**	–	**104,035**	–
Net cash utilised in financing activities		**(30,000)**	(22,500)	**(25,965)**	(22,500)
Net (decrease)/increase in cash and cash equivalents		**(1,211,499)**	1,039,339	**13,735**	(45)
Cash and cash equivalents as at 1 January		**2,115,657**	1,076,318	**1,287**	1,332
Cash and cash equivalents as at 31 December		**904,158**	2,115,657	**15,022**	1,287
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds	5	**892,044**	1,263,965	**14,160**	564
Deposits and placements with financial institutions	6	**12,114**	851,692	**862**	723
		904,158	2,115,657	**15,022**	1,287

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activitiy of the Company is investment holding.

The Group's subsidiary companies are Cagamas Berhad ("Cagamas"), Cagamas Global P.L.C. ("CGP"), Cagamas Global Sukuk Berhad ("CGS"), Cagamas MBS Berhad ("CMBS"), Cagamas SRP Berhad ("CSRP"), Cagamas MGP Berhad ("CMGP") and Cagamas SME Berhad ("CSME").

The principal activities of Cagamas consist of the purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance the purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of sukuk.

CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency. CGP commenced its business since 22 September 2014.

CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of sukuk in foreign currency. CGS has yet to commence its operations.

The principal activities of CMBS consist of the purchases of mortgage assets and Islamic mortgage assets from the Government of Malaysia ("GOM") and issuance of residential mortgage–backed securities ("RMBS") and Islamic residential mortgage–backed securities ("IRMBS") to finance the purchases.

The principal activities of CSRP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme ("Skim Rumah Pertamaku") initiated by the GOM.

The principal activities of CMGP are the provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.

The principal activities of CSME consist of purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash or synthetic securitisations or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business is Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements incorporate those activities relating to the Islamic operations of the Group.

The Islamic operations of the Group and the Company refer to the purchases of Islamic house financing assets, Islamic hire purchase assets, Islamic personal financing, Islamic mortgage assets and Islamic hire purchase assets from approved originators, issuance of sukuk under Shariah principles and acquisition, investment in and trading of Islamic financial instruments.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3 to the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective:

The new accounting standards, amendments and improvements to published standards and interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 10, MFRS 12, and MFRS 127, "Investment Entities"
- Amendments to MFRS 132, "Offsetting Financial Assets and Financial Liabilities"
- Amendments to MFRS 136, "Recoverable Amount Disclosures for Non–Financial Assets"
- Amendments to MFRS 139, "Novation of Derivatives and Continuation of Hedge Accounting"
- IC Interpretation 21, "Levies"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective:

The Group and the Company will apply the new standards, amendments to standards and interpretation in the following periods:

(i) Financial year beginning on/after 1 January 2017

- MFRS 15 "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 "Revenue" and related interpretations.

  The adoption of MFRS 15 may result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

(ii) Financial year beginning on/after 1 January 2018

- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The adoption of MFRS 9 may result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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. They are deconsolidated from the date that control ceases.

In 2008, the restructuring of the Group involving a share swap of the Company with Cagamas has been accounted for as a reverse acquistion under FRS 3 "Business Combination".

Under reverse acquisition accounting, the Company recognised a share premium relief reserve to record the excess of investment fair value over share capital. In the consolidated financial statements, a reverse acquisition relief reserve is created to set off against the share premium relief reserve.

Subsidiaries are consolidated using the purchase method of accounting except for certain business combination which were accounted for using the merger method as follows:

- subsidiaries that were consolidated prior to 1 April 2002 in accordance with Malaysian Accounting Standard 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time;
- business combinations consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 that meet the conditions of a merger as set out in FRS 122_{2004} "Business Combinations";
- internal group reorganisations, as defined in MFRS 122, consolidated on/after 1 April 2002 but with agreement dates before 1 January 2006 where:
  - the ultimate shareholders remain the same, and the rights of each such shareholder, relative to the others, are unchanged; and
  - the minorities' share of net assets of the Group is not altered by the transfer.
- business combinations involving entities or businesses under common control with arrangement dates on/after 1 January 2006.

The Group has taken advantage of the exemption provided by MFRS 1, MFRS 3 and FRS 122_{2004} to apply these Standards prospectively. Accordingly, business combinations entered into prior to the respective dates have not been restated to comply with these Standards.

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

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

2.3 Structured entity

A structured entity is an entity where the voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights are related to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity normally has restricted activities, a narrow or well-defined objective, very little equity and is financed by multiple contractually linked instruments, such as securitisation vehicles, asset–backed financings and some investment funds.

The Group has set up BNM Sukuk Berhad ("BNM-Sukuk") as structured entity for the purpose of facilitation of BNM's management of the Islamic banking sector's liquidity respectively.

The Group consolidates any entity that it controls and control is evidenced by all three of the following:

(a) The Group has power over the entity, which is described as having existing rights that give the current ability to direct the relevant activities, i.e. the activities that most significantly affect the entity's returns;

(b) The Group has exposure, or rights, to variable returns from its involvement with the entity; and

(c) The Group has the ability to use its power over the entity to affect the amount of its returns.

The Group has not consolidated BNM-Sukuk as it does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM or for the issuance of Sukuk BNM Murabahah via issuance of Trust Certificates to evidence investors beneficial interest over commodity assets and its profits, arising from the sale of commodity assets to BNM.

2.4 Amount due from counterparties and Islamic financing assets

Note 1 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 subsidiaries.

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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 from the originators at fair values. The originator acts as servicer and remits the principal and interest/profit income from the assets to the Group 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 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 statement over the term of the assets using the internal rate of return method.

2.6 AFS investment securities

AFS investment securities are securities that are acquired and held for yield or capital growth and are usually held for an indefinite period of time, which may be sold in response to market conditions.

Purchases of investments are recognised on the date the Group contracts to purchase the investment. Investments are derecognised when the Group has contracted to sell the investment and transferred substantially all risks and rewards of ownership.

AFS investment securities are carried at fair value on the statement of financial position with cumulative fair value changes reflected under AFS reserve in equity, and recognised in the income statement when the investment securities are disposed of, collected or otherwise sold, or when the securities are determined to be impaired. The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the reporting date.

The realised gains or losses on derecognition of AFS investment securities, which are derived based on the difference between the proceeds received and the carrying value of the securities plus any cumulative unrealised gains or losses arising from changes in fair value previously recognised in equity, are credited or charged to the current year's income statement.

See accounting policy on impairment of financial assets in Note 2.9 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest/profit income rate method. The amortisation of premium and accretion of discount on AFS investment securities are recognised as interest/profit income using the effective yield method.

2.7 Investment in subsidiaries and structured entities

Investment in subsidiaries and structured entities are 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 2.9 to the financial statements describes the Group's accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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.

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	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 cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

At each statement of financial position date, the Group assesses 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 is reflected in Note 2.9 (b) to the financial statements.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit/(loss) from operations.

2.9 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of assets (continued)

(a) Financial assets (continued)

(ii) Assets classified as AFS

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(b) 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 statement, 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 statement.

2.10 Income recognition on mortgage assets and hire purchase/Islamic mortgage assets and Islamic hire purchase and guarantees

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 internal rate of return method. Guarantee fee and wakalah fee income are recognised as income when the fees are received in full, based on the straight line method.

2.11 Premium and discount on unsecured bearer bonds and notes/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 statement 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 statement over the life of the bonds and notes/sukuk on an effective yield basis.

2.12 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 the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 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.

2.15 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. The Group has determined that the Chief Executive Officer of a subsidiary company, Cagamas Berhad to be the chief operating decision maker.

2.16 Derivative financial instruments and hedge accounting

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS") and cross currency swap ("CCS"). Derivatives financial instruments are used by the Group to hedge the issuance of its debt securities/sukuk from potential movements in interest rate, profit rate or foreign currency exposure. Further details of the derivatives financial instruments are disclosed in Note 7 to the financial statements.

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 exposure 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 statement.

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

To apply hedge accounting, the Group documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

The Group also documents 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 statement 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 statement under "Non-interest income".

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve remains until the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 Zakat

Zakat or "alms giving" is mandatory for all muslims who possesses to minimum nisab.

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group has been in operations for at least 12 months, i.e. for the period known as haul.

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2013: 2.5%) of the zakat base. The zakat base of the Group is determined based on the profit before taxation of Cagamas after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

2.19 Employee benefit

(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.

(b) Defined contributions plans

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statement in the financial year to which they relate to. Once the contributions have been paid, the Group has 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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. These costs are amortised over their estimated useful lives of three to five years.

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, 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.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 3 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.

Computer software and service rights are tested annually for 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. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.9 (b) to the financial statements.

2.21 RMBS and IRMBS

RMBS and IRMBS were issued by the Group to fund the purchases of mortgage assets and Islamic mortgage assets from the GOM. As at the statement of financial position date, RMBS and IRMBS are stated at amortised costs.

Interest expense on RMBS and profit attributable to IRMBS are recognised using the effective yield method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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 shareholders 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.

2.23 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 Group's and 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 statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.24 Financial instruments

(a) Description

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Financial instruments (continued)

(b) Fair value estimation for disclosure purposes

Please refer to Note 43 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

In assessing fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

2.25 Contingent liabilities and contingent assets

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

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

2.26 Deferred financing fees

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

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the asset and liability within the next financial year are outlined below.

(a) Fair value of derivatives and AFS investment securities

The estimates and assumptions considered most likely to have an impact on the Group's results and financial positions are those relating to the fair valuation of derivatives and unquoted AFS investment securities for which valuation models are used. The Group has exercised its judgement to select the appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

(b) Impairment of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

The Group makes allowances for losses on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of the MFRS 139, management makes judgement on the future and other key factors in respect of the recovery of the assets. Among the factors considered are the net realisable value of the underlying collateral value and the capacity to generate sufficient cash flows to service the assets.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(c) Accretion of discount on mortgage assets and hire purchase assets

Assumptions are used to estimate cash flow projections of the principal balance outstanding of the mortgage assets and hire purchase assets acquired by the Group and the Company for the purposes of determining accretion of discount. The estimate is determined based on the historical repayment and redemption trend of the borrowers of the mortgage assets and hire purchase assets. Changes in these assumptions could impact the amount recognised as accretion of discount.

(d) Securitisation and structured entities

The Group incorporates its structured entities primarily for the purpose of asset securitisation transactions. The Group does not consolidate its structured entities that it does not control. When assessing whether the Group has to consolidate a structured entity, the Group evaluates a range of factors to determine control, including whether it is exposed, or has rights, to variable returns from its involvement with the structured entity and has the ability to affect those returns through its power over the structured entity.

(e) Discretionary bonus fee

The discretionary bonus fee to be paid to GOM is determined by CMBS by reference to guidelines, criteria and performance indicators deemed appropriate by CMBS. This is based on the performance by the GOM in discharging its servicing responsibilities until the point where the RMBS/IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group's business and operations. It encompasses identification, measurement, analysing, controlling, monitoring and reporting of risks on an enterprise-wide basis.

In recent years, the Group has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The Group will continue to develop its human resources, review existing processes and introduce new approaches in line with best practices in risk management. It is the Group's aim to create strong risk awareness amongst both its front-line and back office staff, where risks are systematically managed and the levels of risk taking are closely aligned to the risk appetite and risk-reward requirements set by the Board of Directors.

4.1 Risk management structure

The Board of Directors has ultimate responsibility for management of risks associated with the Group's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's overall business objectives and desired risk profile. The Board of Directors also reviews and approves all significant risk management policies and risk exposures.

The Board Risk Committee assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage the Group's risks.

Management is responsible for the implementation of the policies laid down by the Board of Directors by ensuring that there are adequate and effective operational procedures, internal controls and systems for identifying, measuring, analysing, controlling, monitoring and reporting of risks.

The Risk Management Department is independent of other departments involved in risk-taking activities. It is responsible for reporting risk exposures independently to the Board Risk Committee and coordinating the management of risks on an enterprise-wide basis.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfil its financial obligations when they fall due. Credit risk arises in the form of on-statement of financial position items such as lending and investments, as well as in the form of off-statement of financial position items such as guarantees and treasury hedging activities.

The Group manages its credit risk by screening borrowers and counterparties, stipulates prudent eligibility criteria and conducts due diligence on loans and financing to be purchased. The Group has in place an internal rating system which sets out the maximum credit limit permissible for each category of rating. The credit limits are reviewed periodically and are determined based on a combination of external ratings, internal credit assessment and business requirements. All credit exposures are monitored on a regular basis and non-compliance is independently reported to management and the Board of Directors for immediate remedy.

Credit risk is also mitigated via underlying assets which comprise of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

4.3 Market risk management

Market risk is the potential loss arising from adverse movements of market prices and rates. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group is not engaged in any equity, foreign exchange or commodity trading activities.

The Group controls its market risk exposure by imposing threshold limits. The limits are set based on the Group's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group has an asset liability management system which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulation under different scenarios to monitor the interest/profit rate risk.

The Group also uses derivative instruments such as interest rate swaps, profit rate swaps and cross currency swaps to manage and hedge market risk exposures against fluctuations in the interest rates, profit rates and foreign currency exchange rates.

4.4 Liquidity risk management

Liquidity risk arises when the Group and the Company do not have sufficient funds to meet its financial obligations when they fall due.

The Group mitigates its liquidity risk by matching the timing of purchases of loans and debts with issuance of debt securities or sukuk. The Group plans its cash flow positions and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. In addition, the Group sets aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

The Group's liquidity management process, as carried out within the subsidiary and monitored by related departments, includes:

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group to meet its cash obligations when they fall due;

(b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;

(c) Monitoring the liquidity ratios of the Group against internal requirements; and

(d) Managing the concentration and profile of funding by diversification of funding sources.

5 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash and balance with banks and other financial institutions	**49,174**	50,728	**14**	20
Money at call and deposits and placements maturing within one month	**832,719**	1,158,100	**14,146**	544
Mudharabah money at call and deposits and placements maturing within one month	**10,151**	55,137	**–**	–
	892,044	1,263,965	**14,160**	564

6 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

Licensed banks	**12,114**	851,692	**862**	723

7 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by the Group to hedge against its interest/profit rate exposure and foreign currency exposure are IRS, IPRS and CCS.

IRS/IPRS are used by the Company to hedge against its interest/profit rate exposure arising from the following transactions:

(i) Issuance of fixed rate bonds/sukuk to fund floating rate asset purchases

The Group pays the floating rate receipts from its floating rate asset purchases to the swap counterparties and receives fixed rate interest/profit in return. This fixed rate interest/profit will then be utilised to pay coupon on the fixed rate bonds/sukuk issued. Hence, the Group is protected from adverse movements in interest rate.

(ii) Issuance of fixed rate bonds/sukuk in rising interest rate environment

The Group will first enter into a swap transaction before interest rate hike. Upon issuance when interest rate increased, the Group will enter into second swap deal by taking an opposite position for the same amount as the first swap transaction. Eventually, the Group will be paying lower fixed rate even though it issued when interest rate is high.

(iii) Issuance of short duration bonds/sukuk to fund long-term fixed asset

The Group will issue Floating Rate Notes (FRN)/short term papers and enter into swap transaction to receive floating rate interest from and pay fixed rate interest to the swap counterparty. Upon receiving instalment from assets, the Group pays fixed rate interest to swap counterparty and receive floating rate interest to pay to the bondholders.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CCS is also used by the Group to hedge against foreign currency exposure arising from the issuance of foreign currency bond/sukuk to fund assets in functional currency. Illustration of the transaction as follows:

(i) At inception, the Group will swap the proceeds from the foreign currency bond/sukuk to the functional currency at the pre-agreed exchange rate with CCS counterparty.

(ii) In the interim, the Group will receive interest payment in foreign currency from the CCS counterparty and remit the same to the foreign currency bond/sukuk holders for coupon payment. Simultaneously, the Group pays interest to the CCS counterparty in functional currency using instalment received from asset purchases.

(iii) On maturity, the Group will pay principal in functional currency at the same pre-agreed exchange rate to the CCS counterparty and receive amount of principal in foreign currency equal to the principal of foreign currency bond/sukuk which will then be used to redeem the bond. The Group's foreign currency exposures are from Renminbi ("CNY"), Hong Kong Dollar ("HKD") and US Dollar ("USD").

The objective when using any derivative instrument is to ensure that the risk and reward profile of any transaction is optimised. The intention is to only use derivatives to create economically effective hedges. However, because of the specific requirements of MFRS 139 to obtain hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because obtaining hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group has designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2014 was a credit of RM32.8 million (2013: RM28.6 million).

(b) Fair value hedges

At present, the Group does not designate any derivatives as fair value hedges.

(c) Net investment hedges

At present, the Group does not designate any derivatives as net investment hedges.

7 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the derivative financial instruments entered into by the Group.

	2014			2013		
Group	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**Contract/ Notional amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
Derivatives in accounting hedge relationships						
Derivatives designated as cash flow hedges:						
IRS/IPRS						
One year to three years	**500,000**	**6,108**	**–**	–	–	–
Three years to five years	**300,000**	**–**	**(18,014)**	800,000	7,286	(22,689)
More than five years	**110,000**	**–**	**(14,455)**	110,000	–	(13,209)
	910,000	**6,108**	**(32,469)**	910,000	7,286	(35,898)
CCS						
One year to three years	**780,000**	**–**	**(274)**	–	–	–
Three years to five years	**2,147,000**	**62,410**	**–**	–	–	–
	2,927,000	**62,410**	**(274)**	–	–	–
	3,837,000	**68,518**	**(32,743)**	910,000	7,286	(35,898)

8 AFS INVESTMENT SECURITIES

	Group	
	2014 RM'000	2013 RM'000
At fair value:		
Malaysian government securities	**390,125**	459,968
Private debt securities	**404,763**	404,367
Government investment issues	**436,899**	430,070
Islamic private debt securities	**745,552**	570,638
Negotiable instrument of deposits	**–**	83,680
Quasi government debt securities	**207,391**	132,361
Islamic quasi government debt securities	**679,066**	458,040
Islamic negotiable instrument of deposits	**49,730**	44,362
Malaysian treasury bills	**18,738**	–
	2,932,264	2,583,486

The maturity structure of AFS investment securities are as follows:

Maturing within one year	**666,849**	625,269
One year to three years	**1,196,301**	871,957
Three years to five years	**551,128**	733,351
More than five years	**517,986**	352,909
	2,932,264	2,583,486

9 AMOUNT DUE FROM COUNTERPARTIES

Relating to:		
Mortgage loans	**5,246,165**	2,623,920
Hire purchase and leasing debts	**445,794**	364,866
Personal loans	**848,260**	836,940
	6,540,219	3,825,726

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

Maturing within one year	**178,104**	1,459,899
One year to three years	**4,210,177**	1,266,347
Three years to five years	**2,151,938**	1,099,480
	6,540,219	3,825,726

10 ISLAMIC FINANCING ASSETS

	Group 2014 RM'000	Group 2013 RM'000
Relating to:		
Islamic house financing	**2,515,704**	1,457,958
Islamic hire purchase financing	**2,834,163**	3,649,680
Islamic personal financing	**1,191,323**	1,000,295
	6,541,190	6,107,933

The maturity structure of Islamic financing assets are as follows:

	2014	2013
Maturing within one year	**2,082,915**	707,743
One year to three years	**4,319,542**	3,478,802
Three years to five years	**138,733**	1,921,388
	6,541,190	6,107,933

11 MORTGAGE ASSETS – CONVENTIONAL

	2014	2013
Purchase without recourse ("PWOR")	**10,189,845**	11,064,322

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

	2014	2013
Maturing within one year	**1,551,951**	1,544,469
One year to three years	**2,114,268**	2,133,924
Three years to five years	**1,947,204**	2,011,058
More than five years	**6,379,263**	7,456,469
	11,992,686	13,145,920
Less:		
Unaccreted discount	**(1,744,457)**	(2,022,933)
Allowance for impairment losses	**(58,384)**	(58,665)
	10,189,845	11,064,322

12 MORTGAGE ASSETS – ISLAMIC

	Group 2014 RM'000	Group 2013 RM'000
PWOR	**10,176,230**	10,648,208

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

	2014 RM'000	2013 RM'000
Maturing within one year	**1,051,294**	1,035,431
One year to three years	**1,459,623**	1,461,906
Three years to five years	**1,474,638**	1,518,588
More than five years	**7,744,163**	8,368,936
	11,729,718	12,384,861
Less:		
Unaccreted discount	**(1,507,304)**	(1,693,892)
Allowance for impairment losses	**(46,184)**	(42,761)
	10,176,230	10,648,208

13 HIRE PURCHASE ASSETS – ISLAMIC

	2014 RM'000	2013 RM'000
PWOR	**7,268**	11,196

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

	2014 RM'000	2013 RM'000
Maturing within one year	**4,511**	6,177
One year to three years	**2,990**	4,783
Three years to five years	**114**	761
	7,615	11,721
Less:		
Unaccreted discount	**(277)**	(458)
Allowance for impairment losses	**(70)**	(67)
	7,268	11,196

14 OTHER ASSETS

	Group	
	2014 **RM'000**	**2013** **RM'000**
Mortgage assets repurchased	**–**	24,186
Compensation receivable from originator on mortgage assets	**2,943**	–
Staff loans and financing	**3,550**	2,580
Deposits	**803**	802
Prepayments	**1,404**	1,896
Prepaid mortgage guarantee fee	**1**	2
Prepaid wakalah fee	**37**	–
Other receivables	**16,637**	666
	25,375	30,132

15 PROPERTY AND EQUIPMENT

Group	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2014	**4,680**	**4,567**	**627**	**9,874**
Additions	**243**	**24**	**–**	**267**
Disposals	**(753)**	**–**	**–**	**(753)**
As at 31 December 2014	**4,170**	**4,591**	**627**	**9,388**
Accumulated depreciation				
As at 1 January 2014	**(3,472)**	**(2,198)**	**(185)**	**(5,855)**
Charge for the financial year	**(490)**	**(454)**	**(125)**	**(1,069)**
Disposals	**752**	**–**	**–**	**752**
As at 31 December 2014	**(3,210)**	**(2,652)**	**(310)**	**(6,172)**
Net book value as at 31 December 2014	**960**	**1,939**	**317**	**3,216**
Cost				
As at 1 January 2013	4,901	4,562	598	10,061
Additions	704	5	95	804
Disposals	(925)	–	(66)	(991)
As at 31 December 2013	4,680	4,567	627	9,874
Accumulated depreciation				
As at 1 January 2013	(3,824)	(1,744)	(130)	(5,698)
Charge for the financial year	(573)	(454)	(121)	(1,148)
Disposals	925	–	66	991
As at 31 December 2013	(3,472)	(2,198)	(185)	(5,855)
Net book value as at 31 December 2013	1,208	2,369	442	4,019

16 INTANGIBLE ASSETS

Group	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Total RM'000
Cost				
As at 1 January 2014	**16,717**	**12,041**	**3,558**	**32,316**
Additions	**–**	**6**	**240**	**246**
Reversal	**(5)**	**–**	**–**	**(5)**
As at 31 December 2014	**16,712**	**12,047**	**3,798**	**32,557**
Accumulated amortisation				
As at 1 January 2014	**(10,078)**	**(11,267)**	**(1,098)**	**(22,443)**
Charge for the financial year	**(1,042)**	**(370)**	**(504)**	**(1,916)**
Reversal	**2**	**–**	**–**	**2**
As at 31 December 2014	**(11,118)**	**(11,637)**	**(1,602)**	**(24,357)**
Net book value as at 31 December 2014	**5,594**	**410**	**2,196**	**8,200**
Cost				
As at 1 January 2013	16,717	11,994	1,152	29,863
Additions	–	47	2,406	2,453
As at 31 December 2013	16,717	12,041	3,558	32,316
Accumulated amortisation				
As at 1 January 2013	(8,910)	(10,520)	(881)	(20,311)
Charge for the financial year	(1,168)	(747)	(217)	(2,132)
As at 31 December 2013	(10,078)	(11,267)	(1,098)	(22,443)
Net book value as at 31 December 2013	6,639	774	2,460	9,873

Service rights are amortised on a straight line basis over the tenure of RMBS/IRMBS. The remaining amortisation period of the intangible assets ranges from 6 to 13 years (2013: 1 to 14 years).

17 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes that relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown on the statement of financial position.

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Deferred tax assets (before offsetting)	**9,890**	12,050	**–**	–
Deferred tax liabilities (before offsetting)	**(464,384)**	(519,646)	**(7)**	–
Deferred tax liabilities	**(454,494)**	(507,596)	**(7)**	–

The movements of deferred tax are as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
As at 1 January	**(507,596)**	(461,881)	**–**	–
Debit to income statement (Note 34)	**55,475**	(46,404)	**(7)**	–
Credit to other comprehensive income	**(2,373)**	689	**–**	–
As at 31 December	**(454,494)**	(507,596)	**(7)**	–

The movements in deferred tax assets and liabilities of the Group during the financial year comprise the following:

Group	**As at 1 January RM'000**	**Recognised to income statement RM'000**	**Recognised to reserves RM'000**	**As at 31 December RM'000**
2014				
Deferred tax assets				
Revaluation reserves of AFS investment securities	**4,759**	**–**	**870**	**5,629**
Unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	**6,230**	**–**	**(3,333)**	**2,897**
Provisions	**644**	**(99)**	**–**	**545**
Temporary difference relating to guarantee/Wakalah fees	**417**	**402**	**–**	**819**
	12,050	**303**	**(2,463)**	**9,890**

17 DEFERRED TAXATION (CONTINUED)

Group	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2014				
Deferred tax liabilities				
Accelerated tax depreciation	**(1,666)**	**350**	**–**	**(1,316)**
Unaccreted discount on mortgage assets	**(517,652)**	**55,124**	**–**	**(462,528)**
Deferred tax arising from acquisition of JV company	**(118)**	**28**	**90**	**–**
Temporary difference relating to accrued interest on deposits and placements	**(210)**	**(330)**	**–**	**(540)**
	(519,646)	**55,172**	**90**	**(464,384)**
2013				
Deferred tax assets				
Revaluation reserves of AFS investment securities	(1,910)	–	6,669	4,759
Unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	12,210	–	(5,980)	6,230
Provisions	412	232	–	644
Temporary difference relating to guarantee/Wakalah fees	65	352	–	417
	10,777	584	689	12,050
2013				
Deferred tax liabilities				
Accelerated tax depreciation	(3,360)	1,694	–	(1,666)
Unaccreted discount on mortgage assets	(468,811)	(48,841)	–	(517,652)
Deferred tax arising from acquisition of JV company	(118)	–	–	(118)
Temporary difference relating to accrued interest on deposits and placements	(369)	159	–	(210)
	(472,658)	(46,988)	–	(519,646)

17 DEFERRED TAXATION (CONTINUED)

Company	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
2014				
Deferred tax liabilities				
Temporary difference relating to interest receivables on deposits and placements	–	(7)	–	(7)

There was no movement in deferred tax assets and liabilities of the Company during the previous financial year.

18 INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares at cost	**4,181,628**	4,185,663

The subsidiaries of the Company are as follows:

Name	Principal activities	Direct and Indirect Interest in equity held by the Company 2014 %	2013 %
Cagamas	Purchases of mortgage loans, personal loans and hire purchases and leasing debts from primary lenders approved by Cagamas and the issuance of bonds and notes to finance these purchases. Cagamas also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of sukuk.	**100**	100
Cagamas Global P.L.C.	Undertake the issuance of bonds and notes in foreign currency. It commenced business since 22 September 2014. Cagamas Global P.L.C. is a wholly-owned subsidiary of Cagamas.	**100***	–
Cagamas Global Sukuk Berhad	Undertake the issuance of sukuk in foreign currency. It has yet to commence its business. Cagamas Global Sukuk Berhad is a wholly-owned subsidiary of Cagamas.	**100***	–
CMBS	Purchases of mortgage assets and Islamic mortgage assets from the GOM and issuance of RMBS and IRMBS to finance the purchases.	**100**	100

18 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The subsidiaries of the Company are as follows:

Name	Principal activities	Direct and Indirect Interest in equity held by the Company 2014 %	2013 %
CSRP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection in relation to My First Home Scheme ("Skim Rumah Pertamaku").	**100**	100
CMGP	Provision of mortgage guarantee and mortgage indemnity business and other form of credit protection. CMGP has remained dormant since 1 January 2014.	**100**	100
CSME	Purchase of Small and Medium Enterprise ("SME") loans and/or structured product transactions via cash and synthetic securitisation or combination of both and issuance of bonds to finance the purchase. CSME has remained dormant since 10 October 2012.	**100**	100

* Indirect interest via investment in Cagamas Berhad

19 INVESTMENT IN STRUCTURED ENTITY

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares at cost	**–***	–*

* denotes RM2

The structured entity of the Company is as follows:

Name	Principal activities	Direct Interest in equity held by the Company 2014 %	Direct Interest in equity held by the Company 2013 %
BNM Sukuk	Undertake the issuance of Islamic securities investment namely BNM Sukuk Ijarah based on Shariah principles to finance the purchase of the beneficial interest of land and building from BNM and, thereafter to lease back the same land and building to BNM for the contractual period which is similar to the tenure of the BNM Sukuk Ijarah, and BNM Sukuk Murabahah based on Shariah principles via the issuance of Trust Certificates to evidence investors' beneficial interest over commodity assets and its profit, arising from the sale of commodity assets to BNM. The Company has issued the last tranche of its Trust Certificate of BNM Sukuk Murabahah on 4 September 2014 and the last contractual maturity date of its Trust Certificate is 25 August 2015.	**100**	100

The results and net assets of BNM Sukuk was not consolidated as the Group does not have control over the entity. The Group merely acts as a facilitator for the issuance of Sukuk BNM Ijarah to finance the purchase of beneficial interest of land and building from BNM and thereafter, to lease back the same land and building to BNM, and BNM Sukuk Murabahah based on Shariah principles via the issuance of Trust Certificates. The Group has no power to direct the activities of the entity and has no exposure or rights to the returns for its involvement with the entity. The Group also has no power to affect the amounts of these returns.

20 UNSECURED BEARER BONDS AND NOTES

Group	Year of maturity	2014 Amount outstanding RM'000	2014 Effective interest rate %	2013 Amount outstanding RM'000	2013 Effective interest rate %
(a) Floating rate notes	2016	**180,000**	**3.500**	180,000	3.500
Add: Interest payable		**2,520**		2,451	
		182,520		182,451	
(b) Medium-term notes	2014	**–**	**–**	2,580,000	3.300 – 4.660
	2015	**690,000**	**3.350 – 5.300**	560,000	3.350 – 5.300
	2016	**1,590,000**	**3.470 – 4.930**	1,470,000	3.470 – 4.930
	2017	**3,423,445**	**3.500 – 4.640**	1,520,000	3.500 – 4.640
	2018	**901,213**	**1.880 – 5.710**	450,000	3.900 – 5.710
	2019	**2,594,800**	**2.745 – 5.280**	845,000	3.750 – 5.280
	2020	**495,000**	**4.100 – 6.000**	495,000	4.100 – 6.000
	2021	**315,000**	**4.150 – 5.380**	315,000	4.150 – 5.380
	2022	**465,000**	**3.900 – 4.480**	465,000	3.900 – 4.480
	2023	**525,000**	**4.250 – 6.050**	525,000	4.250 – 6.050
	2024	**430,000**	**4.000 – 5.520**	430,000	4.000 – 5.520
	2025	**415,000**	**4.550 – 4.650**	415,000	4.550 – 4.650
	2026	**10,000**	**4.410**	10,000	4.410
	2027	**25,000**	**4.140 – 4.170**	25,000	4.140 – 4.170
	2028	**890,000**	**4.750 – 6.500**	890,000	4.750 – 6.500
	2029	**245,000**	**5.500 – 5.750**	245,000	5.500 – 5.750
		13,014,458		11,240,000	
Add: Interest payable		**103,517**		99,257	
Less: Deferred financing fees		**(8,852)**		–	
		13,109,123		11,339,257	
		13,291,643		11,521,708	

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

	Group 2014 RM'000	Group 2013 RM'000
Maturing within one year	**793,287**	2,681,708
One year to three years	**5,188,636**	2,210,000
Three years to five years	**3,494,720**	1,970,000
More than five years	**3,815,000**	4,660,000
	13,291,643	11,521,708

20 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

(a) Floating rate notes

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

(b) Short-term notes and medium-term notes

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

On 29 August 2014, a USD2.5 billion medium term notes programme was established to issue foreign currency debt ("EMTN"). The EMTN are issued by CGP; an indirect subsidiary of the Company and are unconditionally and irrevocably guaranteed by Cagamas. The unsecured bearer bonds and notes outstanding at financial year ended that are not in the functional currencies of the Group and series of notes issued are as follows:

		Group	
		2014 RM'000	**2013 RM'000**
CNY1.5 billion notes	(i)	**846,547**	–
HKD1.0 billion notes	(ii)	**452,538**	–
USD500 million notes	(iii)	**1,749,384**	–
		3,048,469	–

(i) CNY1.5 billion notes

On 22 September 2014, CGP issued a CNY1.5 billion notes and the notes will mature on 22 September 2017. It bears a coupon rate of 3.700% per annum payable semi-annually in arrears. Cagamas has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the CNY1.5 billion notes using the CCS.

CNY1.5 billion notes, at cost	**780,000**	–
Deferred financing fees	**(5,534)**	–
Unrealised foreign exchange translations	**63,446**	–
Interest payables	**8,635**	–
	846,547	–

20 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

(ii) HKD1.0 billion notes

On 5 November 2014, CGP issued a HKD1.0 billion notes and the notes will mature on 8 May 2018. It bears a coupon rate of 1.880% per annum payable quarterly in arrears. Cagamas has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the HKD1.0 billion notes using the CCS.

	Group	
	2014	**2013**
	RM'000	**RM'000**
HKD1.0 billion notes, at cost	**422,000**	–
Unrealised foreign exchange translations	**29,213**	–
Interest payables	**1,325**	–
	452,538	–

(iii) USD500 million notes

On 10 December 2014, CGP issued a USD500 million notes and the notes will mature on 10 December 2019. It bears a coupon rate of 2.745% per annum payable semi-annually in arrears. Cagamas has undertaken fair value hedge on the interest rate risk and foreign exchange risk of the USD500 million notes using the CCS.

USD500 million notes, at cost	**1,725,000**	–
Deferred financing fees	**(3,318)**	–
Unrealised foreign exchange translations	**24,800**	–
Interest payables	**2,902**	–
	1,749,384	–

21 SUKUK

Group		Year of maturity	2014 Amount outstanding RM'000	2014 Effective profit rate %	2013 Amount outstanding RM'000	2013 Effective profit rate %
(a)	Islamic commercial papers	2014	**–**	**–**	500,000	3.300
	Add: Profit payable		**–**		271	
			–		500,271	
(b)	Islamic medium-term notes	2014	**–**	**–**	1,605,000	3.230 – 4.660
		2015	**2,725,000**	**3.092 – 5.300**	2,575,000	3.350 – 5.300
		2016	**2,000,000**	**3.400 – 4.930**	2,165,000	3.400 – 4.930
		2017	**1,930,000**	**3.500 – 4.050**	725,000	3.500 – 4.050
		2018	**645,000**	**3.600 – 5.800**	645,000	3.600 – 5.800
		2019	**412,000**	**3.750 – 5.280**	365,000	3.750 – 5.280
		2020	**680,000**	**4.150 – 6.000**	680,000	4.150 – 6.000
		2021	**245,000**	**4.150 – 5.380**	245,000	4.150 – 5.380
		2022	**25,000**	**3.900 – 4.480**	25,000	3.900 – 4.480
		2023	**995,000**	**4.250 – 6.350**	995,000	4.250 – 6.350
		2024	**315,000**	**4.000 – 5.520**	315,000	4.000 – 5.520
		2025	**455,000**	**4.550 – 4.650**	455,000	4.550 – 4.650
		2026	**20,000**	**4.410 – 4.920**	20,000	4.410 – 4.920
		2027	**15,000**	**4.140**	15,000	4.140
		2028	**1,080,000**	**4.750 – 6.500**	1,080,000	4.750 – 6.500
		2029	**180,000**	**5.500 – 5.750**	180,000	5.500 – 5.750
		2033	**675,000**	**5.000**	675,000	5.000
			12,397,000		12,765,000	
	Add: Profit payable		**131,174**		137,732	
			12,528,174		12,902,732	
(c)	Islamic variable medium–term notes	2015	**500,000**	**3.590**	–	–
		2016	**230,000**	**3.500**	–	–
	Add: Profit payable		**3,530**		–	
			733,530		–	
			13,261,704		13,403,003	

21 SUKUK (CONTINUED)

The maturity structure of the sukuk are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Maturing within one year	**3,359,704**	2,243,003
One year to three years	**4,160,000**	4,740,000
Three years to five years	**1,057,000**	1,370,000
More than five years	**4,685,000**	5,050,000
	13,261,704	13,403,003

(a) Islamic commercial papers

Islamic commercial papers were issued by the Group based on various Islamic principles. These are short-term Islamic instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(b) Islamic medium-term notes

Islamic medium-term notes are long term papers issued by the Group based on various Islamic principles including Sukuk Alim and variable rate Sukuk Murabahah. These sukuk have tenures of more than 1 year and carry a profit which is determined at the point of issuance. Profit on these sukuk is paid half-yearly and quarterly depending on issuance.

22 RMBS

Group	Year of maturity	2014 Amount outstanding RM'000	2014 Effective interest rate %	2013 Amount outstanding RM'000	2013 Effective interest rate %
RMBS	2014	**–**	**–**	725,000	4.28 – 5.50
	2015	**320,000**	**5.10**	320,000	5.10
	2017	**870,000**	**4.52 – 5.34**	870,000	4.52 – 5.34
	2019	**260,000**	**4.70**	260,000	4.70
	2020	**385,000**	**5.65**	385,000	5.65
	2022	**250,000**	**4.90**	250,000	4.90
	2025	**265,000**	**5.92**	265,000	5.92
	2027	**105,000**	**5.08**	105,000	5.08
		2,455,000		3,180,000	
Add: Interest payable		**9,529**		15,347	
		2,464,529		3,195,347	

22 RMBS (CONTINUED)

The maturity structure of the RMBS are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Maturing within one year	**329,529**	740,347
One year to three years	**870,000**	320,000
Three years to five years	**260,000**	870,000
More than five years	**1,005,000**	1,265,000
	2,464,529	3,195,347

On 20 October 2014, the first tranche of the RMBS has been fully redeemed by CMBS.

The RMBS have the following features:

(a) The subsidiary has an option to redeem the RMBS partially subject to the terms and conditions of each transaction.

(b) The RMBS's interest is payable quarterly in arrears.

(c) The RMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the RMBS holders.

(d) The RMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The RMBS are issued on a limited recourse basis. Holders of the RMBS will be limited in their recourse to the underlying mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the mortgage assets.

23 IRMBS

Group	Year of maturity	2014 Amount outstanding RM'000	2014 Effective profit rate %	2013 Amount outstanding RM'000	2013 Effective profit rate %
IRMBS	2014	**–**	**–**	270,000	3.78
	2015	**515,000**	**4.71**	515,000	4.71
	2017	**810,000**	**3.90–5.01**	810,000	3.90 – 5.01
	2019	**245,000**	**4.02**	245,000	4.02
	2020	**400,000**	**5.27**	400,000	5.27
	2022	**320,000**	**4.17**	320,000	4.17
	2027	**290,000**	**4.34**	290,000	4.34
		2,580,000		2,850,000	
Add: Profit attributable		**14,171**		15,314	
		2,594,171		2,865,314	

23 IRMBS (CONTINUED)

The maturity structure of the IRMBS are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Maturing within one year	**529,171**	285,314
One year to three years	**810,000**	515,000
Three years to five years	**245,000**	810,000
More than five years	**1,010,000**	1,255,000
	2,594,171	2,865,314

The IRMBS have the following features:

(a) The subsidiary has an option to redeem the IRMBS partially subject to the terms and conditions of each transaction.

(b) The IRMBS's profit is distributable quarterly in arrears.

(c) The IRMBS are constituted by a Trust Deed made between CMBS and the Trustee, to act for the benefit of the IRMBS holders.

(d) The IRMBS constitute direct, unconditional, unsubordinated and secured obligations of CMBS and rank pari passu without discrimination, preference or priority among themselves, but are subject to payments preferred under law and the Issue Documents.

(e) The IRMBS are issued on a limited recourse basis. Holders of the IRMBS will be limited in their recourse to the underlying Islamic mortgage assets, the related collections and the proceeds from the enforcement of other securities related to the Islamic mortgage assets.

24 OTHER LIABILITIES

Provision for zakat	**4,112**	2,029
Amount due to Government	**48,859**	50,478
Other payables and accruals	**15,627**	13,043
	68,598	65,550

25 SHARE CAPITAL

	Group and Company			
	2014		2013	
	Amount	Number of shares RM'000	Amount	Number of shares RM'000
Ordinary shares of RM1 each:				
Authorised				
As at 1 January/31 December	**500,000**	**500,000**	500,000	500,000
Issued and fully paid:				
As at 1 January/31 December	**150,000**	**150,000**	150,000	150,000

26 RESERVES

(a) AFS reserves

This amount represents the unrealised fair value gains or losses on AFS investment securities, net of taxation.

(b) Cash flow hedge reserves

This amount represents the effective portion of changes in fair value on derivatives designated and qualifying as hedge of future cash flows, net of taxation.

27 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM5,125,062,000 of the Group and RM4,196,850,000 of the Company respectively (2013: RM4,754,894,000 and RM4,187,109,000 for the Group and the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM391,226,000 of the Group and RM39,741,000 of the Company respectively (2013: RM527,592,000 of the Group and RM22,534,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.

28 INTEREST INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due from counterparties	**177,076**	167,467	**–**	–
Mortgage assets	**475,035**	499,265	**–**	–
Hire purchase assets	**(70)**	–	**–**	–
Compensation from mortgage assets	**134**	172	**–**	–
Mortgage assets repurchased	**640**	791	**–**	–
AFS investment securities	**82,674**	67,784	**–**	–
Deposits and placements with financial institutions	**46,283**	37,981	**65**	41
	781,772	773,460	**65**	41
Accretion of discount less amortisation of premium (net)	**279,101**	283,813	**–**	–
	1,060,873	1,057,273	**65**	41

29 INTEREST EXPENSE

	Group	
	2014 RM'000	2013 RM'000
Floating rate notes	**6,300**	6,553
Medium-term notes	**500,082**	424,888
RMBS	**151,280**	160,956
Deposits and placements of financial institutions	**316**	–
	657,978	592,397

30 NON-INTEREST (EXPENSE)/INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Realised net loss on derivatives	**(12,372)**	(9,462)	**–**	–
Other non-operating income	**3,301**	3,401	**–**	5
Gain on disposal of AFS investment securities	**1,657**	2,623	**–**	–
Gain on disposal of property and equipment	**–**	14	**–**	–
Guarantee fee income	**350**	221	**–**	–
Reclassification adjustment on fair value gains, transfer from equity	**54,013**	–	**–**	–
Loss on foreign exchange	**(54,101)**	–	**–**	–
Dividend income	**–**	–	**39,665**	30,000
	(7,152)	(3,203)	**39,665**	30,005

31 ALLOWANCE FOR IMPAIRMENT LOSSES

	Group	
	2014	**2013**
	RM'000	**RM'000**
Allowance for impairment losses	**6,860**	2,702

32 PROFIT BEFORE TAXATION AND ZAKAT

The following items have been charged/(credited) in arriving at profit before taxation and zakat:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration (Note 33)	**1,244**	1,372	**–***	–*
Rental of premises	**2,148**	2,418	**–**	–
Hire of equipment	**228**	242	**–**	–
Auditor's remuneration				
– Audit fees	**300**	277	**–***	–*
– Non-audit fees	**507**	13	**–**	–
Depreciation of property and equipment	**1,069**	1,148	**–**	–
Amortisation of intangible assets	**1,916**	2,132	**–**	–
Servicers fees	**4,465**	3,864	**–**	–
Discretionary bonus fee	**58,273**	–	**–**	–
Repairs and maintenance	**1,663**	1,766	**–**	–
Donations and sponsorship	**(99)**	183	**–**	–
Corporate expenses	**1,494**	645	**–**	–
Travelling expenses	**176**	(87)	**–**	–
Allowance for impairment losses	**6,860**	2,702	**–**	–
Gain on disposal of property and equipment	**–**	(14)	**–**	–
Personnel costs:				
– Salary and allowances	**10,956**	11,166	**–**	–
– Bonus	**6,059**	4,667	**–**	–
– Overtime	**54**	56	**–**	–
– EPF and SOCSO	**2,881**	2,553	**–**	–
– Insurance	**433**	433	**–**	–

* Directors' remuneration of RM501,000 (2013: RM495,000) and auditor's remuneration of RM34,179, which include audit fee of RM28,769 and non-audit fee of RM5,410 (2013: RM30,339, comprising RM25,089 and RM5,250 respectively) for the Company in the financial year were borne by Cagamas Berhad.

33 DIRECTORS' REMUNERATION

The Directors of the Company who have held office during the financial year are as follows:

Non-executive Directors

Dato' Ooi Sang Kuang (Chairman)
Tan Sri Dato' Sri Tay Ah Lek
Cheah Tek Kuang
Datuk George Ratilal
Marzunisham bin Omar
Datuk Abdul Farid Alias
YM Tengku Dato' Zafrul bin Tengku Abdul Aziz

The aggregate amount of emoluments received by the Directors of the Group and the Company during the financial year is as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fees	**833**	887	**360**	347
Other remuneration	**411**	485	**141**	148
	1,244	1,372	**501**	495

34 TAXATION

(a) Tax charge for the financial year

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Malaysian income tax:				
– Current tax	**206,620**	127,135	**(19)**	7,511
– Deferred taxation (Note 17)	**(55,475)**	46,404	**7**	–
	151,145	173,539	**(12)**	7,511
Current tax:				
– Current year	**210,857**	127,409	**11**	7,511
– Over provision in prior year	**(4,237)**	(274)	**(30)**	–
Deferred taxation:				
– Origination and reversal of temporary differences (Note 17)	**(55,475)**	46,404	**7**	–
	151,145	173,539	**(12)**	7,511

34 TAXATION (CONTINUED)

(b) Reconciliation of income tax expense

The tax on the Group's and the Company's profit before taxation and zakat differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation and zakat	**546,483**	703,160	**39,729**	30,045
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	**136,621**	175,790	**9,932**	7,511
Expenses not deductible for tax purposes	**15,096**	559	**2**	–
Income not subject to tax	**–**	–	**(9,916)**	–
Over provision in prior year	**(4,237)**	(274)	**(30)**	–
Deduction arising from zakat contribution	**(507)**	(280)	**–**	–
Under/(over) provision of deferred taxation	**4,191**	(2,256)	**–**	–
Different tax rate in Labuan	**(19)**	–	**–**	–
	151,145	173,539	**(12)**	7,511

35 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Company			
	2014		2013	
	Per share Sen	Total amount RM'000	Per share Sen	Total amount RM'000
First interim dividend paid	**15.00**	**22,500**	11.25	16,875
Second interim dividend paid	**5.00**	**7,500**	3.75	5,625
	20.00	**30,000**	15.00	22,500

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

The related parties and their relationships with the Group and the Company are as follows:

Related parties	Relationships
Cagamas	Subsidiary
CGP	Subsidiary of Cagamas
CGS	Subsidiary of Cagamas
CMBS	Subsidiary
CSRP	Subsidiary
CMGP	Subsidiary
CSME	Subsidiary
Bank Negara Malaysia ("BNM")	Other related party
BNM Sukuk	Structured entity
Government of Malaysia ("GOM")	Servicer of subsidiaries
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the Group and the Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Group, certain members of senior management and their close family members.

Entities in which key management personnel have control are defined as entities that are controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel.

(b) Significant related party transactions and balances

Most of the transactions involving mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities as well as issuance of unsecured debt securities and sukuk are transacted with the shareholders of the Group. These transactions have been disclosed on the statement of financial position and income statement of the Group.

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

Set out below are significant related party transactions and balances which were conducted in the normal course of business.

Group	Other related party RM'000
2014	
Income	
TA & A fee	**63**
Expenses	
FAST* and RENTAS** charges	**49**
Discretionary bonus fee	**58,273**
Servicers fees	**4,465**
Amount due from/(to)	
BNM current accounts	**26**
Reimbursement of operating expenses	**23**
Servicers fees	**(1,022)**
2013	
Income	
TA & A fee	76
Expenses	
FAST* and RENTAS** charges	66
Servicers fees	3,864
Amount due from/(to)	
BNM current accounts	31
Reimbursement of operating expenses	342
Servicers fees	(1,180)

* Denotes Fully Automated System for Issuing and Tendering ("FAST")
** Denotes Real–Time Electronic Transfer of Funds and Securities ("RENTAS")

36 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Significant related party transactions and balances (continued)

The Group's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Group's key management personnel was RM5,945,529 (2013: RM5,337,904).

The total remuneration paid to the Directors is disclosed in Note 33 to the financial statements.

(c) Transaction with the GOM and its related parties

As BNM has significant influence over the Group and the Company, the GOM and entities controlled, jointly controlled or has significant influence by the GOM are related parties of the Group and the Company.

The Group enters into transactions with many of these entities to purchase mortgage loans, personal loans and hire purchase and leasing debts and to issue bonds and notes to finance the purchase as part of its normal operations. The Group also purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing funded by issuance of Sukuk.

37 CAPITAL COMMITMENTS

	Group	
	2014	**2013**
	RM'000	**RM'000**
Capital expenditure:		
Authorised but not contracted for	**7,613**	7,793
Analysed as follows:		
Equipments	**113**	93
Computer equipments	**7,500**	7,700

38 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premise and hired equipment, all of which are classified as operating leases. A summary of the long-term commitments are as follows:

Maturing within one year	**2,974**	2,792
One year to three years	**5,338**	59
Three years to five years	**567**	–
	8,879	2,851

39 INTEREST/PROFIT RATE RISK

Cash flow interest/profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest/profit rates. Fair value interest/profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Group takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

The following tables summarise the Group's exposure to interest/profit rate risks. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The carrying amounts of derivative financial instruments, which are principally used to reduce the Group's exposure to interest/profit rate movements, are included in "other assets" and "other liabilities" under the heading "non–interest bearing".

The tables also represent a static position which provides an indication of the potential impact on the Group's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off–statement of financial position items by time bands. A positive interest/profit rate sensitivity gap exists when more interest/profit sensitive assets than interest/profit sensitive liabilities reprice or mature during a given time period. Similarly, a negative interest/profit rate sensitivity gap exists when more interest/profit sensitive liabilities than interest/profit sensitive assets reprice or mature during a given time period. Any negative interest/profit rate sensitivity gap is to be funded by the Group's shareholders' funds, unsecured bearer bonds and notes or sukuk or money market borrowings.

For decision–making purposes, the Group manages their exposure to interest/profit rate risk. The Group sets limits on the sensitivity of the Group's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group also undertakes duration analysis before deciding on the size and tenure of the debt securities/sukuk to be issued to ensure that the Group's assets and liabilities are closely matched within the tolerance limit set by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

39. INTEREST/PROFIT RATE RISK (CONTINUED)

Group 2014	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Financial assets						
Cash and short-term funds	842,926	–	–	–	49,118	892,044
Deposits and placements with financial institutions	12,114	–	–	–	–	12,114
AFS investment securities	666,849	1,196,301	551,128	517,986	–	2,932,264
Amount due from counterparties	178,104	4,210,177	2,151,938	–	–	6,540,219
Islamic financing assets	2,082,915	4,319,542	138,733	–	–	6,541,190
Mortgage assets:						
– Conventional	1,551,951	2,114,268	1,947,204	6,379,263	(1,802,841)	10,189,845^1
– Islamic	1,051,294	1,459,623	1,474,638	7,744,163	(1,553,488)	10,176,230^3
Hire purchase assets:						
– Conventional	5	–	–	–	(1)	4^2
– Islamic	4,511	2,990	114	–	(347)	7,268^4
Other assets	5,487	5,998	3,948	7,538	77,299	100,270
	6,396,156	13,308,899	6,267,703	14,648,950	(3,230,260)	37,391,448
Financial liabilities						
Unsecured bearer bonds and notes	793,287	5,188,636	3,494,720	3,815,000	–	13,291,643
Sukuk	3,359,704	4,160,000	1,057,000	4,685,000	–	13,261,704
RMBS	329,529	870,000	260,000	1,005,000	–	2,464,529
IRMBS	529,171	810,000	245,000	1,010,000	–	2,594,171
Deposits and placements of financial institutions	30,003	–	–	–	–	30,003
Other liabilities	–	–	–	–	120,869	120,869
	5,041,694	11,028,636	5,056,720	10,515,000	120,869	31,762,919
Interest/profit sensitivity gap	1,354,462	2,820,263	1,210,983	4,133,950		
Cumulative gap	1,354,462	3,634,725	4,845,708	8,979,658		

^1 Includes impairment losses on conventional mortgage assets of RM58,383,621.
^2 Includes impairment losses on Islamic mortgage assets of RM46,183,427.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM69,925.

39. INTEREST/PROFIT RATE RISK (CONTINUED)

Group 2013	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
Financial assets						
Cash and short-term funds	1,213,318	–	–	–	50,647	1,263,965
Deposits and placements with financial institutions	851,692	–	–	–	–	851,692
AFS investment securities	625,269	871,958	733,351	352,908	–	2,583,486
Amount due from counterparties	1,459,899	1,266,347	1,099,480	–	–	3,825,726
Islamic financing assets	707,743	3,478,802	1,921,388	–	–	6,107,933
Mortgage assets:						
– Conventional	1,544,469	2,133,924	2,011,058	7,456,469	(2,081,598)	11,064,322^1
– Islamic	1,035,431	1,461,906	1,518,588	8,368,935	(1,736,652)	10,648,208^3
Hire purchase assets:						
– Conventional	5	–	–	–	(1)	4^2
– Islamic	6,177	4,783	761	–	(525)	11,196^4
Other assets	6,141	7,261	4,730	8,634	9,505	36,271
	7,450,144	9,224,981	7,289,356	16,186,946	(3,758,624)	36,392,803
Financial liabilities						
Unsecured bearer bonds and notes	2,681,708	2,210,000	1,970,000	4,660,000	–	11,521,708
Sukuk	2,243,003	4,740,000	1,370,000	5,050,000	–	13,403,003
RMBS	740,347	320,000	870,000	1,265,000	–	3,195,347
IRMBS	285,314	515,000	810,000	1,255,000	–	2,865,314
Other liabilities	–	–	–	–	144,125	144,125
	5,950,372	7,785,000	5,020,000	12,230,000	144,125	31,129,497
Total interest/profit sensitivity gap	1,499,772	1,439,981	2,269,356	3,956,946		
Cumulative gap	1,499,772	2,939,753	5,209,109	9,166,055		

^1 Includes impairment losses on conventional mortgage assets of RM58,664,115.
^2 Includes impairment losses on Islamic mortgage assets of RM42,760,404.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM66,518.

39 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's financial instruments to interest/profit rates movements. The analysis is based on the assumptions that interest/profit will fluctuate by 100 basis points, with all other variables held constant.

Group	–100 basis points RM'000	+100 basis points RM'000
2014		
AFS reserves	**78,790**	**(74,720)**
Derivatives financial instruments	**(29,602)**	**28,062**
Taxation effects on the above at tax rate of 25%	**(12,296)**	**11,664**
Effect on shareholders' funds	**36,892**	**(34,994)**
As percentage of shareholders' funds	**0.7%**	**–0.7%**
2013		
AFS reserves	75,955	(72,249)
Derivatives financial instruments	(38,508)	36,466
Taxation effects on the above at tax rate of 25%	(9,266)	8,853
Effect on shareholders' funds	28,181	(26,930)
As percentage of shareholders' funds	0.6%	–0.6%

40 CREDIT RISK

40.1 Credit risk concentration

The Group's counterparties are mainly the GOM, financial institutions and individuals in Malaysia. The financial institutions are governed by the Financial Services Act ("FSA"), 2013 and the Islamic Financial Services Act ("IFSA"), 2013 and are subject to periodic review by the BNM. The following tables summarised the Group's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statements of financial position date.

Industrial analysis based on its industrial distribution

Group 2014	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Conventional RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	27	-	-	1,339,297	-	-	-	-	-	-	19,445	1,358,769
Quasi government bodies	-	-	-	39,092	-	-	-	-	-	-	-	39,092
Financial institutions:												
– Commercial banks	878,105	12,114	68,518	210,979	6,094,425	5,534,165	-	-	-	-	-	12,798,306
– Investment banks	13,912	-	-	-	-	-	-	-	-	-	-	13,912
Communication, electricity, gas and water	-	-	-	80,488	-	-	-	-	-	-	-	80,488
Transportation	-	-	-	263,255	-	-	-	-	-	-	-	263,255
Leasing	-	-	-	-	445,794	-	-	-	-	-	-	445,794
Consumers	-	-	-	-	-	-	10,189,845	10,176,230	4	7,268	7,919	20,381,266
Corporate	-	-		-	-	1,007,025	-	-	-	-	-	1,007,025
Others	-	-	-	999,153	-	-	-	-	-	-	6,743	1,005,896
Total	892,044	12,114	68,518	2,932,264	6,540,219	6,541,190	10,189,845	10,176,230	4	7,268	34,107	37,393,803

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40 CREDIT RISK (CONTINUED)

40.1 Credit risk concentration (continued)

Industrial analysis based on its industrial distribution

Group 2013	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets-Conventional RM'000	Mortgage assets-Islamic RM'000	Hire purchase assets-Conventional RM'000	Hire purchase assets-Islamic RM'000	Other assets RM'000	Total RM'000
Government bodies	–	–	–	1,152,690	–	–	–	–	–	–	24,528	1,177,218
Quasi government bodies	–	–	–	23,828	–	–	–	–	–	–	–	23,828
Financial institutions:												
– Commercial banks	1,063,789	851,692	7,286	469,501	3,460,859	6,107,933	–	–	–	–	–	11,961,060
– Investment banks	200,176	–	–	–	–	–	–	–	–	–	–	200,176
Communication, electricity, gas and water	–	–	–	55,493	–	–	–	–	–	–	–	55,493
Transportation	–	–	–	233,265	–	–	–	–	–	–	–	233,265
Leasing	–	–	–	–	364,867	–	–	–	–	–	–	364,867
Consumers	–	–	–	–	–	–	11,064,322	10,648,208	4	11,196	–	21,723,730
Others	–	–	–	648,709	–	–	–	–	–	–	6,354	655,063
Total	1,263,965	851,692	7,286	2,583,486	3,825,726	6,107,933	11,064,322	10,648,208	4	11,196	30,882	36,394,700

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets

All amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are categorised as either:

– neither past due nor impaired; or
– past due but not individually impaired.

The impairment allowance is assessed on a pool of financial assets which are not individually impaired.

Credit risk loans comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets which are due more than 90 days. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

Group 2014	Neither past due nor impaired RM'000	Past due but not individually impaired RM'000	Total RM'000	Impairment allowance RM'000	Total carrying value RM'000	Credit risk loan RM'000	Coverage ratio %
Amount due from counterparties	**6,540,219**	**–**	**6,540,219**	**–**	**6,540,219**	**–**	**–**
Islamic financing assets	**6,541,190**	**–**	**6,541,190**	**–**	**6,541,190**	**–**	**–**
Mortgage assets:							
– Conventional	**10,141,920**	**106,309**	**10,248,229**	**58,384**	**10,189,845**	**106,309**	**55**
– Islamic	**10,141,542**	**80,872**	**10,222,414**	**46,184**	**10,176,230**	**80,872**	**57**
Hire purchase assets:							
– Conventional	**1**	**4**	**5**	**1**	**4**	**4**	**25**
– Islamic	**7,153**	**185**	**7,338**	**70**	**7,268**	**185**	**38**
	33,372,025	**187,370**	**33,559,395**	**104,639**	**33,454,756**	**187,370**	
2013							
Amount due from counterparties	3,825,726	–	3,825,726	–	3,825,726	–	–
Islamic financing assets	6,107,933	–	6,107,933	–	6,107,933	–	–
Mortgage assets:							
– Conventional	11,014,172	108,815	11,122,987	58,665	11,064,322	108,815	54
– Islamic	10,627,926	63,043	10,690,969	42,761	10,648,208	63,043	68
Hire purchase assets:							
– Conventional	1	4	5	1	4	4	25
– Islamic	11,101	162	11,263	67	11,196	162	41
	31,586,859	172,024	31,758,883	101,494	31,657,389	172,024	

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets neither past due nor individually impaired are as below:

	2014		2013	
Group	**Strong RM'000**	**Total RM'000**	**Strong RM'000**	**Total RM'000**
Amount due from counterparties	**6,540,219**	**6,540,219**	3,825,726	3,825,726
Islamic financing assets	**6,541,190**	**6,541,190**	6,107,933	6,107,933
Mortgage assets:				
– Conventional	**10,141,920**	**10,141,920**	11,014,172	11,014,172
– Islamic	**10,141,542**	**10,141,542**	10,627,926	10,627,926
Hire purchase assets:				
– Conventional	**1**	**1**	1	1
– Islamic	**7,153**	**7,153**	11,101	11,101
	33,372,025	**33,372,025**	31,586,859	31,586,859

For the purpose of analysis of credit risk quality, the following internal measures of credit quality have been used:

Strong - there is a very high likelihood that the asset being recovered in full. This comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

An aging analysis of mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets that are past due but not individually impaired is set out below:

Group **2014**	**91 to 120 days RM'000**	**121 to 150 days RM'000**	**151 to 180 days RM'000**	**Over 180 days RM'000**	**Total RM'000**
Mortgage assets:					
– Conventional	**9,598**	**7,027**	**6,499**	**83,185**	**106,309**
– Islamic	**9,414**	**6,752**	**6,611**	**58,095**	**80,872**
Hire purchase assets:					
– Conventional	**–**	**–**	**–**	**4**	**4**
– Islamic	**1**	**–**	**–**	**184**	**185**
	19,013	**13,779**	**13,110**	**141,468**	**187,370**

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

Group 2013	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
Mortgage assets:					
– Conventional	8,305	7,278	6,814	86,418	108,815
– Islamic	6,281	4,125	4,519	48,118	63,043
Hire purchase assets:					
– Conventional	–	–	–	4	4
– Islamic	–	44	2	116	162
	14,586	11,447	11,335	134,656	172,024

For the purpose of this analysis, an asset is considered past due and included above when payment due under strict contractual terms is received late or missed. The amount included is either the entire financial assets, not just the payment, of both principal and interest, overdue on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

The impairment allowance on such loans is calculated on a collective, not individual basis as this reflects homogeneous nature of the assets, which allows statistical techniques to be used, rather than individual assessments.

For the financial year ended 31 December 2014, the Group has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

40 CREDIT RISK (CONTINUED)

40.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

The movement in impairment allowance are as follows:

Group 2014	As at 1 January RM'000	Allowance made RM'000	Write-back of allowance RM'000	Alowance Written-off RM'000	As at 31 December RM'000
Mortgage assets:					
– Conventional	**58,665**	**10,284**	**(7,998)**	**(2,567)**	**58,384**
– Islamic	**42,761**	**8,082**	**(3,511)**	**(1,148)**	**46,184**
Hire purchase assets:					
– Conventional	**1**	**–**	**–**	**–**	**1**
– Islamic	**67**	**21**	**(18)**	**–**	**70**
	101,494	**18,387**	**(11,527)**	**(3,715)**	**104,639**
2013					
Mortgage assets:					
– Conventional	59,959	2,100	(3,394)	–	58,665
– Islamic	38,755	7,859	(3,853)	–	42,761
Hire purchase assets:					
– Conventional	2	–	(1)	–	1
– Islamic	76	33	(42)	–	67
	98,792	9,992	(7,290)	–	101,494

40 CREDIT RISK (CONTINUED)

40.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Group uses the rating by external rating agencies, mainly RAM and MARC. The table below presents an analysis of AFS investment securities external ratings:

Group		**Investment grade**		
	GOM	**AAA**	**AA1 to AA2/ AA+ to AA**	**Total**
2014	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysian government securities	**390,125**	**–**	**–**	**390,125**
Government investment issues	**436,899**	**–**	**–**	**436,899**
Private debt securities	**–**	**167,517**	**237,246**	**404,763**
Islamic private debt securities	**35,695**	**709,857**	**–**	**745,552**
Islamic negotiable instrument of deposits	**–**	**49,730**	**–**	**49,730**
Quasi government debt securities	**207,391**	**–**	**–**	**207,391**
Islamic quasi government debt securities	**639,974**	**39,092**	**–**	**679,066**
Malaysian Islamic Treasury bills	**18,738**	**–**	**–**	**18,738**
Total	**1,728,822**	**966,196**	**237,246**	**2,932,264**
2013				
Malaysian government securities	459,968	–	–	459,968
Government investment issues	430,070	–	–	430,070
Private debt securities	–	161,575	242,792	404,367
Negotiable instrument of deposits	–	83,680	–	83,680
Islamic private debt securities	–	570,638	–	570,638
Islamic negotiable instrument of deposits	–	–	44,362	44,362
Quasi government debt securities	132,361	–	–	132,361
Islamic quasi government debt securities	458,040	–	–	458,040
Total	1,480,439	815,893	287,154	2,583,486

None of these assets are impaired nor past due but not impaired.

40 CREDIT RISK (CONTINUED)

40.4 Offsetting financial instruments

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group	Gross amount of recognised financial liabilities RM'000	Gross amount of recognised financial assets set off in the statement of financial position RM'000	Net amount of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instrument RM'000	Cash collateral placed RM'000	
2014						
Derivatives financial liabilities	**(32,743)**	**–**	**(32,743)**	**–**	**23,190**	**(9,553)**
2013						
Derivatives financial liabilities	(35,898)	–	(35,898)	–	26,100	(9,798)

41 LIQUIDITY RISK

41.1 Funding approach

Sources of liquidity are regularly reviewed to maintain a wide diversification of debt portfolios. This involves managing market access in order to widen sources of funding to avoid over dependence on a single funding source as well as to minimise cost of funding.

41.2 Liquidity pool

The Group's liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
2014	**904,158**	**68,518**	**2,932,264**	**10,189,845**	**10,176,230**	**13,113,221**	**37,384,236**
2013	2,115,657	7,286	2,583,486	11,064,322	10,648,208	9,973,844	36,392,803

41 LIQUIDITY RISK (CONTINUED)

41.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statements of financial position. The amounts disclosed in the table are contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis, which does not result in a significantly different analysis.

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2014						
Financial liabilities						
Unsecured bearer bonds and notes	**78,919**	**60,925**	**1,090,765**	**10,224,967**	**4,835,805**	**16,291,381**
Sukuk	**27,428**	**842,322**	**2,887,807**	**6,552,029**	**6,255,921**	**16,565,507**
RMBS	**–**	**31,146**	**414,687**	**1,474,070**	**1,195,990**	**3,115,893**
IRMBS	**–**	**29,234**	**596,877**	**1,366,711**	**1,153,413**	**3,146,235**
Unexpired financial guarantee contracts	**7,918**	**–**	**–**	**–**	**–**	**7,918**
Other liabilities	**194**	**–**	**–**	**–**	**48,859**	**49,053**
	114,459	**963,627**	**4,990,136**	**19,617,777**	**13,489,988**	**39,175,987**
Assets held for managing liquidity risk	**1,287,867**	**1,548,295**	**4,428,283**	**18,360,522**	**18,493,417**	**44,118,384**
2013						
Financial liabilities						
Unsecured bearer bonds and notes	13,804	200,689	2,864,305	5,528,860	5,907,831	14,515,489
Sukuk	47,901	755,627	1,854,742	7,551,832	6,872,957	17,083,059
RMBS	4,731	35,774	841,594	1,595,737	1,520,154	3,997,990
IRMBS	–	32,320	360,218	1,665,928	1,450,307	3,508,773
Unexpired financial guarantee contracts	4,267	–	–	–	–	4,267
Other liabilities	14,884	–	–	–	–	14,884
	85,587	1,024,410	5,920,859	16,342,357	15,751,249	39,124,462
Assets held for managing liquidity risk	1,647,962	1,446,869	5,010,710	18,358,740	21,006,904	47,471,185

41 LIQUIDITY RISK (CONTINUED)

41.4 Derivative liabilities

The Group's derivatives comprise IRS, IPRS and CCS held by a subsidiary, for which net cash flows are exchanged, held for hedging purposes. The derivatives held by the subsidiary is settled on a net basis.

The following table analyses the subsidiary's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of all derivatives. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Group	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2014						
Derivative held for hedging						
– IRS/IPRS	**–**	**(2,988)**	**(1,762)**	**(18,436)**	**(6,515)**	**(29,700)**
– CCS	**–**	**2,091**	**(36,420)**	**(72,295)**	**–**	**(106,625)**
2013						
Derivative held for hedging						
– IRS/IPRS	–	(4,767)	(4,453)	(17,976)	(4,159)	(31,355)
– CCS	–	–	–	–	–	–

42 FOREIGN EXCHANGE RISK

The Group is exposed to transactional foreign exchange exposures which are exposures on liabilities denominated in currencies other than the functional currencies of the transacting entity.

The Group hedges 100% of its foreign currency denominated unsecured bonds and notes and loans from subsidiary. The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

42 FOREIGN EXCHANGE RISK (CONTINUED)

42.1 Exposure to foreign currency risk

Group 2014	CNY RM'000	HKD RM'000	USD RM'000
Derivative financial instruments	780,000	422,000	1,725,000
Amount due to counterparties	852,454	–	–
	1,632,454	422,000	1,725,000
Unsecured bonds and notes	846,547	452,538	1,749,384

42.2 Currency risk sensitivity analysis

A 1% weakening of the Ringgit Malaysia against the following currencies as at the date of statement of financial position would have increased equity and profit for the financial year as summarised in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The sensitivity analysis assumes that all other variable, in particular interest/profit rates, remained constant and ignores any impact of CCS.

Group 2014	Equity RM'000	Profit RM'000
CNY	3	4
HKD	4,525	13
USD	17,545	30
	22,073	47

The Group has no exposure to foreign exchange risk in the previous financial year.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS

43.1 Fair value of financial instruments carried at fair value

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

The face value of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year is assumed to approximate their fair values.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest/profit rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair value of the AFS investment securities is derived from market indicative quotes or observable market prices at the date of the statement of financial position.

The estimated fair value of the IRS, IPRS and CCS are based on the estimated cash flows discounted using the market interest/profit rate, taking into account the effect of the entity's net exposure to the credit risk of that counterparty at the statement of financial position date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

– Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

– Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

43.1 Fair value of financial instruments carried at fair value (continued)

Group

2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
AFS investment securities	**–**	**2,932,264**	**–**	**2,932,264**
Derivative financial instruments	**–**	**68,518**	**–**	**68,518**
Liabilities				
Derivative financial instruments	**–**	**32,743**	**–**	**32,743**
2013				
Assets				
AFS investment securities	–	2,583,486	–	2,583,486
Derivative financial instruments	–	7,286	–	7,286
Liabilities				
Derivative financial instruments	–	35,898	–	35,898

43.2 Fair value of financial instruments carried other than fair value

The following methods and assumptions were used to estimate the fair value of financial instruments as at the statement of financial position date:

(a) Cash and short-term funds and deposits and placements with licensed financial institutions

The carrying amount of cash and short-term funds and deposits and placements with licensed financial institutions are used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) Other financial assets

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount due to short tenure of less than one year.

(c) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount due to short tenure of less than one year.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments carried other than fair value (continued)

The estimated fair values of the Group's financial instruments approximated their carrying values in the statement of financial position except for the following:

	2014		2013	
Group	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Amount due from counterparties	**6,540,219**	**6,281,970**	3,825,726	3,623,966
Islamic financing assets	**6,541,190**	**6,417,928**	6,107,933	5,802,562
Mortgage assets:				
– Conventional	**10,189,845**	**10,281,064**	11,064,322	11,582,916
– Islamic	**10,176,230**	**10,238,431**	10,648,208	10,952,449
Hire purchase assets:				
– Conventional	**4**	**4**	4	4
– Islamic	**7,268**	**7,309**	11,196	11,210
	33,454,756	**33,226,706**	31,657,389	31,973,107
Financial liabilities				
Unsecured bearer bonds and notes	**13,291,643**	**13,588,064**	11,521,708	11,647,554
Sukuk	**13,261,704**	**13,703,954**	13,403,003	13,539,338
RMBS	**2,464,529**	**2,528,864**	3,195,347	3,292,623
IRMBS	**2,594,171**	**2,622,456**	2,865,314	2,886,628
	31,612,047	**32,443,338**	30,985,372	31,366,143

The fair value of the fixed rate assets portfolio of amount due from counterparties is based on the present value of estimated future cash flows discounted at the prevailing market rates of loans with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy. The fair value of the floating rate assets portfolio of amount due from counterparties is based on their carrying amount as the re-pricing date of the floating rate assets is not greater than 6 months.

The fair value of the Islamic financing assets is based on the present value of estimated future cash flows discounted at the prevailing market rates of financing with similar credit risk and maturities at the statement of financial position date and is therefore within Level 3 of the fair value hierarchy.

The fair value of the mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets and hire purchase assets/ Islamic mortgage assets and Islamic hire purchase assets market yield to maturity at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

The fair value of the unsecured bearer bonds and notes, Sukuk, RMBS and IRMBS are derived at using the present value of future cash flows discounted based on the coupon rate at the statement of financial position date and, is therefore within Level 3 of the fair value hierarchy.

44 SEGMENT REPORTING

The Chief Executive Officer (the chief operating decision maker) of Cagamas makes strategic decisions and allocation of resources centrally on behalf of the Group. The Group has 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 purchases 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. 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.

(b) PWOR

Under the PWOR scheme, the Group purchases 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) Mortgage guarantee

Under the mortgage guarantee scheme, the Group derives its income by providing financial guarantee protection for a fee. Upfront guarantee and Wakalah fees received from the financial guarantee contracts are deferred and amortised to the income statement over the term of the guarantee contracts.

Guarantee and Wakalah fee income is initially recognised at fair value equal to the premium received on the date when the guarantee or Wakalah is given. Subsequently, they are measured at the higher of the amount of provisions determined in accordance with MFRS 137: "Provisions, Contingent Liabilities and Contingent Assets" and the initial fair value less accumulated amortisation.

(d) Securitisation

The Group purchased Small and Medium Enterprise ("SME") loans via cash or synthetic securitisations, or a combination of both and issued bonds to finance the purchase.

In each reporting segments, income is derived by seeking investments to maximise returns. These returns consist of interest/profit and gains on the appreciation in the value of investments.

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

44 SEGMENT REPORTING (CONTINUED)

Group	PWR RM'000	PWOR RM'000	Mortgage guarantee RM'000	Securitisation RM'000	Total RM'000
2014					
External revenue	**461,806**	**1,309,660**	**7,756**	**–**	**1,779,222**
External interest/profit expense	**(376,494)**	**(845,175)**	**–**	**–**	**(1,221,669)**
Profit from operations	**76,659**	**461,392**	**8,432**	**–**	**546,483**
Zakat	**(2,868)**	**(1,244)**	**–**	**–**	**(4,112)**
Taxation	**(18,870)**	**(130,128)**	**(2,147)**	**–**	**(151,145)**
Profit after taxation and zakat by segment	**54,921**	**330,020**	**6,285**	**–**	**391,226**
Segment assets	**13,936,061**	**23,254,975**	**216,711**	**–**	**37,407,747**
Segment liabilities	**9,372,093**	**22,896,108**	**6,284**	**–**	**32,274,485**
Other information:					
Capital expenditure	**243**	**271**	**–**	**–**	**514**
Depreciation and amortisation	**506**	**2,479**	**–**	**–**	**2,985**
2013					
External revenue	527,842	1,191,707	7,268	1	1,726,818
External interest/profit expense	(412,583)	(666,903)	–	–	(1,079,486)
Profit from operations	82,182	613,322	7,656	–	703,160
Zakat	(1,898)	(131)	–	–	(2,029)
Taxation	(19,827)	(152,029)	(1,683)	–	(173,539)
Profit after taxation and zakat by segment	60,457	461,162	5,973	–	527,592
Segment assets	10,810,548	25,387,869	221,622	12	36,420,051
Segment liabilities	9,277,195	22,374,445	3,632	12	31,655,284
Other information:					
Capital expenditure	1,277	1,980	–	–	3,257
Depreciation and amortisation	451	2,828	–	–	3,279

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE

ASSETS AND LIABILITIES

2014	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	CSME RM'000	Consolidation adjustments RM'000	Total RM'000
ASSETS							
Cash and short-term funds	110,519	663,272	117,909	344	–	–	892,044
Deposits and placements with financial institutions	862	5,091	6,161	–	–	–	12,114
Derivative financial instruments	68,518	–	–	–	–	–	68,518
AFS investment securities	1,546,684	1,294,395	91,185	–	–	–	2,932,264
Amounts due from counterparties	6,540,219	–	–	–	–	–	6,540,219
Islamic financing assets	6,541,190	–	–	–	–	–	6,541,190
Mortgage assets:							
– Conventional	7,296,732	2,893,113	–	–	–	–	10,189,845
– Islamic	7,326,436	2,849,794	–	–	–	–	10,176,230
Hire purchase assets:							
– Conventional	4	–	–	–	–	–	4
– Islamic	7,268	–	–	–	–	–	7,268
Amount due from a related company	607	–	–	–	–	(607)	–
Other assets	10,059	16,479	–	–	–	–	26,538
Property and equipment	3,216	–	–	–	–	–	3,216
Intangible assets	8,200	–	–	–	–	–	8,200
Deferred taxation	7,568	1,210	1,112	–	–	–	9,890
Tax recoverable	207	–	–	–	–	–	207
Investment in subsidiaries	4,181,628	–	–	–	–	(4,181,628)	–
TOTAL ASSETS	33,649,917	7,723,354	216,367	344	–	(4,182,235)	37,407,747
LIABILITIES							
Unsecured bearer bonds and notes	13,291,643	–	–	–	–	–	13,291,643
Sukuk	13,261,704	–	–	–	–	–	13,261,704
Derivative financial instruments	32,743	–	–	–	–	–	32,743
RMBS	–	2,464,529	–	–	–	–	2,464,529
IRMBS	–	2,594,171	–	–	–	–	2,594,171
Deposits and placements of financial institutions	30,003	–	–	–	–	–	30,003
Deferred guarantee fee income	–	–	2,431	–	–	–	2,431
Deferred Wakalah fee income	–	–	2,937	–	–	–	2,937
Deferred taxation	1,339	463,020	25	–	–	–	464,384
Provision for taxation	13,554	47,091	460	237	–	–	61,342
Other liabilities	68,308	96	87	107	–	–	68,598
Amount due to a related company	–	607	–	–	–	(607)	–
TOTAL LIABILITIES	26,699,294	5,569,514	5,940	344	–	(607)	32,274,485

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

ASSETS AND LIABILITIES (CONTINUED)

2013	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	CSME RM'000	Consolidation adjustments RM'000	Total RM'000
ASSETS							
Cash and short-term funds	593,520	569,596	32,901	67,936	12	–	1,263,965
Deposits and placements with financial institutions	723	811,078	26,894	12,997	–	–	851,692
Derivative financial instruments	7,286	–	–	–	–	–	7,286
AFS investment securities	1,587,058	916,227	49,594	30,607	–	–	2,583,486
Amounts due from counterparties	3,825,726	–	–	–	–	–	3,825,726
Islamic financing assets	6,107,933	–	–	–	–	–	6,107,933
Mortgage assets:							
– Conventional	7,846,587	3,217,735	–	–	–	–	11,064,322
– Islamic	7,582,923	3,065,285	–	–	–	–	10,648,208
Hire purchase assets:							
– Conventional	4	–	–	–	–	–	4
– Islamic	11,196	–	–	–	–	–	11,196
Amount due from a related company	751	–	–	–	–	(751)	–
Other assets	9,788	20,344	–	–	–	–	30,132
Property and equipment	4,019	–	–	–	–	–	4,019
Intangible assets	9,873	–	–	–	–	–	9,873
Deferred taxation	10,652	705	693	–	–	–	12,050
Tax recoverable	159	–	–	–	–	–	159
Investment in subsidiaries	4,185,663	–	–	–	–	(4,185,663)	–
TOTAL ASSETS	31,783,861	8,600,970	110,082	111,540	12	(4,186,414)	36,420,051
LIABILITIES							
Unsecured bearer bonds and notes	11,521,708	–	–	–	–	–	11,521,708
Sukuk	13,403,003	–	–	–	–	–	13,403,003
Derivative financial instruments	35,898	–	–	–	–	–	35,898
RMBS	–	3,195,347	–	–	–	–	3,195,347
IRMBS	–	2,865,314	–	–	–	–	2,865,314
Deferred guarantee fee income	–	–	1,685	–	–	–	1,685
Deferred Wakalah fee income	–	–	1,130	–	–	–	1,130
Deferred taxation	1,722	517,653	97	173	–	–	519,645
Provision for taxation	41,941	3,628	161	275	–	–	46,005
Other liabilities	65,337	89	54	57	12	–	65,549
Amount due to a related company	–	751	–	–	–	(751)	–
TOTAL LIABILITIES	25,069,609	6,582,782	3,127	505	12	(751)	31,655,284

45 ANALYSIS OF GROUP'S FINANCIAL POSITION AND PERFORMANCE (CONTINUED)

INCOME STATEMENTS

	The Company and Cagamas RM'000	CMBS RM'000	CSRP RM'000	CMGP RM'000	CSME RM'000	Consolidation adjustments RM'000	Total RM'000
2014							
Interest income	**745,295**	**307,973**	**3,995**	**3,761**	**–**	**(151)**	**1,060,873**
Interest expense	**(506,698)**	**(151,280)**	**–**	**–**	**–**	**–**	**(657,978)**
Income from Islamic operations	**155,300**	**105,449**	**457**	**31**	**–**	**(3,120)**	**258,117**
Non-interest income/(expense)	**35,294**	**–**	**350**	**58**	**–**	**(42,854)**	**(7,152)**
	429,191	**262,142**	**4,802**	**3,850**	**–**	**(46,125)**	**653,860**
Discretionary bonus fee	**–**	**(58,273)**	**–**	**–**	**–**	**–**	**(58,273)**
Administration and general expenses	**(18,237)**	**(7,026)**	**(93)**	**(127)**	**–**	**6,309**	**(19,174)**
Personnel costs	**(23,070)**	**–**	**–**	**–**	**–**	**–**	**(23,070)**
OPERATING PROFIT	**387,884**	**196,843**	**4,709**	**3,723**	**–**	**(39,816)**	**553,343**
(Allowance)/write-back of impairment losses	**(12,331)**	**5,471**	**–**	**–**	**–**	**–**	**(6,860)**
PROFIT BEFORE TAXATION AND ZAKAT	**375,553**	**202,314**	**4,709**	**3,723**	**–**	**(39,816)**	**546,483**
Zakat	**(4,112)**	**–**	**–**	**–**	**–**	**–**	**(4,112)**
Taxation	**(83,851)**	**(65,147)**	**(1,186)**	**(961)**	**–**	**–**	**(151,145)**
PROFIT FOR THE FINANCIAL YEAR	**287,590**	**137,167**	**3,523**	**2,762**	**–**	**(39,816)**	**391,226**
2013							
Interest income	721,636	328,368	3,640	3,628	1	–	1,057,273
Interest expense	(431,441)	(160,956)	–	–	–	–	(592,397)
Income from Islamic operations	181,882	107,279	113	181	–	(3,378)	286,077
Non-interest income/(expense)	30,260	–	213	8	11	(33,695)	(3,203)
	502,337	274,691	3,966	3,817	12	(37,073)	747,750
Administration and general expenses	(20,136)	(7,846)	(64)	(63)	(12)	7,073	(21,048)
Personnel costs	(20,840)	–	–	–	–	–	(20,840)
OPERATING PROFIT	461,361	266,845	3,902	3,754	–	(30,000)	705,862
(Allowance)/write-back of impairment losses	(6,536)	3,834	–	–	–	–	(2,702)
PROFIT BEFORE TAXATION AND ZAKAT	454,825	270,679	3,902	3,754	–	(30,000)	703,160
Zakat	(2,028)	–	–	(1)	–	–	(2,029)
Taxation	(111,691)	(67,665)	(743)	(940)	–	7,500	(173,539)
PROFIT FOR THE FINANCIAL YEAR	341,106	203,014	3,159	2,813	–	(22,500)	527,592

46 CAPITAL ADEQUACY

The Group's and the Company's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

(a) To align with industry best practices and benchmark set by the regulators;

(b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

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.

Capital adequacy and the use of regulatory capital are monitored by the Group's and the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The regulatory capital comprise of two tiers:

(a) Tier I capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and

(b) Tier II capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

Common equity Tier I ("CET I") and Tier I capital ratios refer to the ratio of total Tier I capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

46.1 Regulatory capital for the Group

	2014	**2013**
Before deducting interim dividends*		
CET I capital ratio	**39.2%**	38.4%
Tier I capital ratio	**39.2%**	38.4%
Total capital ratio	**39.9%**	39.1%
After deducting interim dividends*		
CET I capital ratio	**39.1%**	38.2%
Tier I capital ratio	**39.1%**	38.2%
Total capital ratio	**39.8%**	38.9%

* Refers to proposed interim dividends which are to be declared after the financial year.

46 CAPITAL ADEQUACY (CONTINUED)

46.1 Regulatory capital for the Group (continued)

	2014 RM'000	2013 RM'000
Components of CET I, Tier I and Tier II capital:		
CET I/Tier I Capital		
Paid-up share capital	**150,000**	150,000
Retained profits	**5,008,847**	4,647,621
	5,158,847	4,797,621
Deferred tax liabilities	**454,494**	507,596
Total CET I/Tier I capital	**5,613,341**	5,305,217
Tier II capital		
Allowance for impairment losses	**104,639**	101,494
Total Tier II capital	**104,639**	101,494
Total capital	**5,717,980**	5,406,711

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

	2014 RM'000	2013 RM'000
Credit risk	**12,937,755**	12,645,740
Operational risk	**1,376,436**	1,185,374
Total risk-weighted assets	**14,314,191**	13,831,114

46 CAPITAL ADEQUACY (CONTINUED)

46.2 Proforma regulatory capital for the Group excluding CMBS

	2014** %	2013** %
Before deducting interim dividends*		
CET I capital ratio	**25.1**	25.7
Tier I capital ratio	**25.1**	25.7
Total capital ratio	**25.7**	26.3
After deducting interim dividends*		
CET I capital ratio	**24.9**	25.5
Tier I capital ratio	**24.9**	25.5
Total capital ratio	**25.6**	26.1

Components of CET I, Tier I and Tier II capital:	RM'000	RM'000
CET I/Tier I capital		
Paid-up share capital	**150,000**	150,000
Retained profits	**2,851,375**	2,627,316
	3,001,375	2,777,316
Deferred tax assets	**(7,316)**	(9,353)
Total CET I/Tier I capital	**2,994,059**	2,767,963
Tier II capital		
Allowance for impairment losses	**72,471**	63,855
Total Tier II capital	**72,471**	63,855
Total capital	**3,066,530**	2,831,818

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

Credit risk	**11,032,887**	10,091,930
Operational risk	**880,511**	670,656
Total risk-weighted assets	**11,913,398**	10,762,586

* Refers to proposed interim dividends which are to be declared after the financial year.
** Excludes CMBS's risk-weighted assets and total capital.

47 ISLAMIC OPERATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
ASSETS			
Cash and short-term funds	(a)	**369,861**	226,667
Deposits and placements with financial institutions	(b)	**–**	294,515
AFS investment securities	(c)	**587,279**	596,677
Derivative financial instruments		**6,108**	7,286
Financing assets	(d)	**6,541,190**	6,107,933
Mortgage assets	(e)	**10,169,277**	10,639,438
Hire purchase assets	(f)	**6,438**	8,427
Deferred taxation		**379**	133
Deferred financing fees		**1,163**	–
Other assets and prepayments		**289,054**	289,174
TOTAL ASSETS		**17,970,749**	18,170,250
LIABILITIES			
Sukuk	(g)	**13,261,704**	13,403,003
IRMBS	(h)	**2,594,171**	2,865,314
Deferred taxation		**221,766**	205,512
Deferred Wakalah fees		**2,937**	–
Provision for taxation		**4,314**	4,062
Other liabilities	(i)	**51,642**	39,090
TOTAL LIABILITIES		**16,136,534**	16,516,981
ISLAMIC OPERATIONS' FUNDS		**1,834,215**	1,653,269
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		**17,970,749**	18,170,250

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Total income attributable		**943,203**	900,628
Income attributable to the sukuk holders	(j)	**(685,086)**	(614,551)
Total income attributable	(k)	**258,117**	286,077
Administration and general expenses		**(2,825)**	(3,198)
Allowance for impairment losses		**(4,576)**	(4,034)
PROFIT BEFORE TAXATION AND ZAKAT		**250,716**	278,845
Zakat		**(4,112)**	(2,029)
Taxation		**(63,161)**	(63,041)
PROFIT FOR THE FINANCIAL YEAR		**183,443**	213,775

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000
Profit for the financial year	**183,443**	213,775
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
AFS investment securities		
– Net loss on fair value changes before taxation	**(854)**	(4,218)
– Deferred taxation	**213**	1,055
Cashflow hedge		
– Net (loss)/gain on cashflow hedge before taxation	**(1,214)**	6,164
– Deferred taxation	**304**	(1,541)
Other comprehensive income for the financial year, net of taxation	**(1,551)**	1,460
Total comprehensive income for the financial year	**181,892**	215,235

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2014	**294,159**	**(585)**	**5,466**	**1,354,229**	**1,653,269**
Profit for the financial year	**–**	**–**	**–**	**183,443**	**183,443**
Other comprehensive income	**–**	**(641)**	**(910)**	**–**	**(1,551)**
Total comprehensive income for the financial year	**–**	**(641)**	**(910)**	**183,443**	**181,892**
Return of capital	**–**	**–**	**–**	**(946)**	**(946)**
Balance as at 31 December 2014	**294,159**	**(1,226)**	**4,556**	**1,536,726**	**1,834,215**
Balance as at 1 January 2013	294,159	2,578	843	1,140,454	1,438,034
Profit for the financial year	–	–	–	213,775	213,775
Other comprehensive income	–	(3,163)	4,623	–	1,460
Total comprehensive income for the financial year	–	(3,163)	4,623	213,774	215,235
Balance as at 31 December 2013	294,159	(585)	5,466	1,354,229	1,653,269

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
OPERATING ACTIVITIES			
Profit for the financial year		**183,443**	213,775
Adjustments for investment items and items not involving the movement of cash and cash equivalents:			
Amortisation of premium less accretion of discount on:			
– AFS investment securities		**(591)**	–
– Debts securities		**(7,407)**	(8,263)
– Mortgage assets		**(193,640)**	(160,730)
– Hire purchase assets		**(226)**	(222)
Income from:			
– Debts securities		**(147,881)**	(362)
– Operations		**(576,867)**	(883,516)
Profit attributable to sukuk holders		**685,086**	742,014
Allowance for impairment losses on mortgage assets and hire purchase assets		**4,576**	4,034
Wakalah fee income		**(204)**	(93)
Taxation		**62,933**	63,041
Zakat		**4,112**	2,029
Operating profit/(loss) before working capital changes		**13,334**	(28,293)
(Increase)/decrease in financing assets		**(427,205)**	1,963,777
Decrease/(increase) in mortgage assets		**639,677**	(3,291,626)
Decrease in hire purchase assets		**2,521**	2,108
Increase in other assets and prepayments		**(1,202)**	(86)
(Decrease)/increase in sukuk		**(408,000)**	1,690,000
Increase/(decrease) in other liabilities		**4,250**	6,042
Cash (utilised in)/generated from operating activities		**(176,625)**	341,922
Profit received from assets		**735,992**	813,050
Wakalah fee received		**1,975**	803
Profit paid to sukuk holders		**(689,527)**	(736,571)
Payment of:			
Taxation		**(38,540)**	(34,478)
Zakat		**(2,029)**	(1,118)
Transfer of funds to conventional operations		**(1,024)**	–
Net cash (utilised in)/generated from operations		**(169,778)**	383,608

47 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	2014 RM'000	2013 RM'000
INVESTING ACTIVITIES			
Purchase of AFS investment securities		**(266,021)**	(2,135,303)
Sale of AFS investment securities		**283,307**	2,010,111
Derivative financial instruments		**(36)**	(8)
Income received from debt securities		**1,207**	(51)
Net cash generated from/(utilised in) investing activities		**18,457**	(125,251)
Net (decrease)/increase in cash and cash equivalents		**(151,321)**	258,357
Cash and cash equivalents as at 1 January		**521,182**	262,825
Cash and cash equivalents as at 31 December		**369,861**	521,182
Analysis of cash and cash equivalents:			
Cash and short-term funds	(a)	**369,861**	226,667
Deposits and placements with financial institutions	(b)	**–**	294,515
		369,861	521,182

	Group	
	2014 RM'000	2013 RM'000
(a) Cash and short-term funds		
Cash and bank balances with bank and other financial institutions	**92**	90
Mudharabah money at call and deposit placements maturing within one month	**369,769**	226,577
	369,861	226,667
(b) Deposits and placements with financial institutions		
Licensed banks	**–**	294,515

47 ISLAMIC OPERATIONS (CONTINUED)

	Group	
	2014	**2013**
	RM'000	**RM'000**
(c) AFS investment securities		
At fair value:		
Government investment issues	**217,342**	243,903
Private debt securities	**20,174**	267,019
Negotiable instrument of deposits	**49,730**	44,362
Quasi government debt securities	**93,033**	41,393
Islamic debt securities	**188,262**	–
Malaysian treasury bills	**18,738**	–
	587,279	596,677
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	**260,492**	275,312
One year to three years	**210,186**	165,210
Three years to five years	**92,549**	132,759
More than five years	**24,052**	23,396
	587,279	596,677
(d) Financing assets		
House financing	**2,515,704**	1,457,958
Hire purchase financing	**2,834,163**	3,649,680
Personal financing	**1,191,323**	1,000,295
	6,541,190	6,107,933
The maturity structure of financing assets are as follows:		
Maturing within one year	**2,082,915**	707,743
One year to three years	**4,319,542**	3,478,802
Three years to five years	**138,733**	1,921,388
	6,541,190	6,107,933

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2014 RM'000	Group 2013 RM'000
(e) Mortgage assets		
PWOR	**10,169,277**	10,639,438
The maturity structure of mortgage assets are as follows:		
Maturing within one year	**1,049,551**	1,033,936
One year to three years	**1,457,568**	1,459,736
Three years to five years	**1,472,877**	1,516,713
More than five years	**7,742,757**	8,365,690
	11,722,753	12,376,075
Less:		
Unaccreted discount	**(1,507,304)**	(1,693,892)
Allowance for impairment losses	**(46,172)**	(42,745)
	10,169,277	10,639,438
(f) Hire purchase		
PWOR	**6,438**	8,427
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	**3,643**	3,529
One year to three years	**2,989**	4,562
Three years to five years	**114**	760
	6,746	8,851
Less:		
Unaccreted discount	**(258)**	(375)
Allowance for impairment losses	**(50)**	(49)
	6,438	8,427

47 ISLAMIC OPERATIONS (CONTINUED)

(g) Sukuk

	Group 2014 RM'000	Group 2013 RM'000
Commercial papers	**–**	500,271
Medium-term notes	**13,261,704**	12,902,732
	13,261,704	13,403,003

The maturity structure of sukuk are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Maturing within one year	**3,359,704**	2,243,003
One year to three years	**4,160,000**	4,740,000
Three years to five years	**1,057,000**	1,370,000
More than five years	**4,685,000**	5,050,000
	13,261,704	13,403,003

(h) IRMBS

	Group 2014 RM'000	Group 2013 RM'000
IRMBS	**2,594,171**	2,865,314

The maturity structure of the IRMBS are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Maturing within one year	**529,171**	285,314
One year to three years	**810,000**	515,000
Three years to five years	**245,000**	810,000
More than five years	**1,010,000**	1,255,000
	2,594,171	2,865,314

(i) Other liabilities

	Group 2014 RM'000	Group 2013 RM'000
Zakat	**4,112**	2,029
Other payables	**47,530**	37,061
	51,642	39,090

47 ISLAMIC OPERATIONS (CONTINUED)

	Group 2014 RM'000	Group 2013 RM'000
(j) Income attributable to the sukuk holders		
Mortgage assets	**464,876**	347,330
Financing assets	**219,563**	266,808
Hire purchase assets	**470**	413
Deposits and placements of financial institutions	**177**	–
	685,086	614,551
Income attributable to the sukuk holders analysed by concept:		
Bai Al–Dayn	**684,909**	614,551
Mudharabah	**177**	–
	685,086	614,551
(k) Total Net Income		
Income from:		
Mortgage assets	**194,291**	226,351
Hire purchase assets	**99**	159
Financing assets	**19,266**	25,186
AFS investment securities	**25,659**	20,200
Deposits and placements with financial institutions	**17,620**	14,506
Wakalah guarantee fee	**388**	244
Income from IPRS	**–**	(569)
Non-profit expense	**794**	–
	258,117	286,077
Total net income analysed by concept are as follows:		
Bai Al-Dayn	**214,450**	250,088
Mudharabah	**15,896**	18,134
Bai Bithaman Ajil	**8,385**	9,213
Murabahah	**13,740**	7,084
Musyarakah	**2,588**	1,314
Bai Al-Inah	**40**	–
Wadiah Yad Dhamanah	**1,946**	–
Wakalah	**1,072**	244
	258,117	286,077

47 ISLAMIC OPERATIONS (CONTINUED)

	2014 RM'000	2013 RM'000
(l) Capital adequacy		
Regulatory capital for the Group		
Before deducting interim dividends		
CET I capital ratio	**30.6%**	27.8%
Tier I capital ratio	**30.6%**	27.8%
Total capital ratio	**31.3%**	28.5%
After deducting interim dividends		
CET I capital ratio	**30.6%**	27.8%
Tier I capital ratio	**30.6%**	27.8%
Total capital ratio	**31.3%**	28.5%

** Refers to proposed interim dividends which are to be declared after the financial year*

Components of CET I, Tier I and Tier II capital:

CET I/Tier I capital:	RM'000	RM'000
Allocated capital funds	**294,159**	294,159
Other reserves	**1,536,726**	1,354,229
	1,830,885	1,648,388
Deferred tax liabilities	**221,387**	205,379
Total CET I/Tier I capital	**2,052,272**	1,853,767
Tier II capital:		
Allowance for impairment losses	**46,254**	42,828
Total Tier II capital	**46,254**	42,828
Total capital	**2,098,526**	1,896,595

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

Credit risk	**6,238,874**	6,209,243
Operational risk	**469,980**	451,268
Total risk-weighted assets	**6,708,854**	6,660,511

47 ISLAMIC OPERATIONS (CONTINUED)

(l) Capital adequacy (continued)

Proforma regulatory capital for the Group excluding CMBS

	2014** %	2013** %
Before deducting interim dividends*		
CET I capital ratio	**16.4**	15.0
Tier I capital ratio	**16.4**	15.0
Total capital ratio	**17.0**	15.0
After deducting interim dividends*		
CET I capital ratio	**16.4**	15.0
Tier I capital ratio	**16.4**	15.0
Total capital ratio	**17.0**	15.5

CET I/Tier I capital	RM'000	RM'000
Allocated capital funds	**294,159**	294,159
Other reserves	**611,960**	506,171
	906,119	800,330
Deferred tax liabilities	**1,129**	1,695
Total CET I/Tier I capital	**907,248**	802,025
Tier II capital		
Allowance for impairment losses	**31,781**	28,108
Total Tier II capital	**31,781**	28,108
Total capital	**939,029**	830,133

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

Credit risk	**5,249,999**	5,098,026
Operational risk	**273,861**	244,350
Total risk-weighted assets	**5,523,960**	5,342,376

* Refers to proposed interim dividends which are to be declared after the financial year.
** Excludes CMBS's risk-weighted assets and total capital.

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.

47 ISLAMIC OPERATIONS (CONTINUED)

(m) Shariah advisor

The Group consults an independent Shariah advisor on an ad-hoc basis for all its Islamic products to ensure compliance with Islamic principles. In addition, the Group is required to obtain the approval of the Shariah Council of the regulatory bodies for its Islamic products.

48 DISCRETIONARY BONUS FEE

In the respective Servicing Agreements signed between the GOM, CMBS, Cagamas and the Trustee, CMBS agreed to pay the GOM a discretionary bonus fee, out of the retained profits of CMBS, to be determined by CMBS in respect of the services provided by the GOM, after the RMBS/IRMBS have been fully redeemed and all obligations and liabilities of CMBS in respect of the RMBS/IRMBS have been discharged.

On 22 December 2014, CMBS has paid a discretionary bonus fee as the first issue of RMBS was fully redeemed on its maturity date.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 20 October 2014, the Board of Directors of a subsidiary, CMGP, had approved the reduction of CMGP's issued and paid-up share capital from RM100,000,000 to RM2 in a proposed capital reduction exercise. The capital reduction was effected via the cancellation of 99,999,998 ordinary shares of RM1 each. The proposed capital reduction exercise was completed on 24 December 2014.

On 24 December 2014, a subsidiary, CSRP, increased its authorised issued and paid up ordinary share capital from RM100,000,000 to RM200,000,000 by way of the issuance of 100,000,000 ordinary share of RM1 each at an issuance price of RM1 per ordinary share for cash. The new ordinary shares issued during the financial year were for working capital and rank pari passu in all aspects with the existing ordinary shares of CSRP.

50 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors.

STATEMENT BY DIRECTORS
Pursuant To Section 169(15) Of The Companies Act, 1965

We, Dato' Ooi Sang Kuang and Tan Sri Dato' Sri Tay Ah Lek, the two Directors of Cagamas Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 114 to 204 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

DATO' OOI SANG KUANG
CHAIRMAN

TAN SRI DATO' SRI TAY AH LEK
DIRECTOR

STATUTORY DECLARATION
Pursuant To Section 169(16) Of The Companies Act, 1965

I, Chung Chee Leong, the Officer primarily responsible for the financial management of Cagamas Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 114 to 204 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHUNG CHEE LEONG

Subscribed and solemnly declared by the abovenamed Chung Chee Leong at Kuala Lumpur in Malaysia on 11 March 2015.

Before me,
COMMISSIONER FOR OATHS

COMMISSIONER FOR OATHS
W 409
LEONG CHIEW KEONG
MALAYSIA

Suite 8-8-2, Menara Mutiara Bangsar
Jalan Liku, Off Jalan Riong
Bangsar,
59100 Kuala Lumpur

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS HOLDINGS BERHAD
(Incorporated In Malaysia)
(Company No. 762047-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cagamas Holdings Berhad on pages 114 to 204, which comprise the statements of financial position as at 31 December 2014 of the Group and the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 50.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITOR'S REPORT
To The Member Of Cagamas Holdings Berhad
(Incorporated In Malaysia)
(Company No. 762047-P)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualifications or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Kuala Lumpur
11 March 2015

FORM OF PROXY

Cagamas Holdings

Number of Shares

I/We ____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

being a member/members of CAGAMAS HOLDINGS BERHAD, hereby appoint the Chairman of the meeting or

____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

or failing him/her ____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

as my/our proxy to vote for me/us on my/our behalf at the Eighth Annual General Meeting of the Company, to be held at The Conference Hall 1, Ground Floor, Sasana Kijang, Bank Negara Malaysia, No. 2 Jalan Dato' Onn, 50480 Kuala Lumpur on Thursday, 30 April 2015 at 11.30 a.m. and at any adjournment thereof.

My/Our Proxy is to vote either on a show of hands or on a poll as indicated below with an **"X"**:

NO.	**ORDINARY RESOLUTIONS**		**FOR**	**AGAINST**
1.	Adoption of Audited Financial Statements and Reports	(Ordinary Resolution No. 1)		
2.	Payment of Directors' Fees	(Ordinary Resolution No. 2)		
3.	Re-election of Directors under Articles 19.13 and 19.14	(Ordinary Resolution No. 3)		
4.	Re-appointment of Director pursuant to Section 129(6) of the Companies Act, 1965	(Ordinary Resolution No. 4)		
5.	Appointment of Auditors	(Ordinary Resolution No. 5)		

Dated this ________ day of ________________ 2015

____
Signature of Member(s)

Notes

1. A member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. In the case where a member is a corporation, this Form of Proxy must be executed under its common seal or under the hand of its attorney.
3. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting as the case may be.

Fold

Stamp

Company Secretary
CAGAMAS HOLDINGS BERHAD
Level 32, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Fold