Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Lodged by:
CAGAMAS BERHAD (157931-A)
Level 32, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel. +603 2262 1800 Fax. +603 2282 9125

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

CONTENT	PAGES

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

The Group subsidiary companies are Cagamas Global P.L.C. ("CGP") and Cagamas Global Sukuk Berhad ("CGS").

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.

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	247,849	247,768

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 2013, as shown in the Directors' report of that financial year,	
- a final dividend of 15 sen per share on 150,000,000 ordinary shares paid on 28 March 2014	22,500
In respect of the financial year ended 31 December 2014,	
- an interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 17 November 2014	7,500
	30,000

DIVIDEND (CONTINUED)

The Directors now recommend the payment of a final dividend of 6 sen per share on 150,000,000 ordinary shares amounting to RM9,000,000 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 and the Company. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAA_{ID} and $MARC\text{-}1/MARC\text{-}1_{ID}$ to bonds, notes and Sukuk issued by the Group and the Company. Moody's Investors Service (“Moody’s”) has also assigned a rating of A3 as the Group and the Company's long-term local and foreign currency issuer rating.

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 subsidiaries.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Group and the Company 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 Cagamas Holdings Berhad ("CHB").

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)
Dato' Albert Yeoh Beow Tit
Tang Wing Chew
Dato' Halipah binti Esa
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Chung Chee Leong

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dato' Ooi Sang Kuang and Dr. Roslan A. Ghaffar retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr. Tang Wing Chew who retires pursuant to Section 129(6) of the Companies Act, 1965, offers himself for re-appointment 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 30 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 all known bad debts had been 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 the 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.

ULTIMATE HOLDING COMPANY

The Directors regard Cagamas Holdings Berhad, a company incorporated in Malaysia, as the ultimate holding company.

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

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

CHUNG CHEE LEONG
DIRECTOR

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Group	Company	
		2014	2014	2013
		RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	5	96,359	96,358	592,956
Derivative financial instruments	6	68,518	68,518	7,286
AFS investment securities	7	1,546,684	1,546,684	1,587,058
Amount due from counterparties	8	6,540,219	6,540,219	3,825,726
Islamic financing assets	9	6,541,190	6,541,190	6,107,933
Mortgage assets				
- Conventional	10	7,296,732	7,296,732	7,846,587
- Islamic	11	7,326,436	7,326,436	7,582,923
Hire purchase assets				
- Conventional		4	4	4
- Islamic	12	7,268	7,268	11,196
Amount due from				
- Related company		607	607	751
- Subsidiaries	13	-	7,138	-
Deferred financing fees		1,163	-	-
Other assets	14	8,896	8,858	9,788
Property and equipment	15	3,216	3,216	4,019
Intangible assets	16	8,200	8,200	9,873
Deferred taxation	17	6,236	6,236	8,929
Investment in subsidiaries	18	-	-*	-
TOTAL ASSETS		29,451,728	29,457,664	27,595,029
LIABILITIES				
Unsecured bearer bonds and notes	19	13,291,643	10,243,174	11,521,708
Sukuk	20	13,261,704	13,261,704	13,403,003
Deposits and placements of financial institution		30,003	30,003	-
Loans from subsidiary	21	-	3,057,989	-
Derivative financial instruments	6	32,743	32,743	35,898
Provision for taxation		13,554	13,552	41,941
Other liabilities	22	68,308	64,807	65,337
TOTAL LIABILITIES		26,697,955	26,703,972	25,067,887
Share capital	23	150,000	150,000	150,000
Reserves	24	2,603,773	2,603,692	2,377,142
SHAREHOLDER'S FUNDS		2,753,773	2,753,692	2,527,142
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		29,451,728	29,457,664	27,595,029
NET TANGIBLE ASSETS PER SHARE (RM)	25	18.30	18.30	16.78

*denotes RM9.

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group	Company	
		2014	2014	2013
		RM'000	RM'000	RM'000
Interest income	26	745,230	745,230	721,595
Interest expense	27	(506,698)	(506,869)	(431,441)
Income from Islamic operations	43	155,300	155,300	181,882
Non-interest (expense)/income	28	(4,371)	(4,332)	255
		389,461	389,329	472,291
Administration and general expenses		(18,236)	(18,187)	(20,135)
Personnel costs		(23,070)	(23,070)	(20,839)
OPERATING PROFIT		348,155	348,072	431,317
Allowance of impairment losses		(12,331)	(12,331)	(6,536)
PROFIT BEFORE TAXATION AND ZAKAT	29	335,824	335,741	424,781
Zakat		(4,112)	(4,112)	(2,028)
Taxation	31	(83,863)	(83,861)	(104,180)
PROFIT FOR THE FINANCIAL YEAR		247,849	247,768	318,573
EARNINGS PER SHARE (SEN)	25	165.23	165.18	212.38
DIVIDEND PER SHARE (SEN)	32	20.00	20.00	20.00

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

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
Profit for the financial year	247,849	247,768	318,573
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	(1,622)	(1,622)	(15,009)
- Deferred taxation	405	405	3,752
Cash flow hedge			
- Net gain on cash flow hedge before taxation	13,332	13,332	23,920
- Deferred taxation	(3,333)	(3,333)	(5,980)
Other comprehensive income for the financial year, net of taxation	8,782	8,782	6,683
Total comprehensive income for the financial year	256,631	256,550	325,256

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2014		150,000	(11,167)	(18,689)	2,406,998	2,527,142
Profit for the financial year		-	-	-	247,849	247,849
Other comprehensive (loss)/income		-	(1,217)	9,999	-	8,782
Total comprehensive (loss)/income for the financial year		-	(1,217)	9,999	247,849	256,631
Final dividend in respect of financial year ended 31 December 2013	32	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2014	32	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2014		150,000	(12,384)	(8,690)	2,624,847	2,753,773

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	Note	Issued and fully paid ordinary shares of RM1 each Share capital RM'000	Non-distributable AFS reserves RM'000	Non-distributable Cash flow hedge reserves RM'000	Retained profits RM'000	Total equity RM'000
Balance as at 1 January 2014		150,000	(11,167)	(18,689)	2,406,998	2,527,142
Profit for the financial year		-	-	-	247,768	247,768
Other comprehensive (loss)/income		-	(1,217)	9,999	-	8,782
Total comprehensive (loss)/income for the financial year		-	(1,217)	9,999	247,768	256,550
Final dividend in respect of financial year ended 31 December 2013	32	-	-	-	(22,500)	(22,500)
Interim dividend in respect of financial year ended 31 December 2014	32	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2014		150,000	(12,384)	(8,690)	2,624,766	2,753,692
Balance as at 1 January 2013		150,000	90	(36,629)	2,110,925	2,224,386
Profit for the financial year		-	-	-	318,573	318,573
Other comprehensive (loss)/income		-	(11,257)	17,940	-	6,683
Total comprehensive (loss)/income for the financial year		-	(11,257)	17,940	318,573	325,256
Final dividend in respect of financial year ended 31 December 2012	32	-	-	-	(16,875)	(16,875)
Interim dividend in respect of financial year ended 31 December 2013	32	-	-	-	(5,625)	(5,625)
Balance as at 31 December 2013		150,000	(11,167)	(18,689)	2,406,998	2,527,142

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Group		Company
	2014	2014	2013
	RM'000	RM'000	RM'000
OPERATING ACTIVITIES			
Profit for the financial year	247,849	247,768	318,573
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:			
Amortisation of premium less accretion of discount on AFS investment securities	(9,439)	(9,439)	(7,691)
Accretion of discount on:			
Mortgage assets			
- Conventional	(158,571)	(158,571)	(147,748)
- Islamic	(128,233)	(128,233)	(101,114)
Hire purchase assets			
- Islamic	(290)	(290)	(363)
Allowance of impairment losses	12,331	12,331	6,536
Interest income	(568,909)	(568,909)	(561,729)
Income from Islamic operations	(578,132)	(578,132)	(557,369)
Interest expense	506,869	506,869	431,441
Profit attributable to Sukuk holders	563,691	563,691	487,089
Depreciation of property and equipment	1,069	1,069	1,148
Amortisation of intangible assets	1,916	1,916	2,132
Gain on disposal of:			
- Property and equipment	-	-	(14)
- AFS investment securities	(1,599)	(1,599)	(2,623)
Guarantee fee income	1	1	8
Wakalah fee expense	184	184	151
Taxation	83,863	83,861	104,180
Zakat	4,112	4,112	2,028
Operating loss before working capital changes	(23,288)	(23,371)	(25,365)

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
Increase in amount due from counterparties	(2,698,875)	(2,698,875)	(129,876)
(Increase)/Decrease in Islamic financing assets	(427,205)	(427,205)	1,963,777
Decrease/(Increase) in mortgage assets			
- Conventional	667,209	667,209	(1,535,575)
- Islamic	365,085	365,085	(3,579,533)
Decrease in hire purchase assets			
- Conventional	-	-	6
- Islamic	2,062	2,062	5,706
(Increase)/Decrease in other assets	(91)	(6,032)	1,342
Increase/(decrease) in unsecured bearer bonds and notes	1,764,939	(1,270,000)	2,295,000
(Decrease)/Increase in Sukuk	(138,000)	(138,000)	1,690,000
Increase in deposits and placements of financial institution	30,000	30,000	-
Increase in loans from subsidiary	-	3,044,458	-
Increase/(decrease) in other liabilities	884	(2,612)	1,657
Cash (utilised in)/generated from operations	(457,280)	(457,281)	687,139
Interest received	534,376	534,376	446,798
Profit received from Islamic assets	587,753	587,753	481,689
Interest paid	(501,870)	(501,870)	(422,183)
Profit attributable to Sukuk holders	(566,987)	(566,987)	(481,646)
Guarantee fee paid	-	-	(8)
Wakalah fee paid	(221)	(221)	(151)
Payment of:			
- Zakat	(2,028)	(2,028)	(1,118)
Taxation	(112,485)	(112,485)	(82,864)
Net cash (utilised in)/generated from operating activities	(518,742)	(518,743)	627,656

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

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

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
INVESTING ACTIVITIES			
Purchase of AFS investment securities	(422,442)	(422,442)	(3,429,658)
Sale of AFS investment securities	472,288	472,288	3,003,687
Derivative financial instruments	(51,054)	(51,054)	(94)
Purchase of:			
- Property and equipment	(266)	(266)	(804)
- Intangible assets	(245)	(245)	(2,453)
Proceeds received from disposal of property and equipment	-	-	14
Income received from AFS investment securities	22,383	22,383	46,169
Income received from Islamic debt securities	31,481	31,481	-
Net cash generated from/(utilised in) investing activities	52,145	52,145	(383,139)
FINANCING ACTIVITY			
Dividends paid to shareholders	(30,000)	(30,000)	(22,500)
Net cash utilised in financing activity	(30,000)	(30,000)	(22,500)
Net (decrease)/increase in cash and cash equivalents	(496,597)	(496,598)	222,017
Cash and cash equivalents as at 1 January	592,956	592,956	370,039
Cash and cash equivalents as at 31 December	96,359	96,358	592,056
Analysis of cash and cash equivalents as at 31 December:			
Cash and short-term funds	96,359	96,358	592,056

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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 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.

The ultimate holding company of the Company is Cagamas Holdings Berhad, a company incorporated in Malaysia.

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 and the Company.

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 purchases assets from approved originators, issuance of Sukuk under Shariah principles and acquisition, investment in and trading of Islamic financial instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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 interpretations 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 interpretations 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.

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 (continued):

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following periods (continued):

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

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.

2.2 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Economic entities in the Group (continued)

Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 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 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 Company.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets (continued)

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

2.5 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 and the Company contract to purchase the investment. Investments are derecognised when the Group and the Company have 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 2.8 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest/profit 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment in subsidiaries

Investment in subsidiaries is shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Note 2.8 to the financial statements describes the Group’s and the Company’s accounting policy on impairment of assets and Note 3 details out the critical accounting estimates and assumptions.

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

At each statement of financial position date, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy on impairment of non-financial assets in Note 2.8 (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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Group and the Company assess 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.

(ii) Assets classified as *AFS*

The Group and the Company assess 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of assets

(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.

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

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

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

Premium on unsecured bearer bonds and notes/Sukuk represents the excess of the issue price over the redemption value of the bonds and notes/Sukuk are accreted to the income 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 method.

2.11 Current and deferred tax

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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.

2.13 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.

2.14 Segment reporting

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

2.15 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 and the Company to hedge the issuance of its debt securities/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 6 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 exchange rate are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedge accounting (continued)

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

Cash flow hedge

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income 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 a 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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Zakat

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

The Group and the Company recognise its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Group and the Company have a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Group and the Company have been in operation 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 Company is determined based on the profit before taxation 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.

2.18 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contributions plans

The Group and the Company 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 and the Company have no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 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 and the Company, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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 2.8 (b) to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share capital

(a) Classification

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

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

(b) Dividends to the shareholder of the Company

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

2.21 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 the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

(b) Fair value estimation for disclosure purposes

Please refer to Note 40 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 and the Company use a variety of methods and make 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 and the Company for similar financial instruments.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 and the Company'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 and the Company'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 and the Company have 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 and the Company make 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 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.

(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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is an integral part of the Group's and the Company'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 and the Company have 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 and the Company 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 and the Company'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 and the Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with the Group's and the Company'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 and the Company'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.

4.2 Credit risk management

Credit risk is the possibility that a borrower or counterparty fails to fulfill 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.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.2 Credit risk management (continued)

The Group and the Company manage 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 and the Company have 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 such as foreign exchange rates, interest/profit rates and market prices. The market risk exposure is limited to interest/profit rate risk and foreign exchange rates only as the Group and the Company is not engaged in any equity or commodity trading activities.

The Group and the Company control its market risk exposure by imposing threshold limits and entering in derivatives contract. The limits are set based on the Group’s and the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Group and the Company have an Asset Liability Management System which provides tools such as duration gap analysis, interest/profit sensitivity analysis and income simulations under different scenarios to monitor the interest/profit rate risk.

The Group and the Company also use derivative instruments such as interest rate swaps, profit rate swaps and CCS to manage and hedge its market risk exposure against fluctuations in interest rates, profit rates and foreign currency exchange rate.

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 and the Company mitigate its liquidity risk by matching the timing of purchases of loans and debts with issuance of debt securities or Sukuk. The Group and the Company plan 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 and the Company set aside considerable reserve liquidity to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

4.4 Liquidity risk management (continued)

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

(a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company 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 and the Company 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	2014	2013
	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institutions	49,044	49,043	50,569
Money at call and deposits and placements maturing within one month	37,164	37,164	487,250
Mudharabah money at call and deposits and placements maturing within one month	10,151	10,151	55,137
	96,359	96,358	592,956

6 DERIVATIVE FINANCIAL INSTRUMENTS

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

IRS/IPRS are used by the Group and 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 and the Company pay 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 and Company are protected from adverse movements in interest rate.

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

The Group and the Company will first enter into a swap transaction before interest rate hike. Upon issuance when interest rate increased, the Group and the Company will enter into second swap deal by taking an opposite position for the same amount as the first swap transaction. Eventually, the Group and the Company 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 and the Company 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 and the Company pay fixed rate interest to swap counterparty and receive floating rate interest to pay to the bondholders.

CCS is also used by the Group and the Company 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 and the Company 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 and the Company will receive interest payment in foreign currency from the CCS counterpart and remit the same to the foreign currency bond/Sukuk holders for coupon payment. Simultaneously, the Group and the Company pay interest to the CCS counterparty in functional currency using instalment received from asset purchases.

(iii) On maturity, the Group and the Company 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 and the Company's foreign currency exposures are from Renminbi ("CNY"), Hong Kong Dollar ("HKD") and US Dollar ("USD").

6 DERIVATIVE FINANCIAL INSTRUMENTS (COUNTINUED)

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 and the Company have designated a number of derivatives 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 and the Company do not designate any derivatives as fair value hedges.

(c) Net investment hedges

At present, the Group and the Company do not designate any derivatives as net investment hedges.

The table below summarises the derivatives financial instruments entered by the Group and the Company.

	Group and Company 2014			Company 2013		
	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 cashflow 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)

6 DERIVATIVE FINANCIAL INSTRUMENTS (COUNTINUED)

	Group and Company 2014			Company 2013		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
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)

7 AFS INVESTMENT SECURITIES

	Group and Company 2014 RM'000	Company 2013 RM'000
At fair value		
Malaysian government securities	190,624	230,220
Private debt securities	289,482	268,569
Government investment issues	229,830	140,821
Islamic private debt securities	305,770	421,526
Negotiable instrument of deposits	-	51,629
Quasi government debt securities	116,373	117,099
Islamic quasi government debt securities	414,605	357,194
	1,546,684	1,587,058

The maturity structure of AFS investment securities are as follows:

Maturing within one year	249,644	358,627
One year to three years	485,818	511,522
Three years to five years	377,885	447,033
More than five years	433,337	269,876
	1,546,684	1,587,058

8 AMOUNT DUE FROM COUNTERPARTIES

	Group and Company 2014 RM'000	Company 2013 RM'000
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:

	Group and Company 2014 RM'000	Company 2013 RM'000
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

9 ISLAMIC FINANCING ASSETS

	Group and Company 2014 RM'000	Company 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 Islamic financing assets are as follows:

	Group and Company 2014 RM'000	Company 2013 RM'000
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

10 MORTGAGE ASSETS – CONVENTIONAL

	Group and Company 2014 RM'000	Company 2013 RM'000
Purchase without recourse ("PWOR")	7,296,732	7,846,587

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

Maturing within one year	1,014,589	1,075,459
One year to three years	1,285,965	1,418,502
Three years to five years	1,232,038	1,357,694
More than five years	5,026,077	5,410,488
	8,558,669	9,262,143
Less:		
Unaccreted discount	(1,221,280)	(1,379,810)
Allowance for impairment losses	(40,657)	(35,746)
	7,296,732	7,846,587

11 MORTGAGE ASSETS – ISLAMIC

PWOR	7,326,436	7,582,923

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

Maturing within one year	699,493	747,404
One year to three years	879,310	1,000,905
Three years to five years	897,483	1,035,932
More than five years	6,017,193	6,082,535
	8,493,479	8,866,776
Less:		
Unaccreted discount	(1,135,300)	(1,255,812)
Allowance for impairment losses	(31,743)	(28,041)
	7,326,436	7,582,923

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 HIRE PURCHASE ASSETS - ISLAMIC

	Group and Company 2014 RM'000	Company 2013 RM'000
PWOR	7,268	11,196

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

	Group and Company 2014 RM'000	Company 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

13 AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is unsecured, interest free and repayable in arrears on each interest payment/profit distribution date.

14 OTHER ASSETS

	Group	Company	
	2014 RM'000	2014 RM'000	2013 RM'000
Prepaid mortgage guarantee fee	1	1	2
Prepaid Wakalah fee	37	37	-
Staff loans and financing	3,550	3,550	2,580
Deposits	803	802	802
Prepayments	1,404	1,367	1,896
Other receivables	158	158	666
Compensation receivable from originator on mortgage assets	2,943	2,943	3,842
	8,896	8,858	9,788

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY AND EQUIPMENT

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Group and Company				
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
Company				
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INTANGIBLE ASSETS

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Total RM'000
Group and Company				
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
Company				
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 and Company 2014 RM'000	Company 2013 RM'000
Deferred tax assets (before offsetting)	(7,568)	(10,595)
Deferred tax liabilities (before offsetting)	1,332	1,666
Deferred tax assets	(6,236)	(8,929)

The movements of deferred tax are as follows:

	Group and Company 2014 RM'000	Company 2013 RM'000
As at 1 January	(8,929)	(9,231)
Debit to income statement (Note 31)	(235)	(1,926)
Credit to other comprehensive income	2,928	2,228
As at 31 December	(6,236)	(8,929)

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

	Group and 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 assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(6,230)	-	3,333	(2,897)
Provisions	(644)	99	-	(545)
Revaluation reserves of AFS investment securities	(3,721)	-	(405)	(4,126)
	(10,595)	99	2,928	(7,568)

17 DEFERRED TAXATION (CONTINUED)

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

	Group and 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				
Accelerated tax depreciation	1,666	(350)	-	1,316
Temporary difference relating to interest/profit receivables on deposits and placements	-	16	-	16
	1,666	(334)	-	1,332

	Company			
2013				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(12,210)	-	5,980	(6,230)
Provisions	(412)	(232)	-	(644)
Revaluation reserves of AFS investment securities	-	-	(3,721)	(3,721)
	(12,622)	(232)	2,259	(10,595)
Deferred tax liabilities				
Accelerated tax depreciation	3,360	(1,694)	-	1,666
Revaluation reserves of AFS investment securities	31	-	(31)	-
	3,391	(1,694)	(31)	1,666

18 INVESTMENT IN SUBSIDIARIES

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

* denotes RM9.

The subsidiaries of the Company are as follows:		Interest in equity held by the Company	
		2014	2013
		%	%
Name	Principal activities		
Cagamas Global P.L.C.	To undertake the issuance of bonds and notes in foreign currency.	100	-
Cagamas Global Sukuk Berhad	To undertake the issuance of Sukuk in foreign currency. CGS has yet to commence its operations.	100	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 UNSECURED BEARER BONDS AND NOTES

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

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

		Company			
		2014		2013	
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(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	2,580,000	3.500 - 4.640	1,520,000	3.500 - 4.640
	2018	450,000	3.900 - 5.710	450,000	3.900 - 5.710
	2019	845,000	3.750 - 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
		9,970,000		11,240,000	
Add: Interest payable		90,654		99,257	
		10,060,654		11,339,257	
		10,243,174		11,521,708	

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

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

	Group		Company
	2014	2014	2013
	RM'000	RM'000	RM'000
Maturing within one year	793,287	783,174	2,681,708
One year to three years	5,188,636	4,350,000	2,210,000
Three years to five years	3,494,720	1,295,000	1,970,000
More than five years	3,815,000	3,815,000	4,660,000
	13,291,643	10,243,174	11,521,708

(a) Floating rate notes

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

(b) 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; and are unconditionally and irrevocably guaranteed by the Company. 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	2013
		RM'000	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	-

19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)

(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. The Company has undertaken cash flow hedge on the interest rate risk and foreign exchange risk of the CNY1.5 billion notes using the CCS.

	Group	
	2014	2013
	RM'000	RM'000
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	-

(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. The Company has undertaken cash flow hedge on the interest rate risk and foreign exchange risk of the HKD1.0 billion notes using the CCS.

HKD1.0 billion notes, at cost	422,000	-
Deferred financing fees	-	-
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. The Company has undertaken cash flow 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	-

20 SUKUK

	Year of maturity	Group and Company 2014 Amount outstanding RM'000	Group and Company 2014 Effective profit rate %	Company 2013 Amount outstanding RM'000	Company 2013 Effective profit rate %
(a) Islamic commercial papers	2014	-	-	500,000	3.300
Add: Profit payable		-		271	
		-		500,271	
(b) Islamic fixed 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	

20 SUKUK (CONTINUED)

The maturity structure of Sukuk are as follows:

	Group and Company 2014 RM'000	Company 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 and the Company 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 and the Company 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.

21 LOANS FROM SUBSIDIARY

Loans from subsidiary are unsecured and subject to interest rates ranging from 1.88% to 3.86% per annum.

The maturity structure of loans from subsidiary are as follows:

	Company 2014 RM'000	Company 2013 RM'000
Maturing within one year	13,531	-
One year to three years	843,445	-
Three years to five years	2,201,013	-
	3,057,989	-

22 OTHER LIABILITIES

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
Provision for zakat	4,112	4,112	2,028
Amount due to Government	48,859	48,859	50,473
Other payables and accruals	15,337	11,836	12,836
	68,308	64,807	65,337

23 SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares	Amount	Number of shares	Amount
	'000	RM'000	'000	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

24 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.

25 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM2,745,573,000 of the Group and RM2,745,492,000 of the Company respectively (2013: RM2,517,269,000) of the Group and the Company 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 RM247,849,000 of the Group and RM247,768,000 of the Company respectively (2013: RM318,573,000) of the Company 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.

26 INTEREST INCOME

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
Amount due from counterparties	177,076	177,076	167,239
Mortgage assets	339,482	339,482	348,837
Compensation from mortgage assets	134	134	172
Hire purchase assets	(70)	(70)	228
AFS investment securities	52,655	52,655	45,607
Deposits and placements with financial institutions	15,285	15,285	10,588
	584,562	584,562	572,671
Accretion of discount less amortisation of premium (net)	160,668	160,668	148,924
	745,230	745,230	721,595

27 INTEREST EXPENSE

	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
Floating rate notes	6,300	6,300	6,553
Medium-term notes	500,082	486,910	424,888
Deposit and placements of financial institutions	316	316	-
Loans from subsidiary	-	13,343	-
	506,698	506,869	431,441

28 NON-INTEREST (EXPENSE)/INCOME

	Group		Company
	2014	2014	2013
	RM'000	RM'000	RM'000
Realised net loss on derivatives	(12,372)	(12,372)	(9,462)
Other non-operating income	6,490	6,490	7,080
Gain on disposal of AFS investment securities	1,599	1,599	2,623
Gain on disposal of property and equipment	-	-	14
Reclassification adjustments of fair value gains on CCS, transfer from equity	54,013	54,013	-
Loss on foreign exchange	(54,101)	(54,062)	-
	(4,371)	(4,332)	255

29 PROFIT BEFORE TAXATION AND ZAKAT

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

Directors' remuneration (Note 30)	624	624	692
Rental of premises	2,148	2,418	2,418
Hire of equipment	228	228	242
Auditor's remuneration			
- Audit fees	194	178	165
- Non audit fees	484	8	8
Depreciation of property and equipment	1,069	1,069	1,148
Amortisation of intangible assets	1,916	1,916	2,132
Servicers fees	3,754	3,754	3,096
Repairs and maintenance	1,663	1,663	1,766
Donations and sponsorship	(99)	(99)	183
Corporate expenses	1,494	1,494	645
Travelling expenses	176	176	(87)
Gain on disposal of property and equipment	-	-	(14)
Allowance of impairment losses	12,331	12,331	6,536
Waiver of amount due from related company	1	1	-
Personnel costs:			
- Salary and allowances	10,956	10,956	11,166
- Bonus	6,059	6,059	4,667
- Overtime	54	54	56
- EPF and SOCSO	2,881	2,881	2,553
- Insurance	433	433	433

30 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)
Dato' Albert Yeah Beow Tit
Tang Wing Chew
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Dato' Halipah binti Esa

Executive Director

Chung Chee Leong

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

	Group and Company 2014 RM'000	Company 2013 RM'000
Non-Executive Directors:		
Fees	370	370
Other remuneration	254	305
	624	675
Executive Director:		
Fees	-	13
Other remuneration	-	4
	-	17
	624	692

31 TAXATION

	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
(a) Tax charge for the financial year:			
Malaysian Income tax:			
- Current tax	84,098	84,096	106,106
- Deferred taxation (Note 17)	(235)	(235)	(1,926)
	83,863	83,861	104,180
Current tax:			
- Current year	84,115	84,113	106,379
- Over provision in prior year	(17)	(17)	(273)
	84,098	84,096	106,106
Deferred taxation:			
Origination and reversal of temporary differences (Note 17)	(235)	(235)	(1,926)
	83,863	83,861	104,180

(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 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit before taxation and zakat	335,824	335,741	424,781
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	83,956	83,935	106,195
Different tax rate in Labuan	(19)	-	-
Expenses not deductible for tax purposes	550	550	556
Deduction arising from zakat contribution	(507)	(507)	(280)
Over provision of deferred taxation	-	-	(2,018)
Others	(100)	(100)	-
Over provision in prior year	(17)	(17)	(273)
	83,863	83,861	104,180

32 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	Group and Company		Company	
		2014		2013
	Per share	Total amount	Per share	Total amount
	Sen	RM'000	Sen	RM'000
Interim dividend paid	5.00	7,500	5.00	5,625
Final dividend paid	15.00	22,500	15.00	16,875
	20.00	30,000	20.00	22,500

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2014 of 6 sen per share (2013: 15 sen per share) amounting to RM9,000,000 (2013: RM22,500,000) will be proposed for shareholder's approval.

33 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
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas MGP Berhad ("CMGP")	Related company
Government of Malaysia ("GOM")	Servicer
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

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

(a) Related parties and relationships (continued)

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding 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 and its ultimate holding company, 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 ultimate holding company. These transactions have been disclosed on the statement of financial position and income statement of the Group and the Company.

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

	Group	
	Related company	Other related party
	RM'000	RM'000
2014		
Income		
Transaction administrator and administrator fees	6,309	63
Expenses		
FAST* and RENTAS** charges	-	(49)
Guarantee and Wakalah fee	185	-
Servicers fees	3,754	-

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

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

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

	Group	
	Related company RM'000	Other related party RM'000
Amount due from/(to)		
Transaction administrator and administrator fees	606	-
BNM current accounts	-	26
Reimbursement of operating expenses	-	23
Servicers fees	-	(931)
Payment on behalf	1	-

	Company		
	Subsidiaries RM'000	Related company RM'000	Other related party RM'000
2014			
Income			
Transaction administrator and administrator fees	-	6,309	63
Expenses			
FAST* and RENTAS** charges	-	-	(49)
Guarantee and Wakalah fee	-	185	-
Servicers fees	-	-	3,754
Interest expense	13,338	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	606	-
BNM current accounts	-	-	26
Reimbursement of operating expenses	-	-	23
Servicers fees	-	-	(931)
Loans	(3,057,989)	-	-
Payment on behalf	7,139	1	-

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

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

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

	Company		
	Subsidiaries	Related company	Other related party
	RM'000	RM'000	RM'000
2013			
Income			
Transaction administrator and administrator fees	-	7,073	76
Expenses			
FAST* and RENTAS** charges	-	-	66
Guarantee and Wakalah fee		159	-
Servicers fees	-	-	3,096
Interest expense	-	-	-
Amount due from/(to)			
Transaction administrator and administrator fees	-	751	-
BNM current accounts	-	-	31
Reimbursement of operating expenses	-	-	342
Servicers fees	-	-	(1,096)
Loans	-	-	-
Payment on behalf	-	-	-

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

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

The total remuneration paid to the Directors is disclosed in Note 30 to the financial statements.

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

(c) Transactions with the GOM and its related parties

As BNM has significant influence over the ultimate holding 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 and the Company enter 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 and the Company also purchase Islamic financing facilities such as home financing, personal financing and hire purchase financing and funded by issuance of Sukuk.

34 CAPITAL COMMITMENTS

	Group and Company 2014 RM'000	Company 2013 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
	7,613	7,793

35 LEASE COMMITMENTS

The Group and the Company have 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

36 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 and the Company take 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 and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company'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 and the Company's exposure to interest/profit rates 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 and the Company'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 and the Company's shareholder's funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

For decision-making purposes, the Group and the Company manage their exposure to interest/profit rate risk. The Group and the Company set limits on the sensitivity of the Group's and the Company's forecasted net interest income/profit income at risk to projected changes in interest/profit rates. The Group and the Company 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 and the Company's assets and liabilities are closely matched within the tolerance limit set by the Board of Directors.

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Group						
2014						
Financial assets						
Cash and short-term funds	47,315	-	-	-	49,044	96,359
AFS investment securities	249,644	485,818	377,885	433,337	-	1,546,684
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	1,014,589	1,285,965	1,232,038	5,026,077	(1,261,937)	7,296,732^1
- Islamic	699,493	879,310	897,483	6,017,193	(1,167,043)	7,326,436^2
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4^3
- Islamic	4,511	2,990	114	-	(347)	7,268^4
Other assets	2,049	1,549	940	1,954	70,084	76,576
	4,278,625	11,185,351	4,799,131	11,478,561	(2,310,200)	29,431,468

^1 Includes impairment losses on conventional mortgage assets of RM40,657,049.
^2 Includes impairment losses on Islamic mortgage assets of RM31,742,615.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM69,925.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Group						
2014						
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
Deposits and placements of financial institution	30,003	-	-	-	-	30,003
Other liabilities	-	-	-	-	114,605	114,605
	4,182,994	9,348,636	4,551,720	8,500,000	114,605	26,697,955
Total interest/profit sensitivity gap	95,631	1,836,715	247,411	2,978,561		
Cumulative gap	95,631	1,932,346	2,179,757	5,158,318		

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Company						
2014						
Financial assets						
Cash and short-term funds	47,315	-	-	-	49,043	96,358
AFS investment securities	249,644	485,818	377,885	433,337	-	1,546,684
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	1,014,589	1,285,965	1,232,038	5,026,077	(1,261,937)	7,296,732^1
- Islamic	699,493	879,310	897,483	6,017,193	(1,167,043)	7,326,436^2
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4^3
- Islamic	4,511	2,990	114	-	(347)	7,268^4
Other assets	2,049	1,549	940	1,954	77,222	83,714
	4,278,625	11,185,351	4,799,131	11,478,561	(2,303,063)	29,438,605

^1 Includes impairment losses on conventional mortgage assets of RM40,657,049.
^2 Includes impairment losses on Islamic mortgage assets of RM31,742,615.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM69,925.

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Company						
2014						
Financial liabilities						
Unsecured bearer bonds and notes	783,174	4,350,000	1,295,000	3,815,000	-	10,243,174
Sukuk	3,359,704	4,160,000	1,057,000	4,685,000	-	13,261,704
Deposits and placements of financial institution	30,003	-	-	-	-	30,003
Loans from subsidiary	13,531	843,445	2,201,013	-	-	3,057,989
Other liabilities	-	-	-	-	111,102	111,102
	4,186,412	9,353,445	4,553,013	8,500,000	111,102	26,703,972
Total interest/profit sensitivity gap	92,213	1,831,906	246,118	2,978,561		
Cumulative gap	92,213	1,924,119	2,170,237	5,148,798		

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Company						
2013						
Financial assets						
Cash and short-term funds	542,387	-	-	-	50,569	592,956
AFS investment securities	358,627	511,522	447,033	269,876	-	1,587,058
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	1,075,459	1,418,502	1,357,694	5,410,488	(1,415,556)	7,846,587^1
- Islamic	747,404	1,000,905	1,035,932	6,082,535	(1,283,853)	7,582,923^2
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4^3
- Islamic	6,177	4,783	761	-	(525)	11,196^4
Other assets	1,920	1,698	1,139	1,665	9,505	15,927
	4,899,621	7,682,559	5,863,427	11,764,564	(2,639,861)	27,570,310

^1 Includes impairment losses on conventional mortgage assets of RM35,745,603.
^2 Includes impairment losses on Islamic mortgage assets of RM28,040,701.
^3 Includes impairment losses on conventional hire purchase assets of RM1,204.
^4 Includes impairment losses on Islamic hire purchase assets of RM66,518.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 INTEREST/PROFIT RATE RISK (CONTINUED)

	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
Company						
2013						
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
Other liabilities	-	-	-	-	143,176	143,176
	4,924,711	6,950,000	3,340,000	9,710,000	143,176	25,067,887
Total interest/profit sensitivity gap	(25,090)	732,559	2,523,427	2,054,564		
Cumulative gap	(25,090)	707,469	3,230,896	5,285,460		

36 INTEREST/PROFIT RATE RISK (CONTINUED)

The table below summarises the sensitivity of the Group's and the Company'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 and Company	Company	Group and Company	Company
	+100 basis		-100 basis	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(48,163)	(46,650)	51,041	49,162
Derivatives financial instruments	28,062	36,342	(29,602)	(38,381)
Taxation effects on the above at tax rate of 25%	5,025	2,577	(5,359)	(2,695)
Effect on shareholder's funds	(15,076)	(7,731)	16,080	8,086
As percentage of shareholder's funds	-0.5%	-0.3%	0.6%	0.3%

37 CREDIT RISK

37.1 Credit risk concentration

The Group's and the Company'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 summarise the Group's and the Company's maximum exposure to credit risk by counterparty or customer or the industry in which they are engaged as at the statement of financial position date.

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 CREDIT RISK (CONTINUED)

37.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution

	Cash and short-term funds 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
Group											
2014											
Government bodies	27	-	597,603	-	-	-	-	-	-	2,966	600,596
Financial institutions:											
- Commercial banks	82,421	68,518	115,902	6,094,425	5,534,165	-	-	-	-	-	11,895,431
- Investment banks	13,911	-	-	-	-	-	-	-	-	-	13,911
Communication, electricity, gas and water	-	-	80,488	-	-	-	-	-	-	-	80,488
Transportation	-	-	263,254	-	-	-	-	-	-	-	263,254
Leasing	-	-	-	445,794	-	-	-	-	-	-	445,794
Consumers	-	-	-	-	-	7,296,732	7,326,436	4	7,268	-	14,630,440
Corporate	-	-	-	-	1,007,025	-	-	-	-	-	1,007,025
Construction	-	-	132,291	-	-	-	-	-	-	-	132,291
Others	-	-	357,146	-	-	-	-	-	-	6,536	363,682
Total	96,359	68,518	1,546,684	6,540,219	6,541,190	7,296,732	7,326,436	4	7,268	9,502	29,432,912

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 CREDIT RISK (CONTINUED)

37.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and short-term funds 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
Company											
2014											
Government bodies	26	-	597,603	-	-	-	-	-	-	2,966	600,595
Financial institutions:											
- Commercial banks	82,421	68,518	115,902	6,094,425	5,534,165	-	-	-	-	-	11,895,431
- Investment banks	13,911	-	-	-	-	-	-	-	-	-	13,911
Communication, electricity, gas and water	-	-	80,488	-	-	-	-	-	-	-	80,488
Transportation	-	-	263,254	-	-	-	-	-	-	-	263,254
Leasing	-	-	-	445,794	-	-	-	-	-	-	445,794
Consumers	-	-	-	-	-	7,296,732	7,326,436	4	7,268	-	14,630,440
Corporate	-	-	-	-	1,007,025	-	-	-	-	-	1,007,025
Construction	-	-	132,291	-	-	-	-	-	-	-	132,291
Others	-	-	357,146	-	-	-	-	-	-	13,636	370,782
Total	96,358	68,518	1,546,684	6,540,219	6,541,190	7,296,732	7,326,436	4	7,268	16,602	29,440,011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37 CREDIT RISK (CONTINUED)

37.1 Credit risk concentrations (continued)

Industrial analysis based on its industrial distribution (continued)

	Cash and short-term funds 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
Company											
2013											
Government bodies	-	-	541,413	-	-	-	-	-	-	4,184	545,597
Financial institutions:											
- Commercial banks	392,780	7,286	352,511	3,460,859	6,107,933	-	-	-	-	-	10,321,369
- Investment banks	200,176	-	-	-	-	-	-	-	-	-	200,176
Communications, electricity, gas and water	-	-	55,493	-	-	-	-	-	-	-	55,493
Transportation	-	-	233,265	-	-	-	-	-	-	-	233,265
Leasing	-	-	-	364,867	-	-	-	-	-	-	364,867
Consumers	-	-	-	-	-	7,846,587	7,582,923	4	11,196	-	15,440,710
Others	-	-	404,376	-	-	-	-	-	-	6,354	410,730
Total	592,956	7,286	1,587,058	3,825,726	6,107,933	7,846,587	7,582,923	4	11,196	10,538	27,572,207

37 CREDIT RISK (CONTINUED)

37.2 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 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 and Company	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 loans RM'000	Coverage ratio %
2014							
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	7,267,791	69,598	7,337,389	40,657	7,296,732	69,598	58
- Islamic	7,304,679	53,500	7,358,179	31,743	7,326,436	53,500	59
Hire purchase assets:							
- Conventional	1	4	5	1	4	4	25
- Islamic	7,153	185	7,338	70	7,268	185	38
	27,661,033	123,287	27,784,320	72,471	27,711,849	123,287	

37 CREDIT RISK (CONTINUED)

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

Company	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 loans RM'000	Coverage ratio %
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	7,823,324	59,009	7,882,333	35,746	7,846,587	59,009	61
- Islamic	7,573,937	37,027	7,610,964	28,041	7,582,923	37,027	76
Hire purchase assets:							
- Conventional	1	4	5	1	4	4	31
- Islamic	11,101	162	11,263	67	11,196	162	41
	25,342,022	96,202	25,438,224	63,855	25,374,369	96,202	

37 CREDIT RISK (CONTINUED)

37.2 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:

	Group and Company		Company	
		2014		2013
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	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	7,267,791	7,267,791	7,823,324	7,823,324
- Islamic	7,304,679	7,304,679	7,573,937	7,573,937
Hire purchase assets:				
- Conventional	1	1	1	1
- Islamic	7,153	7,153	11,101	11,101
	27,661,033	27,661,033	25,342,022	25,342,022

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 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.

37 CREDIT RISK (CONTINUED)

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

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 and Company
	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000
Mortgage assets:					
- Conventional	6,845	4,896	4,489	53,368	69,598
- Islamic	5,048	4,851	5,479	38,122	53,500
Hire purchase assets:					
- Conventional	-	-	-	4	4
- Islamic	1	-	-	184	185
	11,894	9,747	9,968	91,678	123,287

					Company
2013					
Mortgage assets:					
- Conventional	4,882	4,487	4,126	45,514	59,009
- Islamic	4,282	2,907	2,699	27,139	37,027
Hire purchase assets:					
- Conventional	-	-	-	4	4
- Islamic	-	44	2	116	162
	9,164	7,438	6,827	72,773	96,202

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 asset, 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.

37 CREDIT RISK (CONTINUED)

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

For the financial year ended 31 December 2014, the Group and the Company have 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.

The movement in impairment allowance are as follows:

	Group and Company				
	As at 1 January RM'000	Allowance made RM'000	Write-back of allowance RM'000	Allowance written-off	As at 31 December RM'000
2014					
Mortgage assets:					
- Conventional	35,746	9,900	(2,422)	(2,567)	40,657
- Islamic	28,041	6,082	(1,232)	(1,148)	31,743
Hire purchase assets:					
- Conventional	1	-	-	-	1
- Islamic	67	21	(18)	-	70
	63,855	16,003	(3,672)	(3,715)	72,471
	Company				
2013					
Mortgage assets:					
- Conventional	35,974	131	(359)	-	35,746
- Islamic	21,267	6,902	(128)	-	28,041
Hire purchase assets:					
- Conventional	2	-	(1)	-	1
- Islamic	76	33	(42)	-	67
	57,319	7,066	(530)	-	63,855

37 CREDIT RISK (CONTINUED)

37.3 AFS investment securities (continued)

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

	Group and Company			
	Investment grade			
	GOM RM'000	AAA RM'000	AA1 to AA2/ AA+ to AA RM'000	Total RM'000
2014				
Private debt securities	-	97,584	191,898	289,482
Malaysian government securities	190,624	-	-	190,624
Government investment issues	229,830	-	-	229,830
Islamic private debt securities	-	305,770	-	305,770
Negotiable instrument of deposits	-	-	-	-
Quasi government debt securities	116,373	-	-	116,373
Islamic quasi government debt securities	414,605	-	-	414,605
Total	951,432	403,354	191,898	1,546,684
				Company
2013				
Private debt securities	-	81,464	187,105	268,569
Malaysian government securities	230,220	-	-	230,220
Government investment issues	140,821	-	-	140,821
Islamic private debt securities	-	421,526	-	421,526
Negotiable instrument of deposits	-	51,629	-	51,629
Quasi government debt securities	117,099	-	-	117,099
Islamic quasi government debt securities	357,194	-	-	357,194
Total	845,334	554,619	187,105	1,587,058

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

37.4 Amount due from related company

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

37 CREDIT RISK (CONTINUED)

37.5 Offsetting financial instruments

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

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

38 LIQUIDITY RISK

38.1 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.

38 LIQUIDITY RISK (CONTINUED)

38.2 Liquidity pool

The 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
Group							
2014	96,359	68,518	1,546,684	7,296,732	7,326,436	13,096,742	29,431,471
Company							
2014	96,358	68,518	1,546,684	7,296,732	7,326,436	13,103,879	29,438,607
2013	592,956	7,286	1,587,058	7,846,587	7,582,923	9,953,500	27,570,310

38 LIQUIDITY RISK (CONTINUED)

38.3 Contractual maturity of financial liabilities

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

	Contractual maturity dates					
	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
Group						
2014						
Financial liabilities						
Unsecured 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
Other liabilities	-	-	-	-	48,859	48,859
	106,347	903,247	3,978,572	16,776,996	11,140,585	32,905,747
Assets held for managing liquidity risk	389,498	1,249,125	3,577,563	15,181,831	15,552,326	35,950,343

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 LIQUIDITY RISK (CONTINUED)

38.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2014						
Financial liabilities						
Unsecured bonds and notes	78,919	43,226	1,020,742	6,904,358	4,835,805	12,883,050
Sukuk	27,428	842,322	2,887,807	6,552,029	6,255,921	16,565,507
Loan from subsidiary	-	17,699	70,023	3,320,609	-	3,408,331
Other liabilities	-	-	-	-	48,859	48,859
	106,347	903,247	3,978,572	16,776,996	11,140,585	32,905,747
Assets held for managing liquidity risk	389,498	1,249,125	3,577,563	15,181,831	15,552,326	35,950,343

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 LIQUIDITY RISK (CONTINUED)

38.3 Contractual maturity of financial liabilities (continued)

	Contractual maturity dates					
	On demand up to one month	One to three months	Three to twelve months	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
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
Other liabilities	14,864	-	-	-	50,473	65,337
	76,569	956,316	4,719,047	13,080,692	12,831,261	31,663,885
Assets held for managing liquidity risk	889,105	773,125	3,863,599	15,353,299	16,579,519	37,458,647

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 LIQUIDITY RISK (CONTINUED)

38.4 Derivative liabilities

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

The following table analyses the Group's and the Company's derivatives 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 and Company					
	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						
Derivatives held for hedging						
- IRS/IPRS	-	(2,988)	(1,762)	(18,436)	(6,515)	(29,701)
- CCS	-	2,091	(36,420)	(72,295)	-	(106,624)
	Company					
2013						
Derivatives held for hedging						
- IRS/IPRS	-	(4,767)	(4,453)	(17,976)	(4,159)	(31,355)
- CCS	-	-	-	-	-	-

39 FOREIGN EXCHANGE RISK

The Group and the Company are exposed to translation foreign exchange rate on its PWOR assets and unsecured bonds and notes denominated in currencies other than the functional currencies of the transacting entity.

The Group and the Company hedge 100% of its foreign currency denominated unsecured bonds and notes and loans from subsidiary. The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manage its exposure by entering into derivatives contracts.

39 FOREIGN EXCHANGE RISK (CONTINUED)

39.1 Exposure to foreign currency risk

	Group		
	CNY RM'000	HKD RM'000	USD RM'000
2014			
Derivatives 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

	Company		
2014			
Derivatives financial instruments	780,000	422,000	1,725,000
Amount due to counterparties	852,454	-	-
	1,632,454	422,000	1,725,000
Loans from subsidiary	852,427	452,538	1,753,024

39.2 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 summarises in table below. The sensitivity analysis is based on foreign currency exchange rate variances that the Group and the Company 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		Company	
	Equity RM'000	Profit RM'000	Equity RM'000	Profit RM'000
2014				
CNY	3	4	3	4
HKD	4,525	13	4,525	13
USD	17,545	30	17,527	30
	22,073	47	22,055	47

There was no exposure to foreign exchange rate risk in the previous financial year.

40 FAIR VALUE OF FINANCIAL INSTRUMENTS

40.1 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 derivatives 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 the 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).

40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Group and Company			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2014				
Assets				
AFS investment securities	-	1,546,684	-	1,546,684
Derivatives financial instruments	-	68,518	-	68,518
Liabilities				
Derivatives financial instruments	-	32,743	-	32,743

	Company			
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2013				
Assets				
AFS investment securities	-	1,587,058	-	1,587,058
Derivative financial instruments	-	7,286	-	7,286
Liabilities				
Derivative financial instruments	-	35,898	-	35,898

40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

40.2 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) Amount due from related company

The fair value of amount due from related company is estimated at their carrying amount due to short tenure of less than one year.

(d) 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.

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

	Group	
	2014	
	Carrying value	Fair value
	RM'000	RM'000
Financial assets		
Amount due from counterparties	6,540,219	6,281,970
Islamic financing assets	6,541,190	6,417,928
Mortgage assets:		
- Conventional	7,296,732	7,409,099
- Islamic	7,326,436	7,454,119
Hire purchase assets:		
- Conventional	4	4
- Islamic	7,268	7,309
	27,711,849	27,570,429

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group	
		2014
	Carrying value RM'000	Fair value RM'000
Financial liabilities		
Unsecured bearer bonds and notes	13,291,643	13,588,064
Sukuk	13,261,704	13,703,954
	26,553,347	27,292,018

	Company			
		2014		2013
	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	7,296,732	7,409,099	7,846,587	7,846,599
- Islamic	7,326,436	7,454,119	7,582,923	7,584,303
Hire purchase assets:				
- Conventional	4	4	4	4
- Islamic	7,268	7,309	11,196	11,210
	27,711,849	27,570,429	25,374,369	24,868,644
Financial liabilities				
Unsecured bearer bonds and notes	10,243,174	10,549,807	11,521,708	11,673,930
Sukuk	13,261,704	13,703,954	13,403,003	13,539,338
Loans from subsidiary	3,057,989	2,927,269	-	-
	26,562,867	27,181,030	24,924,711	25,213,268

40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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 repricing date of the floating rate assets portfolio 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 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 and Sukuk 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.

41 SEGMENT REPORTING

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

(a) PWR

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41 SEGMENT REPORTING (CONTINUED)

(b) PWOR

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

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.

			Group
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2014			
External revenue	461,806	1,001,622	1,463,428
External interest/profit expense	(376,494)	(693,895)	(1,070,389)
Profit from operations	76,660	259,164	335,824
Zakat	(2,868)	(1,244)	(4,112)
Taxation	(18,870)	(64,993)	(83,863)
Profit after taxation and zakat by segment	54,922	192,927	247,849
Segment assets	13,936,061	15,515,667	29,451,728
Segment liabilities	9,372,093	17,325,862	26,697,955
Other information:			
Capital expenditure	243	270	513
Depreciation and amortisation	506	2,479	2,985

41 SEGMENT REPORTING (CONTINUED)

			Company
	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2014			
External revenue	461,806	1,001,622	1,463,428
External interest/profit expense	(376,665)	(693,895)	(1,070,560)
Profit from operations	76,577	259,164	335,741
Zakat	(2,868)	(1,244)	(4,112)
Taxation	(18,868)	(64,993)	(83,861)
Profit after taxation and zakat by segment	54,841	192,927	247,768
Segment assets	13,941,997	15,515,667	29,457,664
Segment liabilities	9,378,110	17,325,862	26,703,972
Other information:			
Capital expenditure	243	270	513
Depreciation and amortisation	506	2,479	2,985
2013			
External revenue	527,842	863,293	1,391,135
External interest/profit expense	(412,583)	(505,947)	(918,530)
Profit from operations	82,181	342,600	424,781
Zakat	(1,898)	(130)	(2,028)
Taxation	(19,827)	(84,353)	(104,180)
Profit after taxation and zakat by segment	60,456	258,117	318,573
Segment assets	10,810,548	16,784,481	27,595,029
Segment liabilities	9,277,195	15,790,692	25,067,887
Other information:			
Capital expenditure	1,277	1,980	3,257
Depreciation and amortisation	451	2,829	3,280

42 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 shareholder 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 1 ("CET1") and Tier I capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

	Group	Company	
	2014	2014	2013
	%	%	%
Before deducting proposed final dividends*			
CET I capital ratio	23.6	23.6	23.7
Tier I capital ratio	23.6	23.6	23.7
Total capital ratio	24.3	24.3	24.3
After deducting proposed final dividends*			
CET I capital ratio	23.5	23.5	23.5
Tier I capital ratio	23.5	23.5	23.5
Total capital ratio	24.2	24.2	24.1

** Refers to proposed final dividend which will be declared after the financial year.*

42 CAPITAL ADEQUACY (CONTINUED)

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

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
CET1/Tier I capital			
Paid-up capital	150,000	150,000	150,000
Retained profits	2,624,847	2,624,765	2,406,998
	2,774,847	2,774,765	2,556,998
Deferred taxation assets	(6,236)	(6,236)	(8,929)
	2,768,611	2,768,529	2,548,069
Tier II capital			
Allowance for impairment losses	72,471	72,471	63,855
Total Tier II capital	72,471	72,471	63,855
Total capital	2,841,082	2,841,000	2,611,924

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

	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
Credit risk	10,970,406	10,977,505	10,044,004
Operational risk	737,093	737,093	705,105
Total risk-weighted assets	11,707,499	11,714,598	10,749,109

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	Group	Company	
		2014	2014	2013
		RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	(a)	10,200	10,200	55,170
Derivative financial instruments		6,108	6,108	7,286
AFS investment securities	(b)	50,487	50,487	204,788
Financing assets	(c)	6,541,190	6,541,190	6,107,933
Mortgage assets	(d)	7,319,483	7,319,483	7,574,153
Hire purchase assets	(e)	6,438	6,438	8,427
Deferred financing fees		1,163	-	-
Other assets and prepayments		289,377	290,037	289,525
TOTAL ASSETS		14,224,446	14,223,943	14,247,282
LIABILITIES				
Sukuk	(f)	13,261,704	13,261,704	13,403,003
Deferred taxation		1,508	1,508	1,828
Other liabilities	(g)	51,217	50,709	37,835
TOTAL LIABILITIES		13,314,429	13,313,921	13,442,666
ISLAMIC OPERATIONS' FUNDS		910,017	910,022	804,616
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		14,224,446	14,223,943	14,247,282

43 ISLAMIC OPERATIONS (CONTINUED)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
Total income attributable		718,197	718,197	669,540
Income attributable to the Sukuk holders	(h)	(563,691)	(563,691)	(487,089)
Non-profit income/(expense)		794	794	(569)
Total income attributable	(i)	155,300	155,300	181,882
Administration and general expenses		(2,494)	(2,489)	(2,836)
Allowance of impairment losses		(4,855)	(4,855)	(6,802)
PROFIT BEFORE TAXATION AND ZAKAT		147,951	147,956	172,244
Zakat		(4,112)	(4,112)	(2,028)
Taxation		(37,478)	(37,478)	(43,061)
PROFIT FOR THE FINANCIAL YEAR		106,361	106,366	127,155

43 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	Company	
	2014	2014	2013
	RM'000	RM'000	RM'000
Profit for the financial year	106,361	106,366	127,155
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss			
AFS investment securities			
- Net (loss)/gain on fair value changes before taxation	(66)	(66)	17
- Deferred taxation	16	16	(4)
Cash flow hedge			
- Net (loss)/gain on cash flow hedge before taxation	(1,214)	(1,214)	6,164
- Deferred taxation	304	304	(1,541)
Other comprehensive (loss)/income for the financial year net of taxation	(960)	(960)	4,636
Total comprehensive income for the financial year	105,401	105,406	131,791

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43 ISLAMIC OPERATIONS (CONTINUED)

CONSOLIDATED STATEMENT 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	18	5,466	504,973	804,616
Profit for the financial year	-	-	-	106,361	106,361
Other comprehensive Income	-	(50)	(910)	-	(960)
Total comprehensive income for the financial year	-	(50)	(910)	106,361	105,401
Balance as at 31 December 2014	294,159	(32)	4,556	611,334	910,017

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT 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
Company					
Balance as at 1 January 2014	294,159	18	5,466	504,973	804,616
Profit for the financial year	-	-	-	106,366	106,366
Other comprehensive Income	-	(50)	(910)	-	(960)
Total comprehensive income for the financial year	-	(50)	(910)	106,366	105,406
Balance as at 31 December 2014	294,159	(32)	4,556	611,339	910,022
Balance as at 1 January 2013	294,159	5	843	377,818	672,825
Profit for the financial year	-	-	-	127,155	127,155
Other comprehensive Income	-	13	4,623	-	4,636
Total comprehensive income for the financial year	-	13	4,623	127,155	131,791
Balance as at 31 December 2013	294,159	18	5,466	504,973	804,616

43 ISLAMIC OPERATIONS (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
OPERATING ACTIVITIES				
Profit for the financial year		106,361	106,366	127,155
Adjustments for investment items and items not involving the movement of cash and cash equivalents:				
Amortisation of premium less accretion of discount on:				
- Debt securities		(7,407)	(7,407)	(6,655)
- Mortgage assets		(127,564)	(127,564)	(101,114)
- Hire purchases		(226)	(226)	(222)
Allowance of impairment loss mortgage assets and hire purchase assets		4,855	4,855	6,802
Income from:				
- Debt securities		(1,265)	(1,265)	(362)
- Operations		(576,867)	(576,867)	(556,826)
Profit attributable to Sukuk holders		563,691	563,691	487,089
Wakalah fee expense		184	184	151
Taxation		37,478	37,478	43,061
Zakat		4,112	4,112	2,028
Operating profit before working capital changes		3,352	3,357	1,107
(Increase)/Decrease in financing assets		(427,205)	(427,205)	1,963,777
Decrease/(Increase) in mortgage assets		362,320	362,320	(3,579,736)
Decrease in hire purchase assets		2,521	2,521	2,108
Increase in other assets and prepayments		(1,199)	(696)	(86)
(Decrease)/Increase in Sukuk		(138,000)	(138,000)	1,690,000
Increase in other liabilities		3,902	3,394	6,073
Cash (utilised in)/generated from operating activities		(194,309)	(194,309)	83,243
Profit received from assets		585,569	585,569	481,689
Profit paid to Sukuk holders		(566,989)	(566,989)	(481,646)
Wakalah fee paid		(221)	(221)	(151)
Payment of:				
- Taxation		(29,864)	(29,864)	(23,196)
- Zakat		(2,028)	(2,028)	(1,118)
Net cash (utilised in)/generated from operations		(207,842)	(207,842)	58,821

43 ISLAMIC OPERATIONS (CONTINUED)

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

	Note	Group	Company	
		2014	2014	2013
		RM'000	RM'000	RM'000
INVESTING ACTIVITIES				
Purchase of AFS investments securities		(15,080)	(15,080)	(1,961,455)
Sale of AFS investment securities		176,781	176,781	1,863,517
Derivative financial instruments		(36)	(36)	(8)
Income received/(paid to) from debt securities		1,207	1,207	(51)
Net cash generated from/(utilised in) investing activities		162,872	162,872	(97,997)
Net decrease in cash and cash equivalents		(44,970)	(44,970)	(39,176)
Cash and cash equivalents as at 1 January		55,170	55,170	94,346
Cash and cash equivalents as at 31 December		10,200	10,200	55,170
Analysis of cash and cash equivalents as at 31 December				
Cash and short-term funds	(a)	10,200	10,200	55,170

	Group and Company	Company
	2014	2013
	RM'000	RM'000
(a) Cash and short-term funds		
Cash and bank balances with bank and other financial institutions	49	33
Mudharabah money at call and deposit placements maturing within one month	10,151	55,137
	10,200	55,170
(b) AFS investment securities		
At fair value:		
Private debt securities	20,174	174,425
Government investment issues	30,313	30,363
	50,487	204,788

43 ISLAMIC OPERATIONS (CONTINUED)

(b) *AFS investment securities (continued)*

	Group and Company 2014 RM'000	Company 2013 RM'000
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	15,479	169,683
One year to three years	35,008	35,105
	50,487	204,788

(c) *Financing assets*

	Group and Company 2014 RM'000	Company 2013 RM'000
Relating to:		
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

(d) *Mortgage assets*

	Group and Company 2014 RM'000	Company 2013 RM'000
PWOR	7,319,483	7,574,153
The maturity structure of mortgage assets are as follows:		
Maturing within one year	697,750	745,909
One year to three years	877,255	998,735
Three years to five years	895,722	1,034,057
More than five years	6,015,787	6,079,289
	8,486,514	8,857,990
Less:		
Unaccreted discount	(1,135,300)	(1,255,812)
Allowance for impairment losses	(31,731)	(28,025)
	7,319,483	7,574,153

43 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company 2014 RM'000	Company 2013 RM'000
(e) Hire purchase assets		
PWOR	6,438	8,427

The maturity structure of hire purchase assets are as follows:

	Group and Company 2014 RM'000	Company 2013 RM'000
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

	Group and Company 2014 RM'000	Company 2013 RM'000
(f) Sukuk		
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 and Company 2014 RM'000	Company 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

43 ISLAMIC OPERATIONS (CONTINUED)

(g) *Other liabilities*

	Group 2014 RM'000	Company 2014 RM'000	Company 2013 RM'000
Zakat	4,112	4,112	2,028
Other payables	47,105	46,597	35,807
	51,217	50,709	37,835

(h) *Income attributable to the Sukuk holders*

	Group and Company 2014 RM'000	Company 2013 RM'000
Mortgage assets	343,481	219,868
Hire purchase assets	470	413
Financing assets	219,563	266,808
Deposits and placements of financial institutions	177	-
	563,691	487,089

Income attributable to Sukuk holders analysed by concept:

Bai Al-Dayn	563,514	487,089
Mudharabah	177	-
	563,691	487,089

(i) *Total income attributable*

Income from:		
Mortgage assets	122,448	145,728
Hire purchase assets	99	159
Financing assets	19,266	25,186
AFS investment securities	8,735	7,094
Deposit and placements with financial institutions	3,958	4,284
Non-profit income/(expense)	794	(569)
	155,300	181,882

43 ISLAMIC OPERATIONS (CONTINUED)

	Group and Company 2014 RM'000	Company 2013 RM'000

(i) *Total income attributable (continued)*

Total net income analysed by concept are as follows:

	Group and Company 2014 RM'000	Company 2013 RM'000
Bai Bithaman Ajil	1,009	307
Murabahah	248	228
Bai Al-Dayn	142,607	171,073
Mudharabah	11,436	10,274
	155,300	181,882

(j) *Capital adequacy*

	Group 2014 %	Company 2014 %	Company 2013 %
Before deducting proposed final dividend*			
CET I	16.4	16.4	15.0
Tier I capital ratio	16.4	16.4	15.0
Total capital ratio	17.0	17.0	15.5
After deducting proposed* final dividend			
CET I capital ratio	16.4	16.4	15.0
Tier I capital ratio	16.4	16.4	15.0
Total capital ratio	17.0	17.0	15.5

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

	Group 2014	Company 2014	Company 2013
CET I/Tier I capital:			
Allocated capital funds	294,159	294,159	294,159
Other reserves	611,334	611,339	504,973
	905,493	905,498	799,132
Deferred tax liabilities	1,508	1,508	1,828
Total CET I/Tier I capital	907,001	907,006	800,960

** Refers to proposed final dividend which will be declared after the financial year.*

43 ISLAMIC OPERATIONS (CONTINUED)

(j) Capital adequacy (continued)

	Group		Company
	2014	2014	2013
	%	%	%
Tier II capital:			
Allowance for impairment losses	31,781	31,781	28,074
Total Tier II capital	31,781	31,781	28,074
Total capital	938,782	938,787	829,034
	RM'000	RM'000	RM'000
The breakdown of risk-weighted assets by each major risk category is as follows:			
Credit risk	5,248,138	5,248,798	5,096,085
Operational risk	273,567	273,567	243,812
Total risk-weighted assets	5,521,705	5,522,365	5,339,897

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.

(k) Shariah advisor

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

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year.

45 COMPARATIVE FIGURES

There are no comparative figures for as this is the first set of consolidated financial statements prepared by the Group.

46 APPROVAL OF FINANCIAL STATEMENTS

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

Company No.

157931	A

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Ooi Sang Kuang and Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 104 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

CHUNG CHEE LEONG
DIRECTOR

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Norazilla Md Tahir, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 104 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.

NORAZILLA MD TAHIR

Subscribed and solemnly declared by the abovenamed Norazilla Md Tahir at Kuala Lumpur in Malaysia on 11 March 2015

Before me,

LEONG CHIEW KEONG
No.: W409
COMMISSIONER FOR OATHS

INDEPENDENT AUDITOR'S' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Cagamas Berhad on pages 6 to 104, which comprise the statements of financial position as at 31 December 2014 of the Group and the Company, the statements of income, 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 46.

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 requirements of 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CAGAMAS BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 157931-A)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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 of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of 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 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) Our 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.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

This report is made solely to the member 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
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
11 March 2015