IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")). ANY OFFERING PURSUANT HERETO IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be a U.S. person and must be located outside the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular you shall be deemed to have represented to us (1) that you and any customers you represent are, and the electronic mail address that you provided us and to which this e-mail has been delivered is not located in the United States, (2) that you are not a U.S. person, or acting for, the account or benefit of a U.S. person (in each case as defined in Regulation S) and (3) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a dealer or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic format. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor (each as defined in this Offering Circular), CIMB Bank (L) Limited, The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit Labuan, RHB Investment Bank Berhad and Standard Chartered Bank (together the "**Arrangers**"), and The Hongkong and Shanghai Banking Corporation Limited, AmInvestment Bank Berhad, Deutsche Bank AG, Singapore Branch and Maybank Investment Bank Berhad (together with the Arrangers, the "**Dealers**"), any person who controls the Arrangers or Dealers, any director, officer, employee or agent of the Issuer, the Guarantor, the Arrangers or Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CAGAMAS GLOBAL P.L.C.

(Labuan Company No.: LL10563)

(incorporated in the Federal Territory of Labuan, Malaysia with limited liability under the Labuan Companies Act 1990)

U.S.$2,500,000,000 Multicurrency Medium Term Note Programme
guaranteed by

CAGAMAS BERHAD

(Company No.:157931-A)

(incorporated in Malaysia with limited liability under the Malaysian Companies Act 1965)

Under the U.S.$2,500,000,000 Multicurrency Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Cagamas Global P.L.C. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency (other than Ringgit) agreed between the Issuer and the relevant Dealer(s) (defined below) which are unconditionally and irrevocably guaranteed (the "**Guarantee of the Notes**") by Cagamas Berhad ("**Cagamas**" the "**Guarantor**" or the "**Company**"). The Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,500,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Approval-in-principle has been obtained from the Labuan International Financial Exchange Inc. (the "**LFX**") for the listing of the Notes issued under the Programme and approval-in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, list and for the quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the LFX and the SGX-ST. Such permission will be granted when the Programme or such Notes have been admitted to listing on the LFX and the Official List of the SGX-ST (the "**Official List**"). The SGX-ST and the LFX take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the contents of this document, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The approval-in-principle from, and the admission of any Notes to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes.

Investors are advised to read and understand the contents of this document before investing. If in doubt, the investors should consult his or her adviser.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*" and each term therein a "**Condition**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the listing of Notes of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the LFX, SGX-ST or any other stock exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s). The applicable Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SGX-ST or any other stock exchange. The Issuer may also issue unlisted Notes.

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Note**"). Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") or with The Central Depository (Pte) Limited ("**CDP**") or with a sub custodian for the Central Moneymarkets Unit Service (the "**CMU Service**") operated by the Hong Kong Monetary Authority (the "**HKMA**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or to or for the benefit of U.S. persons. Registered Notes are subject to certain restrictions on transfer. See "*Subscription and Sale*".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The submission to the Securities Commission Malaysia ("**SC**") in respect of the Programme was made by CIMB Investment Bank Berhad and HSBC Bank Malaysia Berhad as joint principal advisers ("**Joint Principal Advisers**"). The authorisation of the SC for the Programme was obtained on 2 July 2014. The authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes under the Programme.

The Programme has been assigned a rating of A3 and $_{g}A_{2}$(s) by Moody's Investors Service Singapore Pte. Ltd ("**Moody's**") and RAM Rating Services Berhad ("**RAM Rating**"), respectively. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or other Tranches of Notes. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under "*Risk Factors*" below.

Joint Principal Advisers

CIMB **HSBC**

Arrangers

CIMB **HSBC** **RHB** **Standard Chartered Bank**

Dealers

AmInvestment Bank Berhad **CIMB** **Deutsche Bank** **HSBC**

MAYBANK **RHB** **Standard Chartered Bank**

The date of this Offering Circular is 29 August 2014

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their respective subsidiaries (the Guarantor and its respective subsidiaries, collectively, the "**Group**"), and to the Notes and the Guarantee of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group and of the Notes and the Guarantee of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes); (ii) all statements of fact relating to the Issuer, the Guarantor, the Group and to the Notes and the Guarantee of the Notes contained in this Offering Circular are in every material respect true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Guarantor, the Group and to the Notes and the Guarantee of the Notes the omission of which would in the context of the issue of the Notes and the Guarantee of the Notes make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions; and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

If a jurisdiction requires that an offering be made by a licensed broker or dealer and a Dealer or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the Republic of Singapore, Malaysia, the People's Republic of China, Hong Kong, Japan and to persons connected therewith.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the LFX and/or the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arrangers or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$2,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of a Stabilising Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of the relevant Stabilising Manager) in accordance with all applicable laws and rules.

None of the Arrangers or the Dealers have independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Arrangers nor any of the Dealers, or any director, officer, employee, agent or affiliate of any such persons make any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Arrangers nor the Dealers, or any director, officer, employee, agent or affiliate of any such persons, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Arrangers, the Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial, legal and tax advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers or the Dealers, or any director, officer, employee, agent or affiliate of any such persons, that any recipient, of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arrangers nor the Dealers or any agent or affiliate of any such persons undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of certain regions within Malaysia have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Guarantor, the Arrangers, the Dealers or by their respective directors and advisers, and neither the Issuer, the Guarantor, the Arrangers, the Dealers nor their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer's financial statements (if any) are reported in Ringgit and presented in accordance with the Labuan Companies Act 1990, the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

The Guarantor's financial statements are reported in Ringgit and presented in accordance with the Malaysian Companies Act 1965, the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Issuer*", "*Description of the Guarantor*" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to, general economic and political conditions in Malaysia, South East Asia, and the other countries which have an impact on the Issuer's and Guarantor's business activities or investments, political or financial instability in Malaysia or any other country caused by any factor including any terrorist attacks in Malaysia, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of Malaysia, political or financial instability in Malaysia or military armament or social unrest in any part of Malaysia, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Ringgit, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in Malaysia and regional or general changes in asset valuations.

CERTAIN TERMS AND CONVENTIONS

In this Offering Circular, unless otherwise specified, all references to the "**Government**" are to the Government of Malaysia; all references to "**Singapore**" are to the Republic of Singapore; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "**PRC Government**" mean the government of the PRC; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC; references to "**Macau**" are to the Macao Special Administrative Region of the PRC; and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland.

All references in this document to "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended and to "**Ringgit**" and "**RM**" refer to Malaysian Ringgit. In addition, references to "**sterling**" and "**£**" refer to pounds sterling, references to "**U.S. dollars**", "**US$**", "**U.S.$**" and "**$**" refer to United States dollars; all references to "**S$**" refer to Singapore dollars; all references to "**HK$**" and to "**HKD**" are to Hong Kong dollars; all references to "**yen**" are to Japanese yen; and all references to "**Renminbi**", "**CNH**", "**RMB**" and "**CNY**" are to the currency of the PRC.

For the convenience of the readers, certain Ringgit amounts have been translated into U.S. dollar amounts, based on the prevailing exchange rate of RM 3.21 = US$1 as of 30 June 2014, being the closing exchange rate for Ringgit against U.S. dollars dealt on that date by Bank Negara Malaysia ("**BNM**"), the Central Bank of Malaysia. Such translations should not be construed as representations that the Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

Rounding adjustments have been made in calculating some of the financial and other numerical information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

SECURITIES COMMISSION MALAYSIA

In accordance with the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"), a copy of this Offering Circular will be deposited with the SC, which takes no responsibility for its contents. The issue, offer and invitation to subscribe and purchase the Notes in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including, without limitation, the applicable authorisation from the SC. The Programme is authorised by the SC pursuant to section 212(5) of the CMSA, under the SC's deemed approval process. Please note that the authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and/or the Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer and the Guarantor from time to time (if any), together with the audit or review reports in respect thereof, and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the specified office of the Fiscal Agent (as defined under "*Summary of the Programme*") (or such other Paying Agent for the time being) set out at the end of this Offering Circular.

CONTENTS

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer:	Cagamas Global P.L.C.
Guarantor:	Cagamas Berhad
Description:	Multicurrency Medium Term Note Programme
Programme Size:	U.S.$2,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement and subject to the consents of the relevant regulatory authorities and the relevant parties being obtained.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under the section "*Risk Factors*" below.
Joint Principal Advisers:	CIMB Investment Bank Berhad ("**CIMB**") and HSBC Bank Malaysia Berhad ("**HSBC**").
Arrangers:	CIMB Bank (L) Limited ("**CIMB (L)**"), The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit Labuan ("**HSBC Labuan**"), RHB Investment Bank Berhad ("**RHB**") and Standard Chartered Bank ("**SCB**").
Dealers:	AmInvestment Bank Berhad ("**AIBB**"), CIMB (L), Deutsche Bank AG, Singapore Branch ("**DB**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC Limited**"), Maybank Investment Bank Berhad ("**Maybank IB**"), RHB, SCB, and/or any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Paying Agent, Transfer Agent, CMU Lodging and Paying Agent and CDP Lodging and Paying Agent:	The Bank of New York Mellon, London Branch, the Bank of New York Mellon, Hong Kong Branch and the Bank of New York Mellon, Singapore Branch.
Registrars:	The Bank of New York Mellon (Luxembourg) S.A. (in respect of Notes other than CMU Notes or CDP Notes), the Bank of New York Mellon, Hong Kong Branch (in respect of CMU Notes) and the Bank of New York Mellon, Singapore Branch (in respect of CDP Notes).
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest). Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Clearing Systems:	Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme, Luxembourg ("**Clearstream**, **Luxembourg**"), the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU Service**"), the Central Depository (Pte) Limited ("**CDP**") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Fiscal Agent and the relevant Dealer(s).
Form of Notes:	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary for Clearstream, Luxembourg and/or Euroclear and/or, in respect of CMU Notes, a sub-custodian for the CMU Service and/or, as the case may be, with CDP and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear and Clearstream, Luxembourg and/or CDP and/or the CMU Service.
Currencies:	Notes may be denominated in any currency or currencies (other than Ringgit) as may be agreed between the Issuer, the Guarantor and the relevant Dealer, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	The Notes constitute direct, general, unconditional and, subject to the provisions of the negative pledge, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least *pari passu* with all of its other present and future unsecured and unsubordinated obligations as described in "*Terms and Conditions of the Notes — Status and Guarantee*".
Status of the Guarantee:	The Guarantee of the Notes constitutes a direct, general, unconditional and, subject to the provisions of the negative pledge, unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee of the Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application at all times rank at least *pari*

	passu with all of its other present and future unsecured and unsubordinated obligations as described in "*Terms and Conditions of the Notes — Status and Guarantee*".
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Maturities:	Any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Tax Redemption and Change of Shareholding Redemption:	Except as described in "Optional Redemption" above, early redemption will only be permitted (i) for tax reasons as described in Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*) and (ii) following a Change of Control as described in Condition 10(f) (*Redemption and Purchase — Redemption for Change of Shareholding*).
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations:	Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Notes are denominated in a currency other than sterling, the equivalent amount in such currency). See "*Subscription and Sale*".
Negative Pledge:	The Notes will contain a negative pledge provision as further described in Condition 5.1 (*Negative Pledge*).
Cross Default:	The Notes will contain a cross default provision as further described in Condition 15 (*Events of Default*).

Withholding Tax:	All payments in respect of Notes and the Guarantee of the Notes shall be made without withholding or deducting any present or future taxes, duties, assessments, fees or other governmental charges imposed by Malaysia, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 14 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding been required.
Listing and Trading:	Approval-in-principle has been obtained from the LFX for the listing of the Notes issued under the Programme. Approval-in-principle has been obtained from the SGX-ST for permission to deal in, list and for the quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The LFX and SGX-ST take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval-in-principle from, and the admission of any Notes to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the LFX or SGX-ST or listed, traded or quoted on or by any other competent authority, exchange or quotation system. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Rating:	The Notes may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Governing Law:	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes will be governed by, and construed in accordance with, English law.
Enforcement of Notes in Global Form:	In the case of Global Notes and Global Certificates, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 29 August 2014, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Singapore, Malaysia, the People's Republic of China, Hong Kong and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or TEFRA D/TEFRA not applicable, as specified in the applicable Pricing Supplement.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg with CDP or deposited with a sub-custodian for the CMU Service or any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary financial information of Cagamas as at and for the periods indicated.

The summary financial statements presented below as at and for the three years ended 31 December 2011, 31 December 2012 and 31 December 2013 are extracted from the financial statements of Cagamas as at and for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, which were audited by PricewaterhouseCoopers and should be read in conjunction with such audited financial statements and the notes thereto which are included elsewhere in this Offering Circular.

The summary financial statements presented below as at and for the six months ended 30 June 2014 (which include the comparative financial information for the six months ended 30 June 2013) are extracted from our financial statements as at and for the six months ended 30 June 2014, which have not been audited or reviewed by PricewaterhouseCoopers and should be read in conjunction with such unaudited and unreviewed financial statements and the notes thereto which are included elsewhere in this Offering Circular.

The summary unaudited and unreviewed financial statements presented below as at and for the six months ended 30 June 2014 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Neither the Arrangers nor the Dealers make any representation or warranty, express or implied, regarding the sufficiency of such summary unaudited and unreviewed interim financial statements for an assessment of, and investors must exercise caution when using such data to evaluate, Cagamas' financial condition, results of operations and results. Such summary unaudited and unreviewed financial statements should not be taken as an indication of the expected financial condition, results of operations and results of Cagamas for the full financial year ending 31 December 2014.

The audited financial statements as at and for the years ended 31 December 2011 are prepared and presented in accordance with MASB Approved Accounting Standards in Malaysia for entities other than Private Entities. The audited financial statements as at and for the years ended 31 December 2012 and 31 December 2013 and unaudited and unreviewed financial statements as at and for the six months ended 30 June 2014 (which include the comparative financial information for the six months ended 30 June 2013) are prepared and presented in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Malaysian Companies Act, 1965.

STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2011	**2012**	**2013**	**2014**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
		RM '000		
ASSETS				
Cash and short-term funds	355,299	370,939	592,956	1,184,326
Derivative financial instruments	—	1,115	7,286	7,116
Available-for-sale investment securities	596,599	1,165,983	1,587,058	1,496,485
Amount due from counterparties	4,307,044	3,696,142	3,825,726	3,478,395
Islamic financing assets	6,879,635	8,076,861	6,107,933	5,809,673
Mortgage assets				
— Conventional	6,578,196	6,093,780	7,846,587	7,561,644
— Islamic	3,918,909	3,828,813	7,582,923	7,425,319
Hire purchase assets				
— Conventional	52	9	4	4
— Islamic	21,221	15,937	11,196	8,555
Amount due from related company and SPE	976	829	751	708
Amount due from ultimate holding company	2	—	—	—
Other assets	5,646	11,053	9,788	10,034
Property and equipment	4,311	4,363	4,019	3,648
Intangible assets	11,796	9,552	9,873	9,030
Deferred taxation	9,194	9,231	8,929	8,842
TOTAL ASSETS	**22,688,880**	**23,284,607**	**27,595,029**	**27,003,779**

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	(audited)	(audited)	(audited)	(unaudited)
		RM '000		
LIABILITIES				
Unsecured bearer bonds and notes	9,868,021	9,217,450	11,521,708	11,061,768
Sukuk	10,585,467	11,707,559	13,403,003	13,163,812
Derivative financial instruments	58,278	53,741	35,898	34,960
Provision for taxation	12,279	18,699	41,941	47,567
Other liabilities	63,463	62,772	65,337	64,359
TOTAL LIABILITIES	**20,587,508**	**21,060,221**	**25,067,887**	**24,372,466**
Share capital	150,000	150,000	150,000	150,000
Reserves	1,951,372	2,074,386	2,377,142	2,481,313
SHAREHOLDER'S FUNDS	2,101,372	2,224,386	2,527,142	2,631,313
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	**22,688,880**	**23,284,607**	**27,595,029**	**27,003,779**
NET TANGIBLE ASSETS PER SHARE (RM)	**13.93**	**14.77**	**16.78**	**17.48**

INCOME STATEMENT

	For the year ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
			RM '000		
Interest income	681,926	662,560	721,595	316,295	370,177
Interest expense	(451,555)	(442,687)	(431,441)	(207,966)	(250,703)
Income from Islamic operations	107,486	101,412	181,882	(52,865)	73,283
Non-interest income/(expense)	3,342	4,973	255	(652)	(720)
	341,199	326,258	472,291	160,542	192,037
Administration and general expenses	(18,915)	(19,965)	(20,135)	(10,599)	(12,907)
Personnel costs	(18,020)	(18,376)	(20,839)	(9,551)	(10,585)
Write-back of (allowance) for impairment losses	—	5,127	(6,536)	—	—
PROFIT BEFORE TAXATION AND ZAKAT	**304,264**	**293,044**	**424,781**	**140,392**	**168,545**
Taxation	(75,559)	(72,963)	(104,180)	(35,098)	(42,136)
Zakat	(2,260)	(1,118)	(2,028)	—	—
PROFIT FOR THE FINANCIAL YEAR/PERIOD	**226,445**	**218,963**	**318,573**	**105,294**	**126,409**
EARNINGS PER SHARE (SEN)	**150.96**	**145.98**	**212.38**	**140.39**	**168.54**
DIVIDEND PER SHARE (SEN)	**20.00**	**88.00**	**20.00**	**15.00**	**15.00**

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2011	2012	2013	2013	2014
	(audited)	(audited)	(audited) RM '000	(unaudited)	(unaudited)
Profit for the financial year/period	226,445	218,963	318,573	105,294	126,409
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale investment securities					
— Net gain/(loss) on fair value changes before taxation	1,448	(1,356)	(15,009)	(3,414)	(391)
— Deferred taxation	(362)	339	3,752	853	99
Cash flow hedge					
— Net (loss)/gain on cash flow hedge before taxation	(15,274)	5,425	23,920	6,479	740
— Deferred taxation	3,602	(1,357)	(5,980)	(1,620)	(186)
Other comprehensive (loss)/income for the financial year/period, net of taxation	(10,586)	3,051	6,683	2,298	262
Total comprehensive income for the financial year/period	**215,859**	**222,014**	**325,256**	**107,592**	**126,671**

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations in respect of the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER

The Issuer has no operating history and will depend on receipt of payments from Cagamas to make payments

At the date of this Offering Circular, the Issuer is a newly established limited liability company incorporated in the Federal Territory of Labuan, Malaysia, on 4 April 2014 pursuant to the Labuan Companies Act 1990 and has conducted limited activities since its incorporation.

The Issuer will rely directly on Cagamas for sufficient funds to meet all payments due on the Notes. Therefore, the Issuer is subject to all the risks to which Cagamas is subject to the extent that such risks could limit Cagamas' ability to satisfy in full and on a timely basis its obligations in respect of a series of Notes.

RISKS RELATING TO THE OPERATIONS OF CAGAMAS AND ITS BUSINESS

Volatility in the capital markets

Cagamas depends on accessing debt capital markets to fund the purchase of financial assets in the secondary market. If the capital markets experience continuous volatility and the availability of funds is limited, it is possible that Cagamas' ability to access the capital markets may be limited by this or other factors at a time when Cagamas would like, or needs, to do so, and its business, financial condition, results of operations and prospects would be adversely affected.

Cagamas' hedging strategies may not prevent losses

Cagamas is constantly attempting to manage interest rate and other market related risks, as well as refinancing risks. If any of the variety of instruments and strategies Cagamas uses to hedge its exposure to these various types of risk is not effective, Cagamas may incur losses. This, in turn, may affect the ability of Cagamas and, ultimately, the Issuer to satisfy in full and on a timely basis its obligations in respect of a series of Notes. Cagamas may not be able to obtain economically efficient hedging opportunities that will enable it to carry on its present policies with respect to new assets and liabilities.

Cagamas depends on key management for the growth and successful implementation of its strategy

Cagamas believes that the growth it has achieved to date, as well as its position as key liquidity provider in the Malaysian mortgage market, is to a large extent attributable to a strong and experienced senior management team and a skilled workforce. Cagamas believes that the continued growth of its business and the successful implementation of its strategy depend on senior management and key personnel. There can be no assurance that members of the senior management team will remain in Cagamas for the foreseeable future. Competition for key personnel in the financial industry is intense and there is limited availability of individuals with the requisite knowledge of the financial industry and relevant experience in the markets in which Cagamas operates. To date, Cagamas has been successful in its ability to attract, source and replace new members to its senior management team and workforce, however, this is no guarantee that Cagamas will be able to successfully recruit, train or retain the necessary qualified and skilled personnel in the future. Any failure to manage Cagamas' personnel needs successfully could have an adverse effect on its business, results of operations and prospects.

Cagamas' internal control system may be inadequate

In the course of its business activities, Cagamas is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk, operational risk and reputational risk. While Cagamas believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks may have an adverse effect on Cagamas' financial condition, results of operations, prospects and reputation.

Please refer to the sections on credit risk, market risk, liquidity risk, operational risk and reputational risk set out below in "*Description of the Guarantor — Risk Management*".

Cagamas is susceptible to deterioration in the credit quality of the Selling Institutions or the underlying borrowers/obligors of the purchased assets

Cagamas purchases assets from various counterparties through the Purchase With Recourse ("**PWR**") and Purchase Without Recourse ("**PWOR**") schemes. Under the PWR scheme, beneficial ownership of the assets passes to Cagamas and the assets are held on trust by financial institutions and non-financial institutions within Malaysia (collectively referred to as the "**Selling Institutions**") for Cagamas with legal title to the assets remaining with the Selling Institutions. Further, Cagamas relies on the Selling Institutions to administer, manage and collect the payments of the instalments due on the assets. A failure by one or more Selling Institutions with material exposure to honour the terms of its contract with Cagamas, including a Selling Institution's undertaking to repurchase or replace a significant number of ineligible loans or financings, could have an adverse effect on the business, results of operations and financial condition of Cagamas. However, Cagamas can exercise its power of attorney granted by the counterparties to enable it to legally transfer the assets to itself or a third party at any time.

Under the PWOR scheme, the assets are equitably assigned to Cagamas, such that the legal title to the assets remains with the counterparties while Cagamas carries the assets on its books and bears the full credit risk of the portfolio of loan or financings purchased without recourse for default risk. Post sale of the assets, the counterparties acting as the appointed servicer will continue to administer the assets, and will collect and remit payments of the instalments due on the assets by the underlying borrowers/obligors of such asset to Cagamas in return for a servicer fee as agreed with Cagamas. As such, the performance of Cagamas' business under the PWOR scheme is directly dependent on the timely debt service by the underlying borrowers/obligors (which will depend on the terms of the obligation as well as on the financial condition of the underlying borrowers/obligors in respect thereof) and the collection and remittance by the relevant counterparties. A failure by the underlying borrowers/obligors to make payments to the relevant servicer when due, or poor collection discipline by the relevant servicer, will consequently impact the timely remittance of payment/repayments to Cagamas, and could have an adverse effect on the business, results of operations and financial condition of Cagamas. However, the credit risk of these borrowers/obligors is mitigated as the portfolio of assets purchased by Cagamas must first satisfy Cagamas' stringent eligibility criteria.

An adverse effect on the business, results of operations and financial conditions of Cagamas as a result of counterparty risk/underlying borrower/obligor default under the PWR and PWOR schemes, respectively, may ultimately result in Cagamas and the Issuer being unable to meet their obligations in relation to the Notes issued under the Programme.

There is no assurance that the Government of Malaysia ("GOM") will continue to promote the broader spread of home ownership and the growth of the secondary mortgage market in Malaysia

Cagamas was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia, in line with the GOM's policy at such time. There is no assurance that the GOM will continue to pursue and support this policy. Any change in policy with regard to the promotion of home ownership in Malaysia (including, for example, an increase in the down payment requirement for mortgage financing) or changes in certain economic factors, such as an increase in interest rates resulting in an increase in the cost of mortgage financing in Malaysia, may consequently reduce the attractiveness of mortgages as a source of financing for property purchases and which may in turn adversely affect the business, results of operations and financial conditions of Cagamas.

Cagamas is dependent on the sale of assets by Malaysian financial institutions and non-financial institutions for the continuation of Cagamas' business

Cagamas' business is dependent on Malaysian financial institutions and non-financial institutions selling assets to it in the secondary market. Where there is strong competition in the origination of such assets in the primary market, interest margins may tighten, resulting in there being less of an incentive for financial institutions and non-financial institutions to sell their assets to Cagamas. There can be no assurance that financial institutions will continue to make available suitable loan or financing assets for purchase by Cagamas. Any reduction in the sale of assets to Cagamas may adversely affect the business, results of operations and financial condition of Cagamas.

BNM is a substantial shareholder in the Group but there can be no assurance that it will continue to maintain its shareholding

As at 30 June 2014, BNM was the registered holder of 20 per cent. of the issued share capital of Cagamas Holdings Berhad ("**Cagamas Holdings**"). There is no assurance that BNM will remain a substantial shareholder in Cagamas Holdings or that there will not be a change of control of Cagamas Holdings or the entry of another major shareholder with the ability to exert significant influence on the direction or operations of the Group, or that the Group's business, financial condition, results of operations and prospects, including that of Cagamas, would not be adversely affected by such a change in control or influence.

Any substantial shareholder in Cagamas Holdings, including BNM, will be in a position to influence decision making over many matters requiring approval by Cagamas Holdings' shareholders, including the election of Cagamas Holdings' directors and the approval of significant corporate transactions. There is no assurance that the interests of such substantial shareholders will be aligned with those of Cagamas Holdings' other shareholders and as they will own a significant portion of the shares of Cagamas Holdings, they could delay or prevent a change of control of Cagamas Holdings or other transactions, even if such transactions would be beneficial to the other shareholders of Cagamas Holdings.

Cagamas is dependent upon its status as an "Approved Interbank Institution" as determined by BNM

Cagamas uses its status as an Approved Interbank Institution ("**AII**") being granted by BNM to assist with its liquidity requirements. This status allows Cagamas direct access to the interbank money market as stipulated in The Malaysian Code of Conduct for Principals and Brokers in the Wholesale Money Market and For Foreign Exchange Markets. Whilst the AII status provides Cagamas with a source of instant liquidity; as of 30 June 2014, Cagamas is also able to draw upon RM 2.63 billion of shareholders' funds and utilise the intraday credit facilities with BNM to satisfy any immediate liquidity needs.

RISKS RELATING TO MALAYSIA

The Cagamas business model is focused in only one country which may result in a higher level of risk

As at 30 June 2014, 100 per cent. of the operating revenues of Cagamas were derived from within Malaysia and 100 per cent. of the assets of Cagamas were employed within Malaysia. As a result, Cagamas depends on the continued strength of Malaysia's economy to generate sufficient revenue to meet its payment obligations under Notes issued under the Programme. The Malaysian economy is particularly affected by general economic and business conditions in the Asian region.

Due to the concentration of Cagamas' business in Malaysia, adverse developments in political, economic and regulatory conditions in Malaysia could adversely affect the financial position and business viability of Cagamas. Amongst the political, economic and regulatory uncertainties are changes in the political landscape, terrorist attack, implementation of unfavourable industry regulations and laws by statutory authorities, changes in interest rate environment and legislation on taxation, currency exchange rules and controls, adverse foreign currency fluctuations, expropriation, nationalisation and re-negotiation or nullification of existing orders, and there can be no assurance that these changes will not adversely affect the business of Cagamas.

Furthermore, the monetary and fiscal policies of the GOM will be influenced by global and domestic developments. The GOM policies may change in tandem with the economic climate, which may, in turn, adversely affect Cagamas.

Outbreaks of infectious diseases in Asia and elsewhere could affect the business, financial condition, results of operations or prospects of the Group

The outbreak of an infectious disease such as Influenza A (H1N1, H5N1), avian influenza, or Severe Acute Respiratory Syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy, and business activities in Asia and could thereby impact Cagamas' business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

Malaysian Ringgit may be subject to exchange rate fluctuations

BNM has in the past intervened in the foreign exchange market to stabilise the Ringgit, and had on 2 September 1998, maintained a fixed exchange rate of RM 3.80 to USD1.00. Subsequently on 21 July 2005, BNM adopted a managed float system for the Ringgit exchange rate, which benchmarked the Ringgit to a currency basket to ensure that the Ringgit remains close to its fair value. However, there can be no assurance that BNM will, or would be able to intervene in the foreign exchange market in the future or that any such intervention or fixed exchange rate would be effective in achieving the objective of BNM's policy.

Impact of re-imposition of capital controls

As part of the package of policy responses to the 1997 economic crisis in South East Asia, the GOM introduced, on 1 September 1998, selective capital control measures. The GOM subsequently liberalised such selective capital control measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to an exit levy based on a percentage of profits repatriated. On 1 February 2001, the GOM revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the GOM lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Securities).

There can be no assurance that the GOM will not re-impose these or other forms of capital controls in the future. If the GOM re-imposes or introduces foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Notes and interest and principal paid on the Notes from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

Inflation pressures in Malaysia and potential impact upon the Malaysian economy

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), averaged 2.1 per cent. in 2013 (2012: 1.6 per cent.). The increase in inflation was due mainly to supply factors arising from higher food prices and the upward adjustments of administered prices. Under such circumstances, sustaining a low inflation environment domestically is more challenging than in the past and requires innovative measures. Such inflationary pressures in the Malaysian economy could adversely affect the continued development of the housing market in Malaysia and the appetite of the Malaysian population to continue to take out housing loans and financings and invest in the property market. This could, in turn, adversely affect the business, financial condition and results of operations of Cagamas.

Exposure to the Malaysia property market

Cagamas has significant exposure to the Malaysia property market due to its portfolio of property mortgage loans and financings. The Malaysia property market is cyclical and property prices in general are affected by a number of factors, including the supply of, and demand for, comparable properties, the rate of economic growth in Malaysia and political and economic developments in Malaysia. Accordingly, any significant drop in property prices and/or liquidity in the Malaysia property market could adversely affect Cagamas' business, its financial condition and the results of its operations.

Certain foreign judgments may not be enforceable against the Issuer and Cagamas in Malaysia

Foreign judgments obtained in the superior courts of reciprocating countries as listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958 (the "**REJA**") (other than a judgment of such a court given on appeal from a court which is not a superior court) in respect of any sum payable by the Issuer or Cagamas can be recognised and enforced in Malaysia by applying to register the said foreign judgment with the Malaysian courts. The process of registration for a foreign judgment dispenses the need to re-litigate or re-examine the issues in dispute, as long as:

- the enforcement of the judgment would not be contrary to public policy in Malaysia;
- the judgment was not given or obtained by fraud or in a manner contrary to natural justice;
- the judgment was by a court of competent jurisdiction in such jurisdiction and was not obtained in proceedings in which the judgment debtor being the defendant in the original court did not receive notice of those proceedings in sufficient time to enable it to defend the proceedings and did not appear;
- the judgment has not been wholly satisfied or is enforceable by execution in the original court;
- the judgment is final and conclusive between the parties thereto;
- the judgment is for a liquidated sum;
- the liquidated sum payable under the judgment (if any) is not directly or indirectly for the payment, satisfaction or enforcement of any penal or revenue laws or sanctions imposed by the authorities of such jurisdiction;

- the judgment is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and
- the rights under the judgment are vested in the person by whom the application for registration was made.

The judgment creditor under a judgment to which the REJA applies, may apply to the High Court at any time in accordance with the provisions of the REJA within six years after the date of the judgment or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, to have the judgment registered.

A person who has obtained a judgment against the Issuer and/or Cagamas in a court which is not listed in the First Schedule of the REJA will have to rely entirely on the principles of common law to enforce the judgment, that is, by instituting a fresh suit in Malaysia based either on the judgment or on the original cause of action.

Malaysian taxation

Under present Malaysian law, all interest payable by a Labuan Company (as defined in the Labuan Business Activity Tax Act 1990) to non-residents is exempted from withholding tax. However, there is no assurance that this present position will continue and in the event that such exemption is revoked, modified or rendered otherwise inapplicable, such interest shall be subject to withholding tax at the then prevailing withholding tax rate. However, notwithstanding the foregoing, the Issuer shall be obliged pursuant to the terms of the Notes, in the event of any such withholding, to pay such additional amounts to the investors so as to ensure that the investors receive the full amount which they would have received had no such withholding been imposed.

Accounting and corporate disclosure standards in Malaysia may vary from those in other jurisdictions

There may be different publicly available information about Malaysian public companies, such as Cagamas, than is regularly made available by public companies in other jurisdictions. These differences include (i) the timing and content of disclosure of beneficial ownership of equity securities of officers, directors and significant shareholders; (ii) officer certification of disclosure and financial statements in periodic public reports; and (iii) disclosure of off-balance sheet transactions in management's discussion of results of operations in periodic public reports.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features and risks.

Notes subject to optional redemption by the Issuer may have a lower value than Notes that cannot be redeemed

An optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when the prevailing market cost of borrowing/financing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing market rates.

Dual Currency Notes and Notes by reference to a Relevant Factor

The Issuer may issue Notes with principal or interest determined by reference to a formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a

"**Relevant Factor**") subject to the relevant regulatory approvals being obtained. In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment/repayment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to the Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of a Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Variable Interest Rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes issued at a substantial discount

The market values of securities issued at a substantial discount to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for securities issued at par or premium. Generally, the longer the duration, the greater the price volatility.

RISKS RELATED TO NOTES GENERALLY

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments/repayments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for change in economic conditions, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investors should pay attention to any modifications and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes and Global Certificates will be deposited with CDP, a sub-custodian for the CMU or a common depositary for Euroclear and Clearstream, Luxembourg (each of CDP, CMU, Euroclear and Clearstream, Luxembourg being a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of their direct account holders in relation to the Global Notes and Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System(s) and their participants.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer or, as the case may be, the Guarantor, will discharge its payment obligations under the Notes by making payments through the relevant Clearing System(s) for distribution to their account holders, or, in the case of the CMU, to the persons for whose account(s) interests in such Global Notes or Global Certificates are credited as being held in the CMU in accordance with the CMU rules and procedures as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) and its participants to receive payments under the relevant Notes.

Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes and Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) and its participants to appoint appropriate proxies.

Performance of contractual obligations

The ability of the Issuer or, as the case may be, the Guarantor to make payments in respect of the Notes may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Fiscal Agent, the Paying Agents, the Transfer Agent, the Registrar, and/or the Calculation Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer, or as the case may be, the Guarantor, of its obligations to make payments in respect of the Notes, the Issuer, or as the case may be, the Guarantor, may not, in such circumstances, be able to fulfil its obligations to the Noteholders and the Couponholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

On 24 March 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems (see *Taxation — Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure that each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the clearing systems (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Notes in bearer form in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum

Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

RISKS RELATED TO THE MARKET GENERALLY

Limited liquidity in the secondary market

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Exchange Rate Risks and Exchange Controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer, the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

The market value of the Notes may fluctuate

Trading prices of the Notes are influenced by numerous factors, including the operating results, business and/or financial condition of Cagamas, political, economic, financial and any other factors that can affect the capital markets, the business or Cagamas. Adverse economic developments, acts of war and health hazards in countries in which Cagamas operates could have a material adverse effect on Cagamas' operations, operating results, business, financial position, and performance.

Inflation risk

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO NOTES DENOMINATED IN RENMINBI

Notes denominated in Renminbi ("**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of RMB Notes.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over routine foreign exchange transactions under current accounts. Currently, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions. This represents a current account activity.

On 7 April 2011, the State Administration of Foreign Exchange of the PRC (the "**SAFE**") promulgated the "Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi" (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce ("**MOFCOM**") to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the People's Bank of China (the "**PBOC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment"(外商直接投资人民币结算业务管理办法)(the "**PBOC RMB FDI Measures**") as part of the implementation of the PBOC's detailed foreign direct investment ("**FDI**") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment"(商务部关于跨境人民币直接投资有关问题的公告)(the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the "Notice on Issues in relation to Cross-border Renminbi Foreign Direct Investment"(商务部关于跨境人民币直接投资有关问题的通知)promulgated by MOFCOM on 12 October 2011 (the "**2011 MOFCOM Notice**"). Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolysed aluminium, ship-building and other industries under the state macro-regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the SAFE Circular, the PBOC RMB FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

Holders of beneficial interests in the RMB Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Singapore, Hong Kong SAR and Taiwan.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement mechanism for participating banks in Singapore, Hong Kong and Taiwan. Each of Industrial and Commercial Bank of China, Singapore Branch, Bank of China (Hong Kong) Limited and Bank of China, Taipei Branch (each an "**RMB Clearing Bank**") has entered into settlement agreements with the PBOC to act as the RMB clearing bank in Singapore, Hong Kong and Taiwan respectively.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside Singapore, Hong Kong and Taiwan that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In addition, although the primary obligation of the Issuer is to make all payments/repayments of interest and principal with respect to RMB Notes in Renminbi, in the event access to Renminbi deliverable in the Remnibi Settlement Centre becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions) the Issuer is not able to satisfy payments/repayments of principal or interest (in whole or in part) in respect of the RMB Notes when due in Renminbi, the terms of the RMB Notes allow the Issuer to make payment in U.S. dollars at the prevailing rate of exchange, all as provided in more detail in condition 13 of the Conditions. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risk.

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate or a floating interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.

All Renminbi payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by Global Notes held with the common depositary for Euroclear and Clearstream, Luxembourg CDP or CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing Euroclear and Clearstream, Luxembourg, CDP and CMU rules and procedures, or (ii) when the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in the Renminbi Settlement Centre(s) specified in the applicable Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

USE OF PROCEEDS

The proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor for its working capital, general corporate purposes and general financing or refinancing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear or Clearstream, Luxembourg and/or CDP and/or any other relevant clearing system and/or a sub-custodian for the CMU Service.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C)(or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010)(the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**")(or any successor U.S. Treasury regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) is applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided**, **however**, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

(a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**"):

(a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or

(b) at any time, if so specified in the Pricing Supplement; or

(c) if the Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

  (i) Euroclear, Clearstream, Luxembourg, the CMU Service, CDP or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

  (ii) any of the circumstances described in Condition 15 *(Events of Default)* occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being a "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or

(b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:

  (i) Euroclear, Clearstream, Luxembourg, the CMU Service, CDP or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

  (ii) any of the circumstances described in Condition 15 *(Events of Default)* occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or

(b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global

Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in permanent global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Registered Notes

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note**"), in each case as specified in the relevant Pricing Supplement.

Each Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Registered Note exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(b) at any time, if so specified in the relevant Pricing Supplement; or

(c) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Registered Note", then if either of the following events occurs:

    (i) Euroclear, Clearstream, Luxembourg, the CMU Service, CDP or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

    (ii) any of the circumstances described in Condition 15 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or

(b) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant.) Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. **Introduction**

(a) ***Programme***: Cagamas Global P.L.C. (the "**Issuer**") has established a Multicurrency Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$2,500,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Cagamas Berhad (the "**Guarantor**").

(b) ***Pricing Supplement***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) ***Agency Agreement***: The Notes are the subject of a fiscal and paying agency agreement dated 29 August 2014 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon (Luxembourg S.A.) as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Singapore Branch as CDP lodging and paying agent (the "**CDP Lodging and Paying Agent**", which expression includes any successor CDP paying agent appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the CMU Lodging and Paying Agent and the CDP Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be references to the CMU Lodging and Paying Agent and all such references shall be construed accordingly, and, with respect to a Series of Notes to be held in CDP (as defined below), be deemed to be references to the CDP Paying Agent and all such references shall be construed accordingly.

For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Paying Agents shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be references to the CMU Lodging and Paying Agent and all such references shall be construed accordingly, and, with respect to a Series of Notes to be held in CDP (as defined below), be deemed to be references to the CDP Paying Agent and all such references shall be construed accordingly.

(d) ***Deed of Guarantee***: The Notes are the subject of a deed of guarantee dated 29 August 2014 (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") entered into by the Guarantor.

(e) ***Deed of Covenant***: The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by a deed of covenant dated 29 August 2014 (the "**Deed of Covenant**") entered into by the Issuer. In the case of Notes cleared through CDP, the Noteholders are entitled to the benefit of a deed of covenant entered into with CDP (the "**CDP Deed of Covenant**") dated 29 August 2014.

(f) ***The Notes***: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(g) ***Summaries***: Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the CDP Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the CDP Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the CDP Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. **Interpretation**

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in Renminbi, any day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in the relevant Renminbi Settlement Centre;

(c) in relation to any sum payable in Singapore dollars, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in Singapore; and

(d) in relation to any sum payable in a currency other than euro, Renminbi, and Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/ or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**CDP**" means The Central Depository (Pte) Limited;

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period; and (2) the number of Regular Periods in any year;

(iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and "$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February; or (B) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D_2 will be 30,

provided, **however**, **that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Change of Shareholding)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantee of the Notes**" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

"**Issue Date**" has the meaning given in the relevant Pricing Supplement;

"**Margin**" has the meaning given in the relevant Pricing Supplement;

"**Maturity Date**" has the meaning given in the relevant Pricing Supplement;

"**Maximum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Minimum Redemption Amount**" has the meaning given in the relevant Pricing Supplement;

"**Noteholder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Pricing Supplement;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Pricing Supplement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, (A) a TARGET Settlement Day; and (B) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

  (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

  (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided**, **however**, **that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means the relevant Renminbi Settlement Centre;

"**Principal Subsidiary**" means Cagamas Global Sukuk Berhad and any Subsidiary of the Guarantor whose total assets, as shown by the accounts of such Subsidiary (consolidated in the case of a company which itself has Subsidiaries), based upon which the latest audited consolidated accounts of the Guarantor have been prepared, are at least 10 per cent. of the consolidated total assets of the Guarantor as shown by such audited consolidated accounts, provided that if any such Subsidiary (the "transferor") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary of the Guarantor (the "transferee") then:

(i) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(ii) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (i) above or which remains or becomes a Principal Subsidiary by virtue of (ii) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Guarantor prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary (consolidated (if any) in the case of a company which itself has Subsidiaries), based upon which such audited consolidated accounts have been prepared, to be less than 10 per cent. of the consolidated total assets of the Guarantor, as shown by such audited consolidated accounts;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Shareholding), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Register**" has the meaning set out in Clause 5 (*Transfers of Registered Notes*) of the Agency Agreement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Renminbi**" means the lawful currency of the People's Republic of China;

"**Renminbi Settlement Centre**" means, in relation to any sum payable in Renminbi, Hong Kong, Singapore and/or any other relevant financial centre, as specified in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, in relation to any person (the "**first Person**") at any particular time, any other person (the "**second Person**"): (a) whose affairs and policies the first Person controls or has the power to control, whether this be through ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated as a subsidiary with those of the first Person;

"**Sukuk Obligation**" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) ***Interpretation***: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination, Title and Transfer**

(a) ***Bearer Notes***: Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) ***Title to Bearer Notes***: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) ***Registered Notes***: Registered Notes are issued in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) ***Title to Registered Notes***: The Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) ***Ownership***: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) ***Transfers of Registered Notes***: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided**, **however**, **that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) ***Registration and delivery of Note Certificates***: Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) ***No charge***: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) ***Closed periods***: Holders of Registered Notes may not require transfers to be registered:

(i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of the Registered Notes;

(ii) during the period of 15 days ending on (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*));

(iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(e) (*Redemption at the option of Noteholders*);

(iv) after a Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(f) (*Redemption for Change of Shareholding*); and

(v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12(f) (*Record Date*).

(j) ***Regulations concerning transfers and registration***: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status and Guarantee

(a) ***Status of the Notes***: The Notes constitute direct, general, unconditional and (subject to Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) ***Guarantee of the Notes***: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general, unconditional and (subject to Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Negative Pledge and Information Covenant

5.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Issuer's or the Guarantor's respective Subsidiaries will, create or permit to subsist any Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Sukuk Obligation or guarantee, or indemnity, in respect of Relevant Indebtedness or Sukuk Obligation without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security or other arrangement for the Notes as may be approved by an Extraordinary Resolution of the Noteholders, save that the Issuer, the Guarantor or any of their respective Subsidiaries may create or permit to subsist a Security Interest over any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Sukuk Obligation or guarantee, or indemnity, in respect of Relevant Indebtedness or Sukuk Obligation (without the obligation to provide to the Noteholders either an equal and rateable interest in the same or such other security or other arrangement as aforesaid), where:

(a) such Security Interest is created upon any assets or receivables pursuant to any securitisation, asset-backed financing, limited recourse financing or like arrangement under which payment obligations secured by such Security Interest, or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues to be generated from such assets or receivables; or

(b) (i) such Security Interest is created pursuant to and to secure only Relevant Indebtedness in the form of asset-backed bonds issued by the Issuer or Guarantor or any of their respective Subsidiaries as "covered bonds" in compliance with all laws, rules and regulations (if any) in Malaysia and any other jurisdiction and any conditions of any licences or consents by any regulatory authority which may be applicable to it; (ii) the proceeds of such covered bonds are utilised only to purchase the assets which are backing such covered bonds ("**Supporting Assets**"); and (iii) the Supporting Assets shall not comprise any of the assets of the Issuer, the Guarantor or any of their respective Subsidiaries existing as of the date of establishment of the Programme.

5.2 **Information Covenant**

So long as any Note remains outstanding (as defined in the Agency Agreement), each of the Issuer and the Guarantor shall make available to the Noteholders for inspection at the Specified Office of the Fiscal Agent, within nine months of the expiration of each financial year, the annual audited accounts of the Issuer or the Guarantor (as the case may be) for that financial year.

6. **Fixed Rate Note Provisions**

(a) ***Application***: This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note Provisions**

(a) ***Application***: This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***: If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in (in the case where the Reference Rate is not CNH HIBOR) the Principal Financial Centre of the Specified Currency or (in the case where the Reference Rate is CNH HIBOR) in Hong Kong, selected by the Calculation Agent, (in the case where the Reference Rate is not CNH HIBOR) at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) or (in the case where the Reference Rate is CNH HIBOR) at approximately 11.15 a.m. (Hong Kong time) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided**, **however**, **that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (w) the London inter-bank offered rate (LIBOR), (x) the Eurozone inter-bank offered rate (EURIBOR), (y) the Hong Kong inter-bank offered rate (HIBOR) or (z) the CNH Hong Kong inter-bank offered rate ("**CNH HIBOR**") for a currency, the first day of that Interest Period; or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest

Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Calculation of other amounts***: If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(h) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) ***Notifications etc***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

(a) ***Application***: This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (B) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

(a) ***Application***: This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) ***Rate of Interest***: If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. **Redemption and Purchase**

(a) ***Scheduled redemption***: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*).

(b) ***Redemption for tax reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) or the Guarantee of the Notes, or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 14 (*Taxation*) or the Guarantee of the Notes, as the case may be, from any amount paid by it to the Issuer in order to enable the Issuer to make a payment or principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, **however**, **that** no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 10(b), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (2) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing, to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) ***Redemption at the option of the Issuer***: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date).

(d) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) ***Redemption at the option of Noteholders***: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided**, **however**, **that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) ***Redemption for Change of Shareholding***: At any time following the occurrence of a Change of Shareholding, the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Change of Shareholding Put Date at their Early Redemption Amount (Change of Shareholding), together with accrued and unpaid interest (if any) up to, but excluding the Change of Shareholding Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Note or the Note Certificate (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 30 days following a Change of Shareholding, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 21 (*Notices*). The "**Change of Shareholding Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Change of Shareholding Put Date.

The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 21 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Shareholding, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 10(f).

A "**Change of Shareholding**" occurs when Bank Negara Malaysia or the Government of Malaysia, either through the Minister of Finance (Incorporated) or any other ministry or Government agency or body ceases to be a shareholder, directly or indirectly, of the Guarantor's issued share capital.

(g) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) to (f) above.

(h) ***Early redemption of Zero Coupon Notes***: Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30/360.

(i) ***Purchase***: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price and such Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation (**provided that**, if the Notes are to be cancelled, they are purchased together with any unmatured Coupons and unexchanged Talons relating to them).

(j) ***Cancellation***: All Notes so redeemed or purchased and surrendered for cancellation, and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and all Notes so cancelled and any Notes cancelled pursuant to Condition 10(i) above (together with all unmatured Coupons and unexchanged Talons cancelled with them) may not be reissued or resold.

11. **Payments — Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

(a) ***Principal***: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(b) ***Interest***: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) ***Payments in New York City***: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) ***Payments subject to fiscal laws***: All payments in respect of the Bearer Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 14 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Deductions for unmatured Coupons***: If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided**, **however**, **that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided**, **however**, **that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided**, **however**, **that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) ***Unmatured Coupons void***: If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(f) (*Redemption for Change of Shareholding*) or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) ***Payments on business days***: If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) ***Payments other than in respect of matured Coupons***: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) ***Exchange of Talons***: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Payments — Registered Notes**

This Condition 12 is only applicable to Registered Notes.

(a) ***Principal***: Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) ***Interest***: Payments of interest shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) ***Payments subject to fiscal laws***: All payments in respect of the Registered Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation)* and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 14 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments

(d) ***Payments on business days***: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent; and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day, or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.

(e) ***Partial payments***: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) ***Record date***: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office (in the case of Notes denominated in a Specified Currency other than Renminbi) on the fifteenth day before the due date for such payment or (in the case of Notes denominated in Renminbi) on the fifth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

13. **Payment of US Dollar Equivalent**

Notwithstanding anything in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest in respect of the Notes when due in Renminbi in the relevant Renminbi Settlement Centre, the Issuer may, on giving not less than five or more than 30 calendar days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment in US dollars on the due date at the US Dollar Equivalent of any such Renminbi-denominated amount.

For the purposes of this Condition 13, "**US Dollar Equivalent**" means the Renminbi amount converted into US dollars using the Spot Rate for the relevant Determination Date.

For this purpose:

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in the relevant Renminbi Settlement Centre, London and in New York City;

"**Determination Date**" means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the relevant Renminbi Settlement Centre;

"**Illiquidity**" means where the general Renminbi exchange market in the relevant Renminbi Settlement Centre becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

"**Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date of the relevant Series of Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Non-transferability**" means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside the relevant Renminbi Settlement Centre or from an account inside the relevant Renminbi Settlement Centre to an account outside the relevant Renminbi Settlement Centre or from an account outside the relevant Renminbi Settlement Centre to an account inside the relevant Renminbi Settlement Centre, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the pricing date for the relevant Series of Notes and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

"**Renminbi Dealer**" means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in the relevant Renminbi Settlement Centre; and

"**Spot Rate**" means the spot CNY/US dollar exchange rate for the purchase of US dollars with Renminbi in the over-the-counter Renminbi exchange market in the relevant Renminbi Settlement Centre for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11.00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/US dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 13 by the Calculation Agent, will (in the absence of wilful default or fraud) be binding on the Issuer, the Trustee, the Paying Agents and all Noteholders.

14. **Taxation**

(a) ***Gross up***: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Malaysia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(iv) where the relevant Note or Coupon is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon for payment on the last day of such period of 30 days.

(b) ***Taxing jurisdiction***: If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than or in addition to Malaysia, references in these Conditions to Malaysia shall be construed as references to Malaysia and/or such other jurisdiction.

Notwithstanding anything herein to the contrary, in no event will the Issuer or the Guarantor (or any successor of the Issuer or the Guarantor) pay any additional amounts in respect of any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

15. **Events of Default**

If any of the following events occurs:

(a) ***Non payment***: the Issuer fails to pay any amount of principal or interest in respect of the Notes on the due date for payment thereof; or

(b) ***Breach of other obligations***: the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by any Noteholder, has been delivered to the Issuer and the Guarantor; or

(c) ***Cross-default of Issuer, Guarantor or Principal Subsidiary***:

(i) any Indebtedness or Sukuk Obligation of the Issuer, the Guarantor or any Principal Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any Indebtedness or Sukuk Obligation of the Issuer, the Guarantor or any Principal Subsidiary becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Principal Subsidiary or any person entitled to such Indebtedness or Sukuk Obligation; or

(iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any guarantee, or any indemnity, in respect of any Indebtedness or Sukuk Obligation;

and **provided that** the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Unsatisfied judgment***: one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Principal Subsidiary and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) ***Security enforced***: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary and such possession or appointment continues for a period of 60 days after the date thereof; or

(f) ***Insolvency, etc.***: (i) the Issuer, the Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Issuer, the Guarantor or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary is appointed; or (iii) the Issuer, the Guarantor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its Indebtedness or Sukuk Obligation or any guarantee of any Indebtedness or Sukuk Obligation given by it; or

(g) ***Winding up, etc.***: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary (but not including the Issuer if it is a Principal Subsidiary), (i) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (ii) as a result of disposal on arm's length terms or (iii) as approved by an Extraordinary Resolution of the Noteholders) or the Issuer, the Guarantor or any Principal Subsidiary ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Principal Subsidiary (but not including the Issuer if it is a Principal Subsidiary), (x) for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or (y) as a result of disposal on arm's length terms or (z) as approved by an Extraordinary Resolution of the Noteholders); or

(h) ***Analogous event***: any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in Conditions 15(d) (*Unsatisfied judgment*) to 15(g) (*Winding up, etc.*); or

(i) ***Failure to take action, etc.***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the Deed of Covenant and the Deed of Guarantee; (ii) to ensure that those obligations are legal, valid, binding and enforceable and; (iii) to make the Notes, the Coupons, the Deed of Covenant or the Deed of Guarantee admissible in evidence in the courts of England is not taken, fulfilled or done; or

(j) ***Unlawfulness***: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Deed of Covenant or the Deed of Guarantee; or

(k) ***Government intervention:*** (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national government; or (ii) the Issuer, the Guarantor or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(l) ***Guarantee not in force***: the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect; or

(m) ***Controlling shareholder***: the Issuer ceases to be a Subsidiary which is wholly-owned and controlled, directly or indirectly, by the Guarantor,

then any Noteholder may, by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare any Notes held by it to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any event specified in Conditions 15(a) to (m) has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

16. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within (a) ten years in the case of principal and (b) five years in the case of interest, of the appropriate Relevant Date.

17. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

18. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided**, **however**, **that**:

(a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar;

(b) the Issuer and the Guarantor shall at all times maintain a paying agent in an European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC;

(c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent;

(d) the Issuer and the Guarantor shall at all times maintain a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU Service;

(e) the Issuer and the Guarantor shall at all times maintain a CDP Paying Agent in relation to Notes accepted for clearance through CDP; and

(f) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

19. **Meetings of Noteholders; Modification and Waiver**

(a) ***Meetings of Noteholders***: The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided**, **however**, **that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than 66 per cent. or, at any adjourned meeting, 33 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders of not less than 90 per cent. of the aggregate principal amount outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification***: The Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to modify any provision of a formal, minor or technical nature or to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

20. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

21. **Notices**

(a) ***Bearer Notes***: Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper of general circulation in Asia. It is expected that any such publication in a newspaper will be made in the Asian Wall Street Journal. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) ***Registered Notes***: Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held by (i) Euroclear or Clearstream, Luxembourg, or any other clearing system (except as provided in (ii) and (iii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice or (iii) CDP, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in the records of CDP on the second business day preceding the date of despatch of such notice.

22. **Currency Indemnity**

If any sum due from the Issuer or the Guarantor in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor (as the case may be); (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer (failing which, the Guarantor) shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer or the Guarantor (as the case may be) and shall give rise to a separate and independent cause of action.

23. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. **Governing Law and Jurisdiction**

(a) ***Governing law***: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) ***English courts***: The courts of England have non-exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity.

(c) ***Appropriate forum***: Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) ***Rights of the Noteholders to take proceedings outside England***: Condition 24(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 24 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) ***Process agent***: Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor, as the case may be, the Issuer or, as the case may be, the Guarantor shall, on the written demand of any Noteholder addressed and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(f) ***Waiver of immunity***: To the extent that the Issuer or the Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Issuer and the Guarantor each irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any action or proceeding against it arising out of or based on the Notes or the Guarantee of the Notes.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [●]

Cagamas Global P.L.C.
Issue of [●] [Title of Notes]
Guaranteed by
Cagamas Berhad
under the U.S.$2,500,000,000 Multicurrency Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]] [,save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1.	(i)	Issuer:	Cagamas Global P.L.C.
	(ii)	Guarantor:	Cagamas Berhad
2.	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number:]	[●]
	[(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*.)]		
3.	Specified Currency or Currencies:[(1)]		[●]
4.	Aggregate Nominal Amount:		[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6.	(i)	Specified Denominations:[(2)(3)]	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:		[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][(4)]

(1) This currency excludes Ringgit.

(2) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

(3) If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

(4) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

9.	Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify* reference rate] +/- [●] per cent. Floating Rate] [Zero Coupon] [Other (*Specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Dual Currency] [Instalment] [Other (*Specify*)]
11.	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:	[Labuan International Financial Exchange Inc./ Singapore Exchange Securities Trading Limited/ Other (specify)/None] (For Notes to be listed on the [*Singapore Exchange Securities Trading Limited*], *insert the expected effective listing date of the Notes*)

Provisions Relating to Interest (if any) Payable

14.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day*"]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[(5)]
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
15.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]

(5) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 in the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

	(ii)	Specified Period:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(iii)	Specified Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
	(v)	Additional Business Centre(s):	[Not Applicable/give details]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[*Name*] shall be the Calculation Agent
	(viii)	Screen Rate Determination:	
		• Reference Rate:	[*For example*, *LIBOR or EURIBOR*]
		• Interest Determination Date(s):	[●]
		• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIBOR 01*]
		• Relevant Time:	*[For example, 11.00 a.m. London time/Brussels time*]
		• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprising the countries whose lawful currency is the euro*]
	(ix)	ISDA Determination:	
		• Floating Rate Option:	[●]
		• Designated Maturity:	[●]
		• Reset Date:	[●]
	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
16.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum

	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition* [*10(h)]*]
17.	**Variable-linked interest note provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Formula/other variable:	[give or annex details]
	(ii)	Calculation Agent responsible for calculating the interest due:	[●]
	(iii)	Provisions for determining Coupon where calculated by reference to Formula and/or other variable:	[●]
	(iv)	Interest Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest or calculation period(s):	[●]
	(vii)	Specified Period:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(viii)	Specified Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
	(ix)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(x)	Additional Business Centre(s):	[●]
	(xi)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
18.	**Dual Currency Note Provisions**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

Provision Relating to Redemption

19.	**Call Option**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
20.	**Put Option**		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
21.	**Final Redemption Amount of each Note**		[●] per Calculation Amount
	In cases where the Final Redemption Amount is variable-linked:		
	(i)	Formula/variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Formula and/or other variable:	[●]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Formula and/or other variable:	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	[Payment Date]:	[●]
	(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount

22.	**Early Redemption Amount**	[Not Applicable
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on a change of control or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	*(If each of the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control) and/or the Early Termination Amount if different from the principal amount of the Notes)*]

General Provisions Applicable to the Notes

23.	**Form of Notes:**	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] **Registered Notes:** [Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Note Certificate]
24.	Additional Financial Centre(s), Renminbi Settlement Centre or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(v) and 18(x) relate*]
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
26.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
27.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
28.	Consolidation provisions:	[The provisions in Condition 20 (*Further Issues*) [annexed to this Pricing Supplement] apply]
29.	Any applicable currency disruption/fallback provisions:	[Not Applicable/*give details*]
30.	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

31.	Method of distribution:	[Syndicated/Non-syndicated]
32.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give names*]
33.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]

34.	U.S. Selling Restrictions:	Reg. S Category [1/2] (*In the case of Bearer Notes*) — [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) — Not Applicable
35.	Additional selling restrictions:	[Not Applicable/*give details*]
Operational Information		
36.	ISIN Code:	[●]
37.	Common Code:	[●]
38.	Any clearing system(s) other than Euroclear/Clearstream, Luxembourg, the CMU Service and CDP and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
39.	CMU Instrument Number:	[●]
40.	Delivery:	Delivery [against/free of] payment
41.	Additional Paying Agent(s) (if any):	[●]
General		
42.	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in [US dollars]):	[Not Applicable/US$]
43.	[Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [RAM Rating: [●]] [Other:[●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*]

[Use of Proceeds

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[Stabilising

In connection with this issue, [insert name of Stabilising Manager(s)] (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

Purpose of Pricing Supplement

[This Pricing Supplement comprises the final terms required for issue and admission to trading on [the SGX-ST]/[the LFX] of the Notes described herein pursuant to the U.S.$2,500,000,000 Multicurrency Medium Term Note Programme.]

Responsibility

The Labuan International Financial Exchange Inc (the LFX) takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Pricing Supplement. The admission of the Notes to the LFX is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes.

The Singapore Exchange Securities Limited (the SGX-ST) takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes.

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Cagamas Global P.L.C.

By: ______________________________

Duly authorised

Signed on behalf of Cagamas Berhad

By: ______________________________

Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by CDP and/or a common depositary for Euroclear, Clearstream, Luxembourg, the CMU Service and/or any other relevant clearing system, will be CDP or that common depositary, as the case may be.

In relation to any Tranche of Notes represented by a Global Registered Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of CDP or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be CDP or its nominee or a common depositary, or a nominee for such common depositary, as the case may be.

Each of the persons shown in the records of CDP and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an "**Accountholder**") must look solely to CDP and/or Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Registered Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or, in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for its share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

Conditions applicable to Global Notes

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day: In the case of a Global Note, or a Global Registered Note, a Payment Business Day shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means any weekday (Monday to Friday inclusive) within any given calendar year, except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Exercise of change of control put option: In order to exercise the option contained in Condition 10(f) (*Redemption for Change of Shareholding*), the bearer of the Temporary Global Note or Permanent Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and the Change of Control Put Exercise Notice, give written notice of such exercise to the Fiscal Agent. Any such notice shall be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes where such Notes are held with CDP, Euroclear and/or Clearstream, Luxembourg, the Temporary Global Note or Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg, and/or CDP and/or any other relevant clearing system (other than the CMU Service, in respect of which see (ii) below), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, and/or CDP and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg, and/or CDP and/or any other relevant clearing system or (ii) deposited with the CMU Service, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Registered Note.

CAPITALISATION OF THE GUARANTOR

As at 30 June 2014, the authorised share capital of Cagamas was 500,000,000 ordinary shares of par value RM 1.00 each, and the issued share capital was RM 150,000,000 divided into 150,000,000 ordinary shares of par value RM 1.00 each. All of Cagamas' issued share capital comprises fully paid shares.

The following table sets forth the unaudited and unreviewed capitalisation and indebtedness amounts of Cagamas as at 30 June 2014. This table should be read in conjunction with the financial statements of Cagamas and related notes appearing elsewhere in this Offering Circular.

	30 June 2014 (unaudited)	
	RM million	**USD million***
Indebtedness		
Unsecured bearer bonds and notes	11,061.8	3,446.0
Sukuk	13,163.8	4,100.9
Derivative financial instruments	34.9	10.9
Provision for taxation	47.6	14.8
Other liabilities	64.4	20.1
Total indebtedness	24,372.5	7,592.7
Capitalisation		
Share capital	150.0	46.7
Other reserves	2,481.3	773.0
Total capitalisation	2,631.3	819.7
Total capitalisation and indebtedness	27,003.8	8,412.4

* RM 3.21 = US$1 as at 30 June 2014

(Source: Bloomberg)

There has been no material change in the capitalisation and indebtedness of Cagamas since 30 June 2014.

DESCRIPTION OF THE ISSUER

Cagamas Global P.L.C. (Company No. LL10563) was incorporated on 4 April 2014 in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act 1990 with its registered office at Level 15(A2), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan FT, Malaysia. The Issuer is a special purpose company and has been formed for the purpose of participating in the transactions contemplated by the Transaction Documents.

The issued and paid-up capital of the Issuer is USD 1.00 and is held by Cagamas Berhad. The directors of the Issuer are set out below:

1. Mr. Chung Chee Leong

2. Mr. Azizi Bin Ali

Please refer to the biography of Mr. Chung Chee Leong set out below in *Directors and Senior Management of Cagamas — Board of Directors of Cagamas — Mr. Chung Chee Leong — President/Chief Executive Officer and Executive Director*.

Please refer to the biography of Mr. Azizi Ali set out below in *Directors and Senior Management of Cagamas — Senior Management of Cagamas — Mr. Azizi Ali — Senior Vice President, Islamic Business.*

The Issuer has not engaged since its incorporation, and will not engage, in any material activities other than those relating to or incidental to the issue of the Notes and the matters contemplated in this Offering Circular and the Transaction Documents.

DESCRIPTION OF THE GUARANTOR

Overview

Cagamas, the National Mortgage Corporation of Malaysia was incorporated in Malaysia under the Malaysian Companies Act 1965 on 2 December 1986, as a public limited company. Cagamas has its registered office located at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia.

Cagamas is the main operating company of a group of companies held by Cagamas Holdings. Incorporated in 2007, Cagamas Holdings is the holding company for Cagamas, Cagamas MBS Berhad ("**Cagamas MBS**"), Cagamas SME Berhad ("**Cagamas SME**"), BNM Sukuk Berhad ("**BNM Sukuk**"), Cagamas SRP Berhad ("**Cagamas SRP**") and Cagamas MGP Berhad ("**Cagamas MGP**") (together with Cagamas Holdings, the "**Cagamas Group**"). Cagamas SME has been dormant since October 2012 and Cagamas MGP's business has been undertaken by Cagamas SRP since 1 January 2014.

Cagamas was established by BNM with the objectives of supporting the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets. As part of its development, Cagamas has expanded the scope of its initial objectives to encompass the development and promotion of Islamic finance within Malaysia. Through the issuance of conventional and Islamic securities ("**Sukuk**"), Cagamas is able to fund the purchase of housing loans and house financings from Selling Institutions through its PWR and PWOR schemes. In purchasing housing loans and house financings, Cagamas is able to provide liquidity to financial institutions at a competitive cost, encouraging them to provide additional housing loans and house financings to new applicants at an affordable price and thus assist with the continued expansion of home ownership within Malaysia. The PWR and PWOR schemes have now been expanded to include other loans and financings such as hire purchase/ leasing receivables and personal loans and financings (see *Description of the Guarantor — Business Overview — the Guarantor* for additional information).

In addition to its PWR and PWOR schemes, the Cagamas Group:

(a) purchases staff housing loans and house financings (both conventional and Islamic) from GOM, funded through the issuance of residential mortgage-backed securities and Islamic mortgage-backed securities by Cagamas MBS; and

(b) provides guarantees to mortgage providers/financiers via Cagamas SRP under the mortgage guarantee programme including the GOM-initiated "My First Home Scheme".

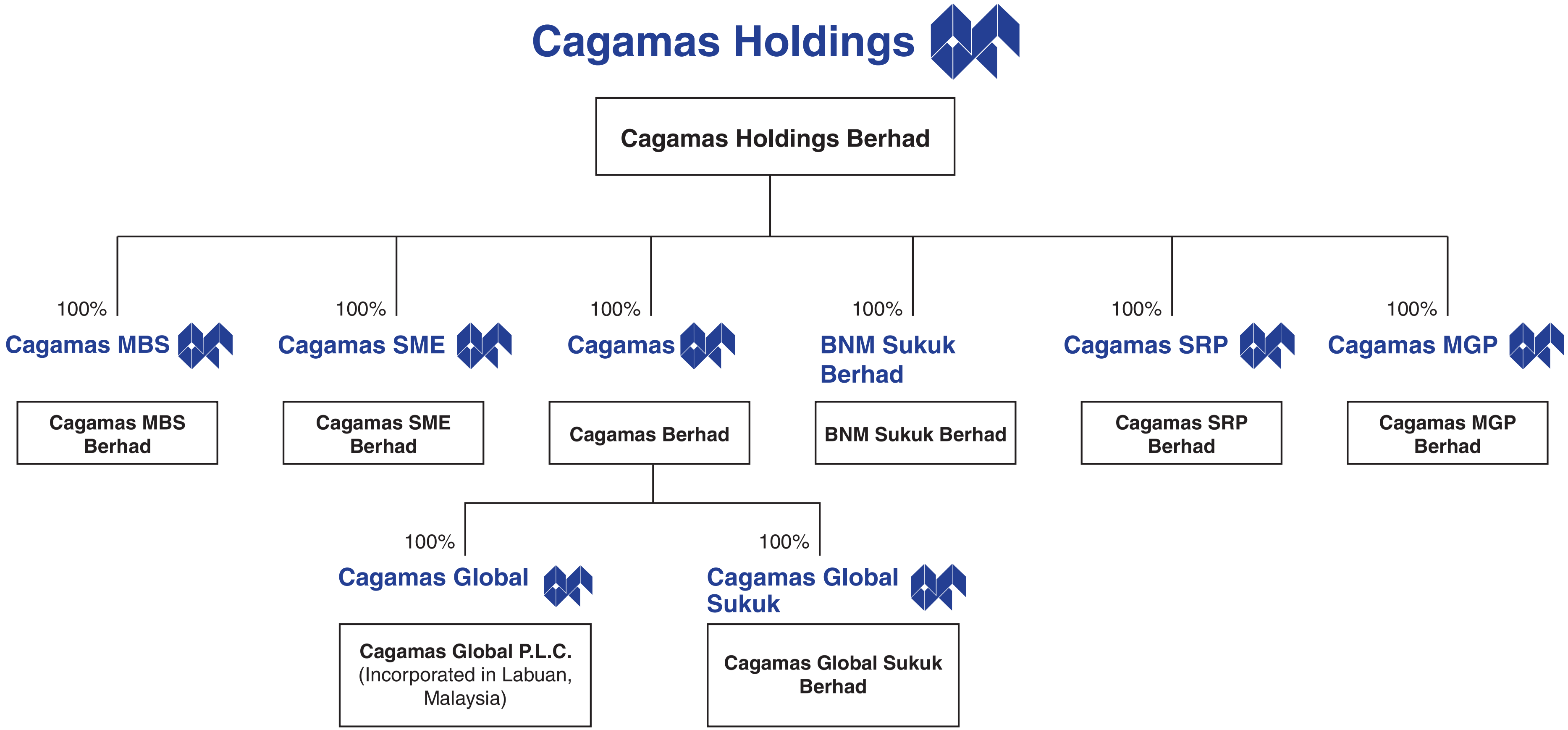
Since its incorporation in 1986 up to 30 June 2014, Cagamas has issued, in aggregate, RM 266.5 billion of conventional debt securities and Sukuk out of a total of RM 276.7 billion of conventional debt securities and Sukuk issued by the Cagamas Group since its incorporation up to 30 June 2014. Cagamas is the largest issuer of private debt securities in Malaysia and the second largest issuer of debt securities in Malaysia after the GOM as of 30 June 2014, based on total nominal value issued as calculated by Bloomberg.

Cagamas has received numerous awards as issuer of conventional debt securities and Sukuk, including Most Outstanding Securitisation House in the Kuala Lumpur Islamic Finance Forum 2013, Highly Commended/ Innovative Deal in the Asset Triple A Awards 2013, Best Islamic Commodity-linked Murabaha, Best Islamic Deal, Malaysia, Islamic Deal of the Year, Sukuk Issuer of the Year, Islamic Issue of the Year in the Asset Triple A Awards 2011.

In addition to recent awards, Cagamas has consistently been recognised as a pioneer within the Malaysian capital markets arena and beyond, having achieved prominence for being the first issuer to undertake several innovative transactions and structures. Such transactions include the first and largest residential mortgage backed securities transaction in Malaysia with a value of RM 1.55 billion (2004), the first rated Sukuk Musharakah residential mortgage backed securities transaction in the world (2005), the largest debt programme in the ASEAN region with a programme limit of RM 60 billion (2007) and the first Sukuk al-Amanah Li al-Istithmar transaction in the world (2010).

Cagamas Group Structure

The diagram below sets out the structure of the Cagamas Group of companies:

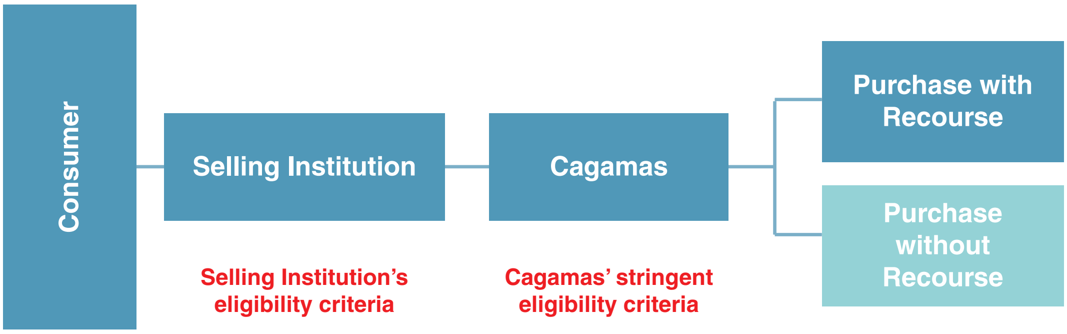


Key Strengths

Cagamas considers that its key strengths include the following:

Strategic Business Model

Cagamas' business model is unique in that Cagamas acts as a secondary mortgage market conduit for the Selling Institutions within Malaysia. The business model permits Cagamas to screen potential loans and financings with its own rigorous eligibility criteria in addition to those imposed by the Selling Institutions.



The above diagram illustrates Cagamas' strategic business model which comprises two sets of eligibility criteria for the loans and financings sold to Cagamas. First, the Selling Institution will have applied its own eligibility criteria in granting the loan or financing to the consumer, and second, Cagamas will have applied its own stringent eligibility criteria in determining that the loan or financing to be purchased from the Selling Institution is of sufficient quality to maintain the high quality of Cagamas assets. The eligibility criteria applied by Cagamas will depend upon the type of product being purchased, and whether the product is being purchased under the PWR scheme or PWOR scheme. The key criteria for individual products under each of the respective PWR and PWOR schemes can be found below in "*Business Overview — Cagamas Berhad*".

Strong Shareholding Structure

Cagamas is wholly owned by Cagamas Holdings. Cagamas Holdings benefits from a strong, stable shareholding structure, demonstrated by no shareholder selling any of its shares in Cagamas (other than as a direct result of the merger of two or more shareholders) since its incorporation in 1986. The largest shareholder of Cagamas Holdings is BNM with whom the Cagamas Group maintains close ties. Traditionally since its incorporation, BNM has appointed the Chairman of Cagamas and has influential representation on Cagamas Holdings' board of directors. In addition, the current President/Chief Executive Officer of Cagamas is seconded from BNM. Although the Cagamas Group operates independently of BNM, major strategic decisions are made in consultation with BNM. The remaining shareholders include major commercial and investment banks in Malaysia.

Systemically Important to the Domestic Financial System

Cagamas plays a systemically important role in the Malaysian domestic financial system, which is underscored by its dual function as a liquidity provider via the purchase of loans and financings from Selling Institutions and as a leading issuer of conventional debt securities and Sukuk. Since its incorporation up to 30 June 2014, Cagamas has issued conventional debt securities and Sukuk of RM 266.5 billion in nominal value in Malaysia. In addition, Cagamas provides credit and portfolio risk management as well as capital management solutions to Selling Institutions. Cagamas also acts as a conduit to remove systemic risk in the financial sector.

Due to its systemically important role, it is anticipated that Cagamas would continue to receive the support of its shareholders during periods of stress in the financial markets.

Robust Asset Quality and Solid Capitalisation

Cagamas imposes strict limits on counterparty exposures based on the credit rating assigned to such counterparties and has exposure limits based on the type of counterparty, type of asset and property type. Malaysian commercial banks account for the majority of its counterparty exposures and, as at 31 December 2013, more than 90 per cent. of Cagamas' counterparties under the PWR scheme carried at least AA domestic ratings and as at 30 June 2014, 60 per cent. of Cagamas' counterparties under the PWR scheme carried at least AA domestic rating and as at 30 June 2014, there had been zero impairment losses for PWR assets.

The ratio of PWOR loans and financings in Cagamas' portfolio that are 90 days past their due date was 0.6 per cent. as at 31 December 2013, and 0.7 per cent as at 30 June 2014. This figure is lower than the Malaysian banking system's gross impaired loan ratio for residential mortgage properties of 1.5 per cent. and 1.4 per cent. for 31 December 2013 and 30 June 2014 respectively.

As at 31 December 2013, Cagamas had RM 27.6 billion of total assets, of which RM 9.9 billion representing 36 per cent. of total assets was under the PWR scheme and RM 15.4 billion representing 56 per cent. of total assets was under the PWOR scheme. As at 30 June 2014, Cagamas had RM 27.0 billion of total assets, of which RM 9.3 billion representing 34.4 per cent. of total assets was under the PWR scheme and RM 15.0 billion representing 55.6 per cent. of total assets was under the PWOR scheme.

Strong Risk Management Framework

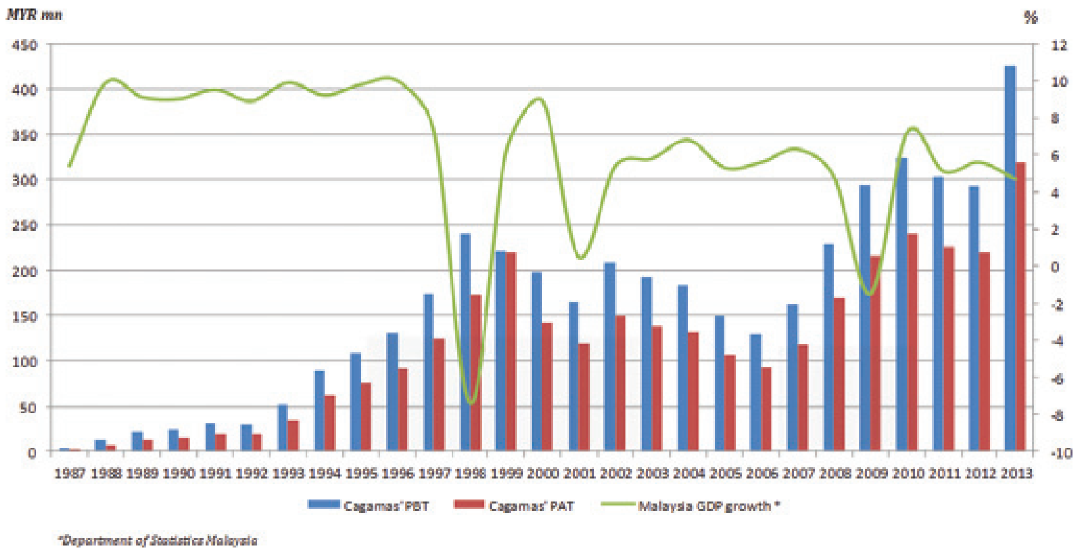
Cagamas has a well-defined risk management strategy based on the Cagamas Group's Enterprise Risk Management Framework dealing with the risks and opportunities affecting value creation and preservation within its business. This provides for three lines of defence in managing risks within Cagamas, starting with the applicable business unit providing the first line of defence, then an independent Risk Management Department to assess exposures and coordination of risk management on an enterprise-wide basis and finally the Internal Audit Department which is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.

In addition, Cagamas has put in place Product Development Guidelines for all new business products and variations to existing products; the business units are responsible for the development of new product ideas, which are approved by various internal committees such as the Management Executive Committee and Board Risk Committee, with final approval resting with the Board.

Sound and resilient financial position

Since its inception, Cagamas has consistently achieved strong and resilient profits throughout the economic cycles, demonstrating that its business is managed in a prudent and profitable manner. Cagamas has also maintained steady growth and stable margins over the years.

The graph below charts the steady growth of Cagamas profits from 1987 to 2013 against the growth for Malaysia's GDP for the same period.



Experienced management team with extensive industry experience

Cagamas has an experienced senior management team, which has on average more than 20 years relevant industry experience. The senior management has an excellent track record, having managed and overseen the development of Cagamas into one of the most successful secondary mortgage liquidity facilities in the world, as recognised by the World Bank.

Strategy and Key Objectives

Cagamas commenced operations in 1987 with two distinct objectives: supporting the broader spread of home ownership within Malaysia by increasing liquidity and accessibility to long-term funds for mortgage originators at competitive prices; and spearheading the development of the local debt securities market by being a credible issuer of high quality securities. As part of its development, Cagamas has expanded the scope of its initial objectives to encompass the development and promotion of Islamic finance within Malaysia.

Cagamas aims to be acknowledged as a leader in the provision of financial support in Malaysia's efforts to meet the housing needs of Malaysians, to be the pace-setter for the development of the private debt securities market within Malaysia and to attain recognition on a national and international level for its work as a pioneer with a successful business model for others wishing to establish a successful secondary mortgage liquidity facility and mortgage-backed securitisation offerings.

Cagamas seeks to achieve these objectives by:

- developing the secondary mortgage market in Malaysia through the provision of innovative facilities and efficient service at a competitive cost to primary home lenders;
- enhancing the capital market, particularly the private debt securities market, through widening and deepening the scope of securitisation with innovative instruments;
- nurturing and maintaining a competent workforce of the highest integrity and professionalism;
- using technology to enhance productivity and efficiency;
- valuing its staff for their commitment and loyalty; and
- inculcating a caring and responsible corporate culture.

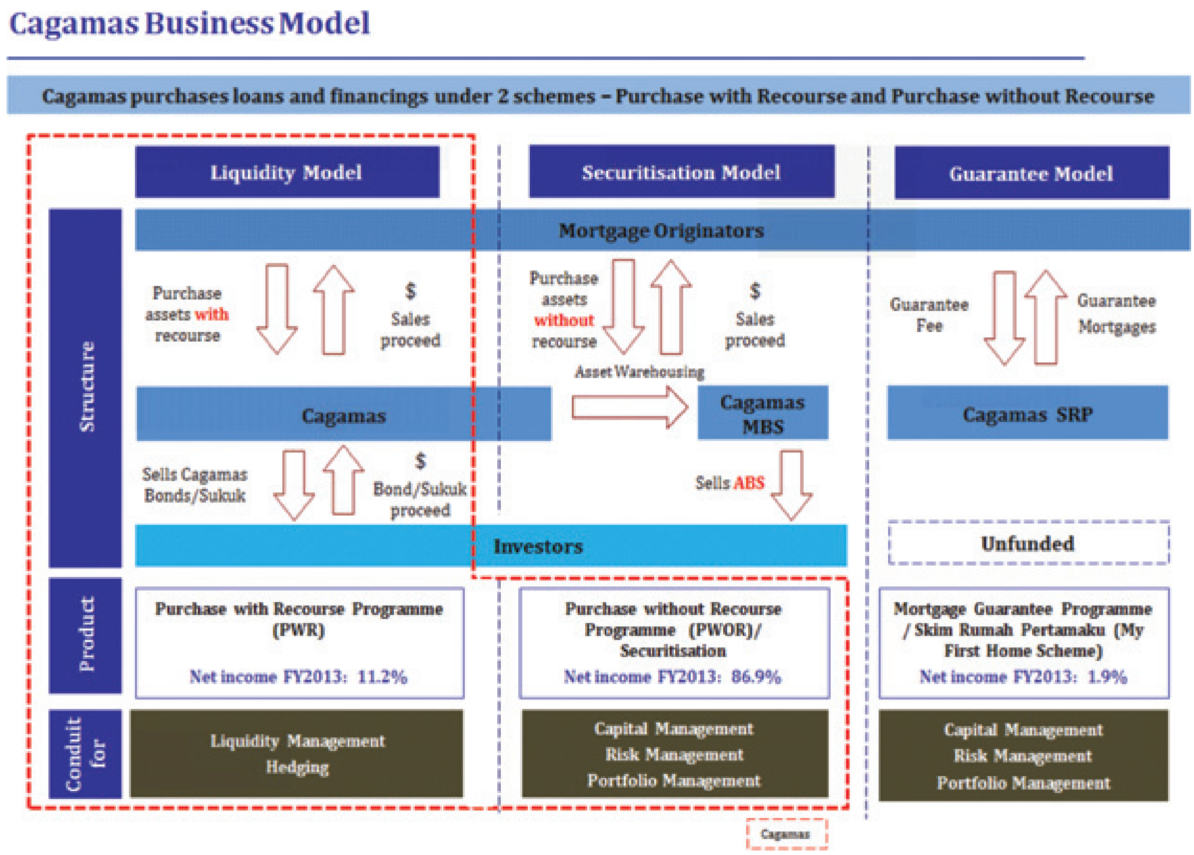
Cagamas' future plans for furthering its objectives are as follows:

- remaining committed to its mandate of helping Malaysians gain access to competitive house financing;
- participating in GOM projects such as Programme Perumahan 1Malaysia or 1Malaysia Housing Programme (GOM's project to plan, develop, construct and maintain high-quality housing with lifestyle concepts for middle-income households in key urban centres);
- playing a role in assisting financial institutions in coming up with risk and capital management solutions, especially in light of the full implementation of Basel III from 2018;
- enhancing its products to include contributions in Waqf (endowment) development, infrastructure project facilitation and participation in Development Financial Institutions to further spur the growth of small and medium enterprises;
- continuing to undertake its primary role in the financial system to accelerate liquidity to the secondary mortgage market by providing competitively priced funding, which is achieved through its diversification of funding sources and widening of its investor base; and
- exploring opportunities to replicate Cagamas' business model in other countries located in South East Asia to complement those Malaysian financial institutions expanding within South East Asia.

Business Overview

Cagamas is the main operating company of the Cagamas Group and is primarily engaged in the purchasing of loans and financings from Selling Institutions under the PWR and PWOR schemes. Both the PWR and PWOR schemes can be used to finance conventional housing loans, Islamic house financings, hire purchase and Islamic hire purchase and leasing receivables, while only the PWR scheme can be used to finance industrial property loans and financings, leasing, personal loans, Islamic personal financing and Rahn (pledge/charge) receivables. In addition to the two product lines offered by Cagamas, the Cagamas Group has expanded its range of products through the introduction of the Mortgage Guarantee Programme ("**MGP**") which is offered by Cagamas SRP. Cagamas SRP also offers the mortgage guarantee for Skim Rumah Pertamaku or "My First Home Scheme" ("**SRP**") (conventional & Islamic), to facilitate the financing of BNM activities through the issue of BNM Sukuk Ijarah ("**BSI**") and BNM Sukuk Murabahah ("**BSM**") and the purchase of GOM staff housing loans and financings funded through the issue of residential mortgage-backed securities by Cagamas MBS.

The diagram set out below illustrates how the various schemes offered by the Cagamas Group operate.



Cagamas Berhad

Cagamas operates two schemes to purchase loans and financings from Selling Institutions: the PWR scheme and the PWOR scheme. The purchase of loans and financings is funded by the issue of conventional bonds and Sukuk by Cagamas in the debt capital markets. To manage liquidity risk, Cagamas issues debt securities that match as closely as possible the corresponding cashflows and maturity profiles of the loans and financings. All debt issued by Cagamas is unsecured and ranks *pari passu* amongst itself.

In the financial year ended 31 December 2013, Cagamas purchased new loans and financings amounting to RM 8.2 billion, an increase of RM 5.0 billion when compared to the financial year ended 31 December 2012. The performance of Cagamas was driven by PWOR purchases of RM 6.8 billion, an increase of RM 6.7 billion when compared to the financial year ended 31 December 2012, while PWR transactions fell to RM 1.4 billion, a decrease of RM 1.7 billion when compared to the financial year ended 31 December 2012. The decrease in PWR transactions can be attributed to excess liquidity in the market during the year ended 31 December 2013, low interest rates and the strong capital positions of Malaysian financial institutions.

During the first half of 2014, Cagamas purchased new loans and financings amounting to RM 0.2 billion, a decrease of RM 0.6 billion amounting to a 76 per cent. decrease when compared to the same period from 2013. This performance reflects the difficult market conditions resulting from low interest rates and the strong capital positions of the Malaysian financial institutions, which together have allowed Malaysian financial institutions to consider alternative low cost funding options independent of Cagamas. Cagamas has responded to the high liquidity environment of the Malaysian financial system through the expansion of its pool of creditworthy counterparties and the identification of new asset classes for purchase. The lower volume of assets purchased as compared to the same period in 2013 can be attributed to several factors, including timing, which has resulted in several purchases being delayed as counterparties await internal approval to proceed.

Cagamas has no internal requirements to maintain a set proportion or ratio of PWR to PWOR assets. Cagamas operates the PWR and PWOR schemes independently; this allows Cagamas to react and issue in accordance with market demands.

PWR Scheme

Cagamas' PWR scheme was developed to assist Selling Institutions with liquidity and/or hedging requirements. PWR schemes can be used to finance various products, including housing loans and financings (both conventional and Islamic), hire purchase and leasing receivables (both conventional and Islamic), industrial property loans and financings (both conventional and Islamic), personal loans and financings (both conventional and Islamic) and Rahn (pledge/charge) receivables. The PWR scheme comprises two sub-groups, one dealing with conventional loans ("**PWR**") and the other dealing with Islamic financings ("**Islamic PWR**").

As at 31 December 2013, outstanding PWR loans and financings held by Cagamas amounted to RM 9.9 billion, which was 39.15 per cent. of total outstanding loans and financings. As at 30 June 2014, outstanding PWR loans and financings held by Cagamas amounted to RM 9.3 billion, which was 38.3 per cent. of total outstanding loans and financings, a change of six per cent. since 31 December 2013.

PWR

Under the PWR scheme, stringent eligibility criteria must be satisfied before Cagamas purchases loans and financings from Selling Institutions. As such, Cagamas assumes the counterparty credit risk of the relevant Selling Institution. For the key criteria used by Cagamas in relation to each product purchased under the PWR scheme, please see the section setting out the individual PWR products below.

Funds obtained by the Selling Institutions from the sale of conventional housing loans and Islamic house financings to Cagamas are fully exempted from the statutory reserve and liquidity requirements but are not entitled to capital relief benefits. Funds obtained by the Selling Institutions from the sale of industrial property loans and financings and hire purchase and leasing debt/Islamic hire purchase and leasing facilities are also exempted from the liquidity requirements and a certain portion of such funds will be included in the eligible liabilities for the computation of the statutory reserve requirement but are not entitled to capital relief benefits. In utilising the PWR scheme, a Selling Institution is able to hedge its interest rate risks, while gaining access to alternative funding to grow its asset base. With the availability of floating rate, fixed rate and convertible rate facilities, Selling Institutions are given additional flexibility to manage their interest rates risks. For example, by selling their loans and financings to Cagamas under the fixed rate facility, the Selling Institutions would have a hedge against a rising interest rates environment. Similarly, in a falling interest rate environment, the Selling Institutions can sell their loans and financings under the floating rate facility. A convertible rate facility (except for Islamic products) allows the Selling Institutions to convert fixed rate loans to floating rate loans or vice versa in view of changes in the interest rate environment during that period.

Under the PWR scheme, the loans and financings are purchased by Cagamas at their book value (i.e. the principal balance outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date) and, following such sale, Cagamas appoints the relevant Selling Institution to act as servicer to administer the loans and financings sold to Cagamas. Cagamas pays the Selling Institution a service fee for acting as servicer. The Selling Institutions which utilise the PWR scheme are required to pay a fee in the form of an instalment to Cagamas, which is netted off against the servicer fee payable by Cagamas to the Selling Institution.

Following the sale of loans and financings to Cagamas under the PWR scheme, the Selling Institution remains responsible for any losses arising from defaults by the borrower, so that in the event the loans and financings sold to Cagamas fail any pre-determined Cagamas criteria and become ineligible, the Selling Institutions must offer new loans and financings to Cagamas of an equivalent value to replace the loans and financings sold which are then repurchased by the Selling Institutions during the contracted review period. At the end of the contracted review period (which coincides with the maturity date of the bond/Sukuk issued to fund the purchase of the relevant loan and financings), Cagamas will provide the Selling Institution with a new Cagamas rate/service fee rate to continue holding the loans and financings for a new term. The Selling Institution can then either sign up for a further contracted review period or elect to repurchase the loans and financings from Cagamas if they decide the rate or the service fee rate is not reasonable.

Where an institution wishing to sell loans and financings to Cagamas under the PWR scheme is unable to satisfy Cagamas' eligibility criteria, it can utilise an intermediary financial institution for the onward sale of the loans and financings to Cagamas. A purchase facility will be entered into between the Selling Institution and the intermediary financial institution and a separate purchase facility, on identical terms, will be entered into between the intermediary financial institution and Cagamas.

As part of Cagamas' ongoing efforts to offer competitive pricing to the Selling Institutions, it offers to purchase the loans and financings sold on a cost-plus basis in addition to the published rates. The cost-plus pricing is computed by Cagamas based on the effective cost of funds (i.e. Cagamas debts and/or other similar securities issued to fund the purchases) plus Cagamas' margin. This pricing approach may enable the Selling Institutions to enjoy lower rates as compared with the published Cagamas rates.

To assist Selling Institutions in meeting their credit requirements, Cagamas offers the Selling Institution alternatives to cash settlement for the sale of loans and financings. On the purchase date, the relevant Selling Institution can choose to settle the purchase consideration by receiving debt and/or other similar securities issued by Cagamas, or by nominating such debts and/or other similar securities issued by Cagamas to be delivered to such other party chosen by the Selling Institution and approved by Cagamas, or partly in cash and partly by way of an issuance of Cagamas debt and/or other similar securities. As a result, the Selling Institutions have the option to sell their loans and financings to Cagamas without having to endure negative carry in an excess liquidity environment by receiving debt and/or other similar securities issued by Cagamas to fund such purchases instead of cash. In addition to the periodic repayment of principal and interest by the Selling Institutions on the loans and financings sold to Cagamas with recourse, the Selling Institution can now choose to pay only the interest throughout the contracted review period with bullet repayment of the principal on the review date.

Individual PWR products and their individual criteria for purchase by Cagamas

PWR Housing Loans

Under the PWR scheme, Cagamas purchases conventional housing loans ("**PWR Housing Loans**") granted to borrowers for the purchase of residential houses by Selling Institutions. In order for PWR Housing Loans to be eligible for sale by the Selling Institution to Cagamas, they must first satisfy the following criteria:

- the Housing Loan must be secured by a first charge or assignment of rights over the secured property;
- the purpose of the PWR Housing Loan must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- the PWR Housing Loan must be fully disbursed;
- the borrower of the PWR Housing Loan must not be more than three months in arrears at the time of the proposed sale of the PWR Housing Loan to Cagamas;
- the PWR Housing Loan must not expire before the end of the agreed contracted review period; and
- all other eligibility criteria contained in Cagamas' product guide, as updated from time to time (the "**Cagamas Guide**") (Mortgage/Housing) must be satisfied.

PWR Hire Purchase and Leasing Debts

Under the PWR scheme, Selling Institutions who are supervised by BNM are eligible to sell their hire purchase and leasing debts ("**PWR HPL Debts**") to Cagamas. The following criteria must be satisfied in order for a PWR HPL Debt to be eligible for sale to Cagamas:

- the PWR HPL Debt must be in relation to the hire purchase, sale on credit terms or the leasing of equipment;
- the PWR HPL Debt must be fully disbursed;
- the PWR HPL Debt must be an amortising debt;
- the PWR HPL Debt must not expire before the end of the agreed contracted review period;
- each PWR HPL Debt must, disregarding any unearned finance charges, have a book balance of less than RM 2 million; and
- all other eligibility criteria contained in the Cagamas Guide (PWR HPL Debts) must be satisfied.

PWR Industrial Property Loans

Under the PWR scheme, Cagamas purchases loans and financings which have been granted for the purpose of financing or refinancing the purchase, construction or renovation of factories, warehouses or industrial complexes ("**Industrial Property Loans**") in the same manner it purchases PWR Housing Loans. The following criteria must be satisfied in order for an Industrial Property Loan to be eligible for sale to Cagamas:

- the purpose of the Industrial Property Loan must be for the financing or refinancing of the purchase, construction or renovation of industrial properties;
- the Industrial Property Loan must be fully disbursed;
- the borrower of the Industrial Property Loan must not be more than three months in arrears at the time of the proposed sale;
- each Industrial Property Loan, disregarding any unearned interest, must have a book balance of less than RM 20 million;

- the Industrial Property Loan must be secured by a first ranking charge over the secured property or an assignment of rights over the secured property; and
- all other eligibility criteria contained in the Cagamas Guide (Commercial and Industrial Property Loans) must be satisfied.

PWR Personal Loans

Under the PWR scheme, Cagamas purchases conventional personal loans ("**PWR Personal Loan**") granted for the purpose of personal consumption. The following criteria must be satisfied in order for PWR Personal Loans to be eligible for sale to Cagamas:

- the PWR Personal Loan must have arisen pursuant to an agreement entered into between the borrower and the Selling Institution or the vendor from whom the Selling Institution has purchased the personal loan;
- the PWR Personal Loan must be fully disbursed;
- the borrower of the PWR Personal Loan must not be more than three months in arrears at the time of the proposed sale of the personal loan to Cagamas;
- the PWR Personal Loan must not expire before the end of the agreed contracted review period; and
- all other eligibility criteria contained in the Cagamas Guide (Personal Loans) must be satisfied.

Islamic PWR

Under the Islamic PWR scheme, Cagamas purchases Islamic facilities from Islamic financial institutions ("**IFIs**"), the Government or selected corporations based on the same principles as the conventional PWR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financings. Under the Islamic PWR scheme Cagamas appoints a Selling Institution as its agent and pays them a Wakalah (agency) fee for continuing to carry out services on its behalf. Under this scheme, Cagamas purchases debt-based financings using cash or commodities (i.e. the *Shari'a* principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) and it purchases asset based financings (such as Al-Ijarah Thumma Al-Bai' ("**AITAB**") or Musharakah Mutanaqisah (diminishing profit and loss sharing)) in the form of cash alone (i.e. the *Shari'a* principles of Bai' al-A'yaan (asset trading)). For Rahn (pledge/charge) receivables, Cagamas purchases the receivables using cash under Shari'a principle of Hiwalah (transfer of debt).

Islamic PWR House Financing

Cagamas purchases Islamic house financings ("**IHF**") from Islamic Financial Institutions ("**IFIs**") under Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) or Bai' al-Dayn (debts trading) and also purchases Islamic house financing assets from IFIs under Bai' al-A'yaan (asset trading). The following criteria must be satisfied in order for an IHF to be eligible for sale to Cagamas:

- the IHF must be conducted under approved Shari'a principles;
- the purpose of the IHF must be for the financing or refinancing of the purchase, construction or renovation of residential properties;
- the IHF must be fully disbursed;
- the obligor of the IHF must not be more than three months in arrears at the time of the proposed sale of the Islamic PWR House Financings to Cagamas;
- the IHF must not expire before the end of the agreed contracted review period;
- the IHF must have a profit rate greater than Cagamas' required rate of return;
- the IHF must be secured by a first charge or assignment of rights over the secured property; and
- the IHF must comply with any other criteria contained in the Cagamas Guide (Islamic House Financing).

Islamic PWR Hire Purchase

Under the PWR scheme, Cagamas purchases Islamic hire purchase/leasing ("**IHP**") from IFIs under Bai' al-Dayn al-Sila'ii (exchange of debts with commodity) or Bai' al-Dayn (debts trading) and purchases Islamic hire purchase assets from IFIs under Bai' al-A'yaan (asset trading). The following criteria must be satisfied in order for an IHP to be eligible for sale to Cagamas:

- the IHP must be conducted under approved *Shari'a* principles;
- the IHP must be fully disbursed;
- the IHP must be no more than three months in arrears at the time of sale;
- the IHP must not expire before the end of the agreed contracted review period;
- the IHP must have a book balance (less unearned profit, if any) not exceeding RM 2 million per facility;
- the IHP must have an effective rate greater than Cagamas' required rate of return; and
- the IHP must comply with any other criteria contained in the Cagamas Guide (Islamic Hire Purchase/Leasing).

Islamic PWR Personal Financing

Under the PWR scheme, Cagamas purchases Islamic Personal Financing ("**IPF**") from IFIs under Bai' al-Dayn al-Sila'ii (exchange of debts with commodity) or Bai' al-Dayn (debts trading). The following criteria must be satisfied in order for an IPF to be eligible for sale to Cagamas:

- the IPF must be conducted under approved *Shari'a* principles;
- the IPF must be fully disbursed;
- the IPF must not be more than three months in arrears at the time of sale;
- the IPF must not expire before the end of the agreed contracted review period;
- the IPF must have an effective rate greater than Cagamas' required rate of return; and
- the IPF must comply with any other criteria contained in the Cagamas Guide (Islamic Personal Financing).

PWOR Scheme

Selling Institutions that seek capital, risk and/or portfolio management solutions may seek to participate in Cagamas' PWOR scheme. The PWOR scheme encompasses housing loans and house financings (both conventional and Islamic) and HPL Debts (both conventional and Islamic). The PWOR scheme comprises two sub-groups, one dealing with conventional financing ("**PWOR**") and one dealing with Islamic financing ("**Islamic PWOR**").

As at 31 December 2013, outstanding PWOR assets held by Cagamas amounted to RM 15.4 billion, which constituted 61 per cent. of total outstanding loans and financings. As at 30 June 2014, outstanding PWOR assets held by Cagamas amounted to RM 15.0 billion, which constituted 62 per cent. of total outstanding loans and financings, a change of three per cent. since 31 December 2013.

PWOR

Under the PWOR scheme, stringent eligibility criteria must be satisfied before Cagamas purchases loans and financings from Selling Institutions on a without recourse basis. The Selling Institution receives proceeds from the sale of loans and financings up-front and, post-sale, Cagamas does not have any recourse to the Selling Institution but takes on the credit risk of the underlying borrower/obligor. These loans and financings are purchased at their book value (i.e. the principal outstanding on a date which is closest to the purchase date but not earlier than the end of the month preceding the purchase date). The valuation of each loan and financing can be at a premium or par and this allows the Selling Institution to secure its profit upfront from the sale to Cagamas. Due to the increased risk profile of PWOR purchases, the eligibility criteria are far more stringent than those used for the purchase of similar asset classes under the PWR scheme. The eligibility criteria used by Cagamas in relation to housing loans and financings and hire purchase products under the PWOR scheme are set out in the relevant section below.

Following the sale, the relevant Selling Institution is appointed as the servicer/trustee for a fee, to administer the loans and financings on behalf of Cagamas. The Selling Institutions are required to remit the instalments paid by the borrower/obligor on the remittance date. Similar to the PWR scheme, Cagamas offers the Selling Institutions a variety of options in relation to the settlement of the purchase consideration, which include cash settlement, settlement by way of an issuance of debt and/or other similar securities by Cagamas to the Selling Institutions, or to such other party as may be nominated by the Selling Institutions and approved by Cagamas, or partly in cash and partly by way of an issuance of debt and/or other similar securities by Cagamas.

Regulatory treatment of a PWOR sale transaction allows for complete off-balance sheet treatment for the Selling Institution such that the Selling Institution will show a reduction in assets on its balance sheet. In addition, the Selling Institution will benefit from full capital relief on the sales proceeds received from Cagamas. Such treatment allows the Selling Institution to better manage its portfolio of concentration risk, as the Selling Institution is released of all outstanding credit risk for the loans and financings sold to Cagamas under the PWOR scheme and the Selling Institution will also benefit from a steady income stream in the form of regular payments of the servicer fee. A standardised product structure and legal documentation are some of the key features which allow the expedient completion of transactions under the PWOR scheme.

PWOR Housing Loans

In order for a PWOR Housing Loan to be purchased by Cagamas under the PWOR scheme, the following criteria must be satisfied:

- the PWOR Housing Loan must be secured by a first charge or assignment of rights over the secured property;
- the PWOR Housing Loan must be for the purchase of a completed residential unit or for the construction or renovation of a residential unit;
- the PWOR Housing Loan must be repayable/payable in Ringgit;
- the maturity date of the PWOR Housing Loan must not be (a) less than five years; or (b) more than 30 years, from the proposed date of purchase by Cagamas;
- in the six months prior to the proposed date of purchase by Cagamas, the repayment of interest/ payment of profit or principal under the PWOR Housing Loan must not have been suspended, rescheduled or restructured;
- the monthly instalment payable under the PWOR Housing Loan must be greater than 110 per cent. of the interest portion of the monthly instalment;
- the interest rate payable on the PWOR Housing Loan must be greater than the aggregate of the servicer fee of 0.75 per cent. per annum and the base pricing as calculated by Cagamas;
- the loan/financings-to-value ratio should be no more than 80 per cent. (i.e. the outstanding principal payable under the relevant loan and financings as at the date of purchase divided by the property value (defined as the lower of the price under the agreement for the purchase of the mortgaged property or the current market valuation of the mortgaged property (which valuation has not been made more than a year ago)));
- where the PWOR Housing Loan has been provided in relation to leasehold land, the remaining tenure of the lease must not be less than 20 years on the proposed date of sale to Cagamas; and
- all other eligibility criteria in relation to PWOR Housing Loans provided in the Cagamas Guide (PWOR Housing Loan) must be satisfied.

PWOR Hire Purchase and Leasing Debts

In order for hire purchase and leasing debts to be purchased by Cagamas under the PWOR scheme ("**PWOR HPL Debts**"), the following criteria must be satisfied:

- the PWOR HPL Debt must be taken in relation to private and non-commercial passenger car(s) only;
- the car must have been manufactured no more than seven years prior to the proposed date of sale to Cagamas;
- the initial amount financed under the PWOR HPL Debt must not exceed RM 400,000;
- the original margin of finance must not be more that 80 per cent. of the purchase price;
- the maturity date of the PWOR HPL Debt must not be less than six months from the proposed date of sale of the PWOR HPL Debt to Cagamas;
- the effective interest rate payable on the PWOR HPL Debt must be greater than the aggregate of the servicer fee of 0.75 per cent. per annum and the base pricing as calculated by Cagamas;
- the monthly instalment payable under the PWOR HPL Debt must be greater than 110 per cent. of the interest portion of the monthly instalment;
- all other eligibility criteria in relation to PWOR HPL Debts provided in the Cagamas Guide (PWOR HPL Debt) must be satisfied.

Islamic PWOR

Under the Islamic PWOR scheme, Cagamas purchases Islamic facilities from IFIs, the Government or selected corporations based on the same principles as the conventional PWOR scheme with the exception of certain amendments which need to be made in order to make the scheme suitable for Islamic financing. Under the Islamic PWOR scheme Cagamas appoints a Selling Institution as its agent and pays the Selling Institution a Wakalah (agent) fee for continuing to carry out services on its behalf. Under this scheme, Cagamas purchases debt-based financings using cash or commodities (i.e. the *Shari'a* principles of Bai' al-Dayn (debt trading) and Bai' al-Dayn al-Sila'ii (exchange of debts with commodities) and it purchases asset based financings (such as AITAB or Musharakah Mutanaqisah (diminishing profit and loss sharing)) in the form of cash alone (i.e. the *Shari'a* principles of Bai' al-A'yaan (asset trading)). The minimum eligibility criteria for products under the Islamic PWOR scheme is the same as the eligibility criteria adopted for the PWOR scheme. Products purchased under the Islamic PWOR scheme are also subject to any *Shari'a* principles that need to be complied with.

Conventional Debt Securities and Sukuk issued by Cagamas

Cagamas issues conventional debt securities and Sukuk to finance the purchase of housing loans and house financings as well as other consumer receivables for both conventional loans and Islamic financing. For the year ended 31 December 2013, Cagamas had issued RM 9.9 billion worth of debt securities, comprising RM 7.1 billion of Sukuk and RM 2.8 billion of conventional debt securities for the year 2013, an increase of RM 5.0 billion when compared to 2012. For the six months ended 30 June 2014, Cagamas had issued RM 1.2 billion worth of debt securities, comprising RM 1 billion of Sukuk and RM 0.2 billion of conventional debt securities for the first half of 2014, a reduction of RM 0.6 billion when compared to the same period in 2013.

Cagamas has contributed and continues to contribute to the depth and breadth of Malaysian debt capital markets by being the largest private debt issuer as of 30 June 2014 and structuring innovative products, such as the first and largest residential mortgage backed securities transaction in Malaysia with a value of RM 1.55 billion in 2004, the first rated Sukuk Musharakah residential mortgage backed securities transaction in the world in 2005 and the first Sukuk al-Amanah Li al-Istithmar transaction in the world in 2010. Below is a description of the existing securities issued by Cagamas.

Conventional Debt Securities

Conventional debt securities are typically issued under Cagamas' RM 20 billion Islamic/Conventional Commercial Paper programme and the RM 40 billion Islamic/Conventional Medium Term Notes programme. The instruments issued under the programmes are as follows:

*Fixed Rate Medium Term Notes ("**MTNs**")*

MTNs issued by Cagamas have tenures of more than one year and carry a fixed coupon rate which is determined at the point of issuance. Interest on these MTNs is normally paid half-yearly. The redemption of the MTNs is at nominal value together with the interest due upon maturity.

*Floating Rate Notes ("**FRNs**")*

FRNs issued by Cagamas have an adjustable interest rate pegged to the KLIBOR. Interest on these FRNs is paid at three or six-monthly intervals. The redemption of the FRNs is at face value together with the interest due upon maturity.

*Commercial Paper ("**CPs**")*

CPs are short-term instruments with maturities of between one to 12 months, issued at either a discount from the face value where the CPs are redeemable at their nominal value upon maturity or issued with interest where interest is paid on a semi-annual basis or such other periodic basis as determined by Cagamas.

Where permitted by the respective trust deeds, Cagamas may at any time purchase its debt securities and the repurchased debt securities shall be cancelled according to the requirements of the trust deeds.

The following table sets out the outstanding Cagamas conventional debt securities as at 30 June 2014.

Outstanding Cagamas Conventional Debt Securities	**As at 30 June 2014**
	(RM million)
Instrument	
Fixed Rate Medium Term Notes	10,879.3
Floating Rate Notes	182.4
Total	11,061.7

Sukuk

Cagamas issues Sukuk via its existing RM 40 billion Islamic/Conventional Medium Term Notes programme and RM 5 billion ICP/IMTN programme (commonly known as Sukuk ALIm). The instruments issued under the programmes are as follows:

*Fixed Rate Islamic Medium Term Notes ("**IMTNs**")*

IMTNs issued by Cagamas have tenures of more than one year and carry a profit which is determined at the point of issuance. Profit on the Sukuk is paid at half-yearly intervals. The redemption of the IMTNs is at nominal value together with profit due on maturity.

*Variable Rate Sukuk ("**VRNs**")*

VRNs are Sukuk that have tenures of more than one year and variable profit rates pegged to the KLIBOR. Profit is paid at three or six-monthly intervals. At maturity, the face value of the Sukuk is redeemed with any outstanding profit amounts due on maturity.

*Islamic Commercial Papers ("**ICPs**")*

ICPs are short term Islamic instruments issued by Cagamas with maturities ranging from one to 12 months issued at either a discount from the face value where ICPs are redeemable at their nominal value upon maturity or issued with profit paid on a semi-annual basis or on such other periodic basis as determined by Cagamas.

Cagamas may issue IMTNs based on but not limited to the following *Shari'a* principles:

- Murabahah
- Istisna
- Ijarah
- Mudharabah
- Musharakah
- Wakalah Bil Istithmar

ICPs and IMTN under Sukuk ALIm

- Al-Ijarah
- Al-Bai' Bithaman Ajil
- Al-Bai
- Al-Wakalah

Where permitted by the respective trust deeds, Cagamas may at any time purchase its Sukuk from the open market and the repurchased Sukuk shall be cancelled according to the requirements of the trust deeds.

The following table sets out the outstanding Cagamas Sukuk as at 30 June 2014.

Outstanding Cagamas Sukuk	**As at 30 June 2014 (RM million)**
Instrument	
Islamic Fixed Rate Medium Term Notes	13,163.8
Total	13,163.8

The other Cagamas Group companies

Cagamas MBS Berhad

Cagamas MBS was incorporated on 8 June 2004 for the purpose of purchasing staff housing loans and house financings from the GOM and the issuance of residential mortgage-backed securities and Islamic residential mortgage-backed securities to finance the purchases.

Since its incorporation up to 30 June 2014, the Cagamas Group had issued RM 10.2 billion of residential mortgage backed securities ("**RMBS**") and Islamic residential mortgage backed securities ("**IRMBS**").

BNM Sukuk Berhad

BNM Sukuk was incorporated on 18 January 2006 for the purpose of undertaking the issuance of Islamic investment securities, namely BSI and BSM based on *Shari'a* principles of Ijarah (leasing) and Murabahah (cost-plus sale). Issuances of BSI are used to facilitate the financing of BNM activities, namely the purchase of the beneficial interest in land and buildings from BNM and, thereafter to lease back the same land and buildings to BNM for a contractual period similar in tenure to the BSI. Issuances of BSM are based on a Murabahah contract which refers to a mark-up sale transaction. BSM is essentially a certificate of indebtedness arising from a deferred mark-up sale transaction to BNM of an asset, such as a commodity (mainly crude palm oil), which complies with *Shari'a* principles.

Cagamas SRP Berhad

Cagamas SRP was incorporated on 7 January 2011 to undertake the guarantee of residential mortgages under the Skim Rumah Pertamaku or "My First Home Scheme" (the "**SRP**") announced by the GOM in the 2011 Malaysian Budget. The SRP was launched in March 2011 to assist young urban adults in Malaysia to purchase their first home in Malaysia. The scheme is only eligible to those adults earning less than RM 5,000 per month (or RM 10,000 per month for joint applicants), and allows the applicants to purchase a house without the usual deposit requirement of 10 per cent. Cagamas SRP guarantees the first 10 per cent. of a mortgage to a mortgage provider on a "first-loss" basis, in which case the guarantee fee is borne by the GOM. SRP applies to both housing loans and house financings. The guarantee will only take effect on a full disbursement by a mortgage provider. Further, the guarantee will lapse upon the occurrence of any outstanding principal balance falling below 90 per cent., or following the applicant's non-compliance with any representation, warranty and eligibility criteria, or the payment of a claim amount.

In addition to providing the SRP, since 1 January 2014, the business operations of Cagamas MGP Berhad have also been transferred to Cagamas SRP.

Prior to 1 January 2014 Cagamas MGP was responsible for providing financial institutions with a mortgage guarantee facility for their conventional and Islamic mortgage finance portfolio on a "first loss" basis, whilst allowing the mortgage assets to remain on the mortgage provider's books. This scheme is now provided by Cagamas SRP. The scheme acts as a portfolio and risk management solution allowing financial institutions to improve their risk weighted capital ratio by reducing the mortgage provider's credit risk on a mortgage loan/ financing portfolio, whilst continuing to maintain asset growth and provide affordable mortgage loans and financings to homebuyers. Accordingly, the provision of MGP by Cagamas SRP assists in strengthening the banking sector by removing systemic risk from the sector.

The guarantees provided to financial institutions under the SRP and MGP schemes are aimed at encouraging mortgage providers to lend to deserving applicants, as the transfer of credit risk helps facilitate the management of portfolios. This is intended to further enhance the objective of the Cagamas Group to promote home ownership in Malaysia.

Cagamas MGP Berhad

Cagamas MGP was incorporated on 14 April 2008 to provide financial institutions with mortgage guarantee facilities for their conventional and Islamic mortgage finance portfolios. Cagamas MGP also provided a mortgage indemnity scheme and other form of credit protection.

Cagamas MGP was originally named Cagamas HKMC Berhad and was set up as a joint venture with the Hong Kong Mortgage Corporation Limited. Cagamas HKMC Berhad became a wholly owned subsidiary of Cagamas Holdings on 20 December 2012.

Cagamas MGP transferred its mortgage guarantee and mortgage indemnity business to Cagamas SRP with effect from 1 January 2014.

Cagamas SME Berhad

Cagamas SME was incorporated on 17 February 2006 to undertake the purchase of small and medium enterprise loans and/or structured product transactions via cash or synthetic securitisations or a combination of both and the issuance of bonds to finance the purchases. Cagamas SME also entered into credit default swap transactions with financial institutions as counterparty, and issued fixed-rate credit linked notes in a synthetic securitisation transaction.

Employees

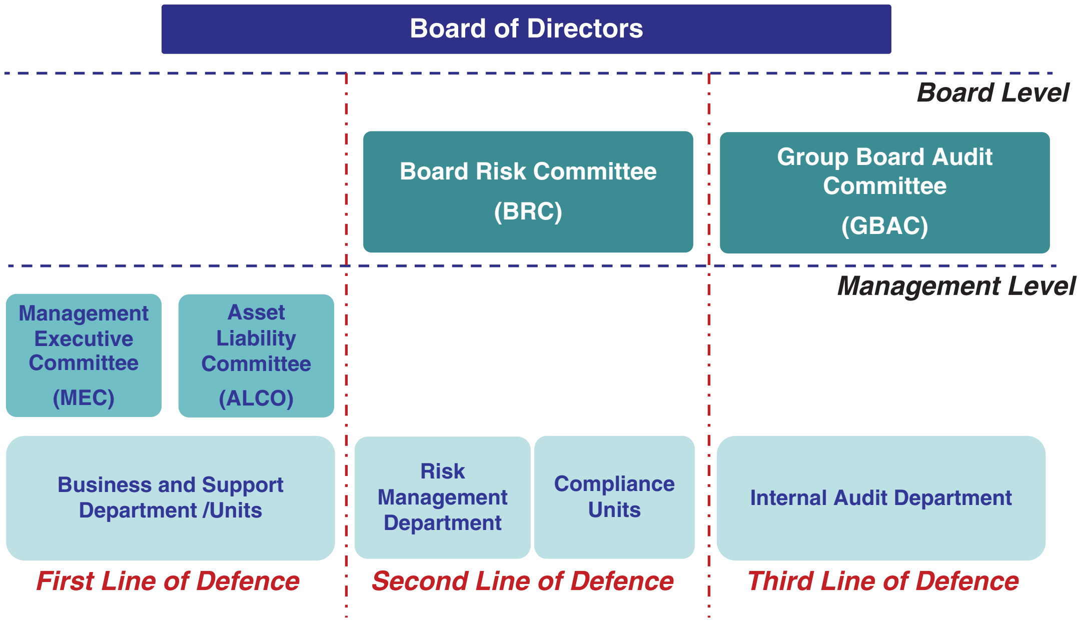
As at 30 June 2014, Cagamas has approximately 100 employees (the "**Employees**") and no ongoing labour disputes. The Employees are not affiliated to any trade unions.

Risk Management

Enterprise Risk Management Framework

Cagamas takes a holistic and enterprise-wide view in managing risk. The Cagamas Board of Directors (the "**Board**") approved the Enterprise Management Framework ("**ERM**") which details the scopes of responsibility and accountability of the Board, Board Risk Committees ("**BRC**"), President/Chief Executive Officer ("**CEO**"), Chief Risk Officer ("**CRO**"), Management Executive Committee ("**MEC**"), Asset Liability Committee ("**ALCO**"), Risk Management Department ("**RMD**"), Internal Audit Department ("**IAD**") and Cagamas employees.

In line with the ERM Framework, Cagamas employs three lines of defence when managing risk as illustrated in the diagram below.



The business units within Cagamas are the first line of defence, and have the primary responsibility of identifying, mitigating and managing risks within their line of business. They also ensure that their day-to- day activities are conducted in line with established risk policies and procedures, and that no limits are exceeded.

An independent RMD acts as Cagamas' second line of defence by providing specialised resources to proactively manage risks. This includes assessment of risk exposures and the coordination of risk management on an enterprise-wide basis. The RMD is also responsible for ensuring that risk policies are implemented accordingly.

The IAD is Cagamas' third line of defence and is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.

Risk Governance Structure

The Board sets the overall strategic direction for Cagamas. It provides ultimate oversight to ensure that management has set up appropriate risk management systems to manage risks associated with Cagamas' operations and activities. The Board sets the risk appetite and tolerance level to be consistent with Cagamas' overall business objectives and desired risk profile. The Board also reviews and approves all significant risk management policies and risk exposures.

The BRC assists the Board by ensuring that there is effective oversight and development of strategies, policies and infrastructure to manage Cagamas' risks. The BRC is supported by a management committee addressing one or more of the key risks identified.

The MEC and ALCO, which comprise senior management of the Cagamas Group, are chaired by the CEO and undertake the oversight function for capital allocation and overall risk limits, aligning them to the risk appetite set by the Board. Management is responsible for the implementation of the policies laid down by the Board by ensuring that there are adequate and effective operational procedures, internal controls and systems.

The RMD is independent of other departments involved in risk-taking activities and reports directly to the BRC. It is responsible for identifying, measuring, analysing, controlling, monitoring and reporting of risk exposures independently and coordinating the management of risk on an enterprise-wide basis.

Key Areas of Risk Management

Strategic Risk Management

Strategic risk within the Cagamas Group is the risk of not achieving its corporate strategy goals which reflect the Cagamas Group's vision. This may be caused by internal factors such as performance planning, execution and monitoring, and external factors such as market environment.

Strategic risk management is addressed by the Board's involvement in the setting of the Cagamas Group's strategic goals. The Board is regularly updated on matters affecting corporate strategy implementation and corporate transactions.

Credit Risk Management

Credit risk is defined as the potential for financial loss resulting from the failure of a borrower or counterparty to fulfil its financial or contractual obligations. Credit risk within the Cagamas Group arises from its PWR and PWOR business, mortgage guarantee programme, investments and treasury hedging activities.

The primary objective of credit risk management is to proactively manage risk and credit limits to ensure that all exposures to credit risk are kept within parameters approved by the Board to withstand potential losses. Investment activities are guided by internal credit policies and guidelines that are approved by the Board. Specific procedures for managing credit risks are determined at business levels based on risk environment and business goals.

Market and Liquidity Risk Management

Market risk is defined as the potential loss arising from movements of market prices and rates. Within Cagamas, market risk exposure is limited to interest rate risk only as Cagamas does not engage in any equity, foreign exchange or commodity trading activities. Involvement in the purchase and sale of commodities is solely to facilitate the issuance of Islamic debt securities. Liquidity risk arises when Cagamas does not have sufficient funds to meet its financial obligations when they fall due.

Cagamas manages market and liquidity risks by imposing threshold limits which are approved by management within the parameters approved by the Board based on a risk-return relationship. Further, Cagamas also adheres to a strict match-funding policy where all asset purchases are funded by bonds of closely matched size as well as duration and are self-sufficient in terms of cashflow. A forward-looking liquidity mechanism is in place to promote efficient and effective cashflow management while avoiding excessive concentrations of funding. Cagamas plans its cash flow and monitors closely every business transaction to ensure that available funds are sufficient to meet business requirements at all times. Reserve liquidity which comprises marketable debt securities is also set aside to meet any unexpected shortfall in cash flow or adverse economic conditions in the financial market.

As a Real Time Electronic Transfer of Funds and Securities (RENTAS) member, Cagamas is eligible to use the RM Intraday credit facility granted by BNM. This facility is to ensure sufficient liquidity in the system to effect settlement on a timely basis. Cagamas is required to collateralise adequate eligible securities to the central bank to cover any drawdown made under the RM Intraday credit facility. Security granted for each drawdown will be released by the central bank upon Cagamas funding its account to satisfy the amount drawndown under the RM Intraday credit facility.

Operational Risk Management

Operational risk is the potential loss resulting from inadequate or failed internal processes, people and systems, or from external events. Each business/support unit undertakes self-assessment of the risk and control environment to identify, assess and manage its operational risks. Cagamas has established comprehensive internal controls, systems and procedures that are subject to regular review by both internal and external auditors. Business continuity plans are in place to minimise unexpected disruption and reduce time to restore operations. All documentation for new products/programmes shall be reviewed by an internal legal adviser and/or external advisers where necessary to ensure that Cagamas' interest is protected at all times.

Reputational Risk

Cagamas' reputation and image as perceived by clients, investors, regulators and the general public is of utmost importance to the continued growth and success of Cagamas' businesses and operations. Invariably, reputational risk is dependent on the nature/model of business, selection of clients and counterparties and reliability and effectiveness of business processes.

Stringent screening of potential clients and design of business in accordance with high standards and regulatory compliance are incorporated to safeguard Cagamas' business reputation and image. In view of the importance of preserving the reputation of Cagamas, greater efforts are being made towards creating awareness about risk events that could impact Cagamas' reputation.

Shari'a Non-Compliance Risk

Cagamas consults and obtains endorsements/clearance from an independent *Shari'a* adviser for all its Islamic products and transactions to ensure compliance with *Shari'a* requirements. In addition, Cagamas obtains the approval of the *Shari'a* Advisory Councils of BNM and SC for its Islamic products.

Periodic internal audits are performed to verify that Islamic operations conducted by the business units are in compliance with the decisions endorsed by the independent *Shari'a* adviser. Any incidences of *Shari'a* non-compliance are reported to both the independent *Shari'a* adviser and the Group Board Audit Committee. Remedial actions are for the endorsement of the independent *Shari'a* adviser and for notification to the BRC or the Board.

Implementation of Basel II and Basel III

In line with the industry's best practice, Cagamas has implemented Basel II Pillar 1 Risk-Weighted Capital Adequacy Framework (RWCAF), Basel II Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) and Basel II Pillar 3 Disclosure Policy. Additionally, Cagamas monitors its liquidity coverage ratio and net stable funding ratio as per Basel III requirements.

Corporate Social Responsibility (CSR)

Cagamas' CSR activities are in line with the GOM's policy of nurturing a caring society. Beneficiaries of Cagamas' CSR activities include charitable, non-profit organisations registered with the Social Welfare Department or the Inland Revenue Board i.e. welfare homes, homes for the elderly, orphanages, etc. established in Malaysia.

Recent Developments

On 25 June 2014, Cagamas issued RM 500 million one year Variable Rate IMTNs. The proceeds from the issuance were used to fund the purchase of Islamic financing from financial institutions.

The IMTNs, which will be redeemed at their full nominal value on maturity, are unsecured obligations of Cagamas and rank *pari passu* among themselves and with all other existing unsecured obligations of Cagamas. The IMTNs are listed and tradable under the Scripless Securities Trading System.

Cagamas' Issuance of RM 500 Million Cagamas Islamic Commercial Papers

On 25 March 2014, Cagamas issued RM 500 million three-month ICPs. The ICPs were issued under the Islamic Commodity Murabahah structure with the proceeds from the issuance being used to fund the purchase of Islamic financing from the financial institutions.

The ICPs will be redeemed at their full nominal value on maturity, are unsecured obligations of Cagamas and rank *pari passu* among themselves and with all other existing unsecured obligations of Cagamas. The ICPs are listed and tradable under the Scripless Securities Trading System.

Cagamas Concluded First Conventional Medium Term Notes Issuance For 2014

Cagamas completed the sale of RM 120 million one- and two-year Conventional Medium Term Notes ("**CMTNs**") on 27 January 2014. Proceeds from the issuance were used to finance the purchase of conventional financing from the financial system. The issue marked Cagamas' first issuance of debt securities in 2014. The issuance achieved a bid to cover ratio of 2.5 times and priced at 39 bps and 46 bps, respectively, above the corresponding GOM Securities levels.

The Cagamas CMTNs will be redeemed at their full nominal value on maturity, are unsecured obligations of Cagamas and rank *pari passu* among themselves and with all other existing unsecured obligations of Cagamas. The CMTNs are listed and tradable under the Scripless Securities Trading System.

SHAREHOLDERS

Cagamas is a wholly owned subsidiary of Cagamas Holdings.

The following table sets out the number of shareholders constituting each of the three classes of institutional shareholders, and their total shareholding as a class within Cagamas Holdings as at 30 June 2014.

Institution of Shareholders	Shareholding Percentage (%)	Number of Shareholders	Range of Shareholding (%)
Central Bank of Malaysia	20.0	1	20.0
Commercial Banks	71.4	18	0.2 – 16.5
Investment Banks	8.6	6	0.3 – 3.9
Total	**100.0**	**25**	**—**

The following table sets out the individual shareholders in Cagamas Holdings as at 30 June 2014.

Name of Shareholder	Total Number of Shares Held	Shareholding Percentage (%)
Bank Negara Malaysia	**30,000,000**	**20.0**
CIMB Bank Berhad	**24,684,000**	**16.5**
Maybank Group	**21,279,000**	**14.2**
Malayan Banking Berhad	19,179,000	12.8
Maybank Investment Bank Berhad	2,100,000	1.4
RHB Bank Group	**12,932,400**	**8.6**
RHB Bank Berhad	11,732,400	7.8
RHB Investment Bank Berhad	1,200,000	0.8
AmBank Group	**12,066,000**	**8.0**
AmBank (M) Berhad	6,177,000	4.1
AmInvestment Bank Berhad	5,889,000	3.9
Public Bank Group	**10,485,600**	**7.0**
Public Bank Berhad	9,885,600	6.6
Public Investment Bank Berhad	600,000	0.4
Hong Leong Bank Berhad	**8,958,000**	**6.0**
HSBC Bank Malaysia Berhad	**6,201,000**	**4.1**
Alliance Bank Group	**5,583,000**	**3.7**
Alliance Bank Malaysia Berhad	3,183,000	2.1
Alliance Investment Bank Berhad	2,400,000	1.6
Standard Chartered Bank Malaysia Berhad	**4,590,000**	**3.1**
Affin Bank Group	**4,410,000**	**2.9**
Affin Bank Berhad	3,660,000	2.4
Affin Investment Bank Berhad	750,000	0.5
United Overseas Bank (Malaysia) Berhad	**3,330,000**	**2.2**
OCBC Bank (Malaysia) Berhad	**2,997,000**	**2.0**
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad	**738,000**	**0.5**
SIBB Berhad	**450,000**	**0.3**
Bangkok Bank Berhad	**369,000**	**0.3**
The Bank of Nova Scotia Berhad	**327,000**	**0.2**
The Royal Bank of Scotland Berhad	**300,000**	**0.2**
Deutsche Bank (Malaysia) Berhad	**300,000**	**0.2**

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors of Cagamas

As at the date of this Offering Circular, the Board consists of seven Non-Executive Directors and one Executive Director.

The eight members constituting the Board as at the date of this Offering Circular are set out in the table below:

Name	Nationality	Designation
Dato' Ooi Sang Kuang	Malaysian	Chairman, Non-Executive Director
Dato' Albert Yeoh Beow Tit	Malaysian	Non-Executive Director
Mr. Tang Wing Chew	Malaysian	Non-Executive Director
Dato' Halipah binti Esa	Malaysian	Non-Executive Director
Dr. Roslan bin A. Ghaffar	Malaysian	Non-Executive Director
Dato' Md Agil bin Mohd Natt	Malaysian	Non-Executive Director
Mr. Philip Tan Puay Koon	Malaysian	Non-Executive Director
Mr. Chung Chee Leong	Malaysian	President/Chief Executive Officer/Executive Director

The biographies of the Directors of Cagamas are set out below:

Dato' Ooi Sang Kuang — Chairman of the Board

Dato' Ooi Sang Kuang, Malaysian, aged 67, was appointed to the Board on 4 July 2002 as a Non-Executive Director. In October 2002, he was elected as Chairman of Cagamas. He is the Chairman of the Board Executive Committee.

Dato' Ooi Sang Kuang chairs the Boards of Cagamas Holdings, Cagamas MBS, Cagamas SRP and Cagamas MGP. Dato' Ooi is currently the Chairman of the Board of Directors of Xeraya Capital Sdn. Bhd. and Xeraya Capital Labuan Ltd. Dato' Ooi is also the Chairman of OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad and sits on the board of Oversea Chinese Banking Corporation Limited, Singapore ("**OCBC**") and will be assuming the role of Chairman of the Board of OCBC from 1 September 2014.

Dato' Ooi Sang Kuang was Special Adviser in BNM from July 2010 to December 2011. As Special Adviser, Dato' Ooi chaired the Executive Committee and all the Working Committees to craft Malaysia's Financial Sector Blue Print 2011-2020. Prior to that, he was Deputy Governor of BNM and a member of the Board of Directors of BNM from June 2002 to June 2010. As Deputy Governor, he was responsible for the sectors covering Economic and Monetary Assessment, Reserves Management and Monetary Operations, and Finance and Operational Support. He was a member of the Monetary Policy Committee, the Risk Management Committee, the Financial Stability Committee and the Reserve management Committee of BNM. At the Asian regional level, Dato' Ooi represented BNM and Malaysia in a number of Asian Regional Taskforces and Regional Policy Committees. He co-chaired the high-level Monetary Policy and Financial Stability Committee of EMEAP (Executive Committee of East Asia and Pacific) Central Banks, the Asean +3 (China, Japan and Korea) Finance and Central Bank Deputies Meeting and the High Level Task Force on Asean Financial Integration.

Dato' Ooi joined the Economics Department of BNM in 1971 and held various senior positions in the Department before leaving in 1984 to join the private sector. He held a number of senior management responsibilities across the financial services sector while in the private sector. He was Chief Executive Officer of a finance company in Malaysia, after which he assumed the post of chief Economist, Asia-Pacific, in the Asian Regional Office of Standard Chartered Bank, Singapore. In 1994, he was appointed Managing Director of Warburg Asset Management Pte. Ltd., Singapore where he led a team to manage a sizeable number of portfolios covering Asian equities. From January 1996, Dato' Ooi was with the RHB Group covering ASEAN regional equities as Managing Director and Regional Research Director of RHB Research Institute. At the RHB Group, he was a member of the Board of Directors of Rashid Hussain Berhad, RHB Investment Bank Berhad and Deputy Chairman of Rashid Hussain Asset Management Berhad. Dato' Ooi was a member of the Board of Directors of Great Eastern Life Assurance (Malaysia) Berhad and Overseas Assurance Corporation (Malaysia) Berhad from April 2012 to December 2013 and Chairman of the Board of Directors of the Malaysian Electronic Clearing Corporation Sdn. Bhd. (MyClear) from January 2009 to February 2014.

Dato' Ooi received a Bachelor of Economics (Hons) degree from University of Malaya and Master of Arts (Development Finance) from Boston University, USA. Dato' Ooi is a Fellow Member of the Institute of Bankers Malaysia.

Dato' Albert Yeoh Beow Tit — Non-Executive Director

Dato' Albert Yeoh Beow Tit, Malaysian, aged 65, was appointed to the Board on 16 September 2003 as a Non-Executive Director. He is also the Chairman of the Board Risk Committee.

Dato' Yeoh graduated with a Bachelor of Economics degree (Double Major in Economics and Operations Research) from Monash University, Australia in 1972 before obtaining his Master of Science in Management degree from the University of Salford, Manchester, England in 1975. He was conferred Fellow to the Institute of Bankers Malaysia by the Governor of Bank Negara Malaysia in April 2002.

He was the Director of the Corporate Banking Group of Citibank Berhad before joining OCBC Bank (Malaysia) Berhad in March 1996 as the Chief Executive Officer and has held various senior positions within the company. His other directorships in public companies include Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad and Danajamin Nasional Berhad.

Mr. Tang Wing Chew — Non-Executive Director

Mr. Tang Wing Chew, Malaysian, aged 70, was appointed to the Board on 3 January 2006 as a Non-Executive Director. He is the Chairman of the Board Staff Compensation and Organisation Committee and also a member of the Board Risk Committee.

Mr. Tang graduated with a Bachelor of Arts (Hons) degree from the University of Malaya. He has more than 46 years' experience in the financial services industry. He joined BNM in 1966 as an Assistant Economist, in the Economic Research Department. During his 18 years of service with BNM, he also served as Manager (Penang Branch), Principal (BNM Staff Training Centre) and Manager (Operational Planning Division).

Mr. Tang has working experience in two finance companies, where he was the Chief Executive Officer and General Manager (Operations). Mr. Tang has also served as an Executive Adviser and the Chief Executive Officer with an insurance company.

At Board level, Mr. Tang has served as an Independent Non-Executive Director in two general insurance companies and a leasing and credit company.

Mr. Tang was a director of Cagamas Holdings Berhad and a member of the Group Board Audit Committee from April 2008 until August 2011. His other directorships in public companies include Public Bank Berhad, Public Investment Bank Berhad and Public Islamic Bank Berhad, Public Financial Holdings Limited, Public Bank (Hong Kong) Limited and Public Finance Limited.

Dato' Halipah binti Esa — Non-Executive Director

Dato' Halipah binti Esa, Malaysian, aged 65, was appointed to the Board on 27 March 2013 as a Non-Executive Director. She is also a member of the Board Staff Compensation and Organisation Committee.

Dato' Halipah binti Esa received her Bachelor of Arts (Honours) degree in Economics and a Master of Economics degree from the University of Malaya. She also holds Certificates in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as an Advanced Management Programme certificate from the Adam Smith Institute, London.

She started her career with the Administrative and Diplomatic Services in 1973 in the Economic Planning Unit ("**EPU**") of the Prime Minister's Department. During her tenure in the EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, housing, telecommunications, urban services, human resource development, macroeconomy, international economy, environment, regional development and distribution. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served in the Ministry of Finance as Deputy Secretary General.

Currently, Dato' Halipah binti Esa serves on the Boards of MISC Berhad, KLCC Property Holdings Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad, NCB Holdings Berhad, Malaysia Deposit Insurance Corporation and the Securities Industry Dispute Resolution Centre.

She was previously Chairman of Pengurusan Aset Air Berhad, Chairman of Cagamas SME Berhad, and also served on the Boards of Petroliam Nasional Berhad, Employees Provident Fund, Inland Revenue Board, FELDA and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme in advising the Royal Kingdom of Saudi Arabia on economic planning, and has also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Dr. Roslan bin A. Ghaffar — Non-Executive Director

Dr. Roslan bin A. Ghaffar, Malaysian, aged 62, was appointed to the Board on 14 April 2009 as a Non-Executive Director. He is also a member of the Board Risk Committee.

He holds a Bachelor of Science degree from Louisiana State University, Baton Rouge, USA, and obtained his PhD at the University of Kentucky, Lexington, USA. He has over 27 years of experience in the areas of economics, finance and investment.

Dr. Roslan was attached to the University Putra Malaysia as a lecturer in 1984 and Associate Professor in 1991. In the 1992-93 academic year, Dr. Roslan was with the University of Kentucky, Lexington as Visiting Professor. On various occasions while at the University Putra Malaysia, he served as consultant to various international and national organisations which included the World Bank, Asian Development Bank, Winrock International and the Economic Planning Unit of the Prime Minister's Department.

In 1994, Dr. Roslan was appointed as Director of Investment and Economic Research of the Malaysian Employees' Provident Fund. He was promoted to the position of Senior Director in 1996 and later held the position of Deputy Chief Executive Officer of the Fund until his retirement in 2007.

Dr. Roslan is currently the Chairman of Kuala Lumpur Sentral Sdn. Bhd. and sits on the boards of Straits International Education Group Sdn. Bhd. and on the boards of its subsidiary companies and Permodalan Felcra Sdn. Bhd. He also sits on the board of SYF Resources Berhad and is the Chairman of the Rating Committee of Malaysian Rating Corporation Berhad. He has also served as director of Bumiputra Commerce Holdings Berhad and CIMB Group Berhad and as commissioner of PT Bank Niaqa, TBK, Indonesia.

Dato' Md Agil bin Mohd Natt — Non-Executive Director

Dato' Md Agil bin Mohd Natt, Malaysian, aged 63, was appointed to the Board on 12 August 2011 as a Non-Executive Director. He is a member of the Board Executive Committee and the Board Staff Compensation and Organisation Committee.

Dato' Agil holds a Bachelor of Science in Economics (Hons) degree from Brunel University, United Kingdom and a Master of Science (Finance) degree from the Cass Business School, London. He also attended the Advanced Management Programme at Harvard Business School in the United States of America.

Dato' Agil started his career as Corporate Finance Manager with Bumiputra Merchant Bankers Berhad in 1977 before serving as Senior General Manager with Island & Peninsular Berhad. He was also the Chief Representative of Kleinwort Benson Limited before joining the Maybank Group in 1995 where he served as Senior General Manager, Corporate Banking, Chief Executive Officer of Aseambankers Berhad, and Deputy President/Executive Director of Maybank. From 2006 until 2011, he was the President and Chief Executive Officer of The International Centre for Education in Islamic Finance (INCEIF), the Global University of Islamic Finance established by Bank Negara Malaysia.

In addition to his current Directorship in Cagamas, Dato' Agil is also an independent Non-Executive Chairman of the Board of Manulife Insurance Berhad and Chairman of the Credit Guarantee Corporation Malaysia Berhad. He is also an independent Non-Executive Director of Manulife Asset Management Services Berhad, Export-Import Bank of Malaysia Berhad, Sogo (KL) Sdn. Bhd. and Sogo (KL) Department Store Sdn. Bhd. He also sits on the Board of Trustees of Yayasan Tun Abdul Razak.

Mr. Philip Tan Puay Koon — Non-Executive Director

Mr. Philip Tan Puay Koon, Malaysian, aged 57, was appointed to the Board on 12 August 2011 as a Non-Executive Director. He is also a member of the Board Executive Committee.

Mr. Tan holds an Honours Degree in Business Studies majoring in Accounting and Finance from North-East London Polytechnic, United Kingdom.

Mr. Tan has more than 24 years of experience in the field of banking and finance, principally in the areas of treasury and risk management. He was formerly a Managing Director and Chief Financial Officer of Emerging Market Sales and Trading, Asia-Pacific of Citigroup. He was also the Country Treasurer and Financial Markets Head of Citibank Berhad from 1999 to 2001.

Mr. Tan is a director of Danajamin Nasional Berhad, Malaysian Electronic Clearing Corporation Sdn. Bhd. and MIDF Amanah Investment Bank Berhad.

Mr. Chung Chee Leong — President/Chief Executive Officer and Executive Director

Mr. Chung Chee Leong, Malaysian, aged 54, was appointed to the Board on 27 March 2013 as an Executive Director.

Mr. Chung joined Cagamas as the President/Chief Executive Officer on 1 April 2012. He also sits on the Board of Directors of Cagamas MBS, Cagamas SRP, Cagamas SME, Cagamas MGP, BNM Sukuk, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad. Mr. Chung has 29 years of experience in central banking, focusing mainly on financial system stability and the financial sector. Prior to his appointment, Mr. Chung served as a

Director of BNM's Banking Supervision Department and Risk Management Department. He was involved in the development of the Financial Sector Blue Print, establishment of the deposit insurance scheme and the Malaysian Cooperative Commission.

During his service with BNM, Mr. Chung carried out assignments for the International Monetary Fund and the Islamic Financial Services Board. He was also a member of the Board of Directors of Credit Guarantee Corporation Berhad and its Board Audit Committee. Mr. Chung currently sits on the Small Debt Resolution Committee which was established by Bank Negara Malaysia for the resolution of non-performing loans. Mr. Chung is also a member of the Advisory Board of the Asia Pacific Union for Housing Finance.

Mr. Chung holds a Bachelor of Economics (Honours) Degree majoring in Business Administration from the University of Malaya.

Senior Management

The key personnel of Cagamas' management, as at the date of this Offering Circular, are set out below:

Name	Nationality	Designation
Mr. Chung Chee Leong	Malaysian	President/Chief Executive Officer and Executive Director
Ms. Norazilla Md Tahir	Malaysian	Chief Financial Officer
Ms. Audrey Wong	Malaysian	Chief Risk Officer
Mr. Azizi Ali	Malaysian	Senior Vice President, Islamic Business
Mr. Simon Kew	Malaysian	Senior Vice President, Treasury and Capital Markets
Mr. Badrulnizam Bahaman	Malaysian	Senior Vice President, Core Business
Mr. S. Shanmuganathan	Malaysian	Senior Vice President, Operations and Services
Ms. Mazlina Saidi	Malaysian	Senior Vice President, Human Capital and Administration
Ms. Sarah Abdul Aziz	Malaysian	Company Secretary
Mr. Muhamed Noh Kaderan	Malaysian	Vice President/Head, Internal Audit

The biographies of the management are set out below:

Mr. Chung Chee Leong — President/Chief Executive Officer and Executive Director

Please refer to the biography of Mr. Chung Chee Leong set out above in *Directors and Senior Management of Cagamas — Board of Directors of Cagamas — Mr. Chung Chee Leong — President/Chief Executive Officer and Executive Director*.

Ms. Norazilla Md Tahir — *Chief Financial Officer*

Ms. Norazilla Md Tahir is the Chief Financial Officer and oversees the Finance Department and the Corporate Strategy Department.

Prior to joining Cagamas, Ms. Norazilla was the Head of Finance at RHB Islamic Bank Berhad and was the Finance Director of several multinational corporations. With over 22 years of professional experience, Ms. Norazilla has had extensive experience throughout her career in audit and finance.

Ms. Norazilla is a qualified chartered accountant and holds an Accounting degree from the University of Stirling, Scotland. She is an Associate Member of the Institute of Chartered Accountants of England and Wales.

Ms. Audrey Wong — Chief Risk Officer

Ms. Audrey Wong is the Chief Risk Officer and oversees the Risk Management Department.

Ms. Wong has more than 20 years of banking experience in areas including portfolio risk management, credit underwriting, Basel II implementation, Islamic finance and remedial management. She headed risk management in OCBC Al-Amin Bank Berhad prior to joining Cagamas.

Ms. Wong holds a Bachelor of Economics with Honours degree from University Kebangsaan Malaysia.

Mr. Azizi Ali — Senior Vice President, Islamic Business

Mr. Azizi Ali, Senior Vice President, Islamic Business, oversees the Islamic Business Department and Securitisation Department. He also sits on the board of Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad.

Mr. Azizi has over 25 years of experience in finance, treasury, structured finance and debt capital markets, and was part of the team that established Cagamas' Islamic business in 1994 with the issuance of Malaysia's first Sukuk Mudharabah. He was the Head of Accounts and the Head of Treasury before being appointed as the Senior Vice President, Islamic Business in 2005.

Mr. Azizi holds a Master of Science (Accounting) degree from Roosevelt University, USA and a Bachelor of Business Administration degree in Accounting Information Systems from Idaho State University, USA and is a member of the Malaysian Institute of Accountants.

Mr. Simon Kew — Senior Vice President, Treasury and Capital Markets

Mr. Simon Kew is the Senior Vice President, Treasury and Capital Markets. He oversees the Treasury and Capital Markets Department.

Mr. Kew has more than 20 years of experience in banking and capital markets, particularly in treasury, debt capital market and equities. Prior to joining Cagamas, Mr. Kew was the Senior Manager of Treasury for Maxis Berhad.

Mr. Kew holds a Master of Business Administration in Finance degree from the University of Hull, England and a Bachelor of Arts degree in Accounting and Finance from the University of Manchester, England.

Mr. Badrulnizam Bahaman — Senior Vice President, Core Business

Mr Badrulnizam Bahaman is the Senior Vice President, Core Business overseeing the Client Relationships Department.

Mr Badrulnizam has a total of 21 years working experience in banking and financial advisory industry. He was attached to Dresdner Kleinwort Wasserstein, PricewaterhouseCoopers Advisory Services, RHB Investment Bank Berhad and was the Head of Investment Banking at KFH Malaysia Berhad prior to joining Cagamas in July 2014.

Mr Badrulnizam holds a Masters in Applied Finance from University of Melbourne, Australia and Bachelor of Science in Business Administration from University of Hartford, Connecticut, USA.

Mr. S. Shanmuganathan — Senior Vice President, Operations and Services

Mr. S. Shanmuganathan is the Senior Vice President, Operations and Services, overseeing Operations, Information Technology, Legal and Compliance and Business Process Management.

Mr. Shanmuganathan has 27 years of working experience and was formerly Head of IT and Head of Business Operations and has held treasury, corporate secretarial and finance positions before being appointed to his present position in 2006. He was one of the lead members involved in the securitisation of GOM staff housing loans which required an in-depth understanding of housing loan data, modelling and due diligence, and one of the people involved in the conception and delivery of the SRP by the GOM in 2011.

Mr. Shanmuganathan holds an MBA in Finance from the University of Western Sydney, Australia and a Bachelor of Science (Honours) in Computer Science from Universiti Sains Malaysia. He was previously attached to the Malaysian Institute of Economic Research prior to joining Cagamas in 1989.

Ms. Mazlina Saidi — Senior Vice President, Human Capital and Administration

Ms. Mazlina Saidi, the Senior Vice President, Human Capital and Administration, oversees the Human Capital and Administration Department.

Ms. Mazlina holds an Advance Diploma in Personnel Management, Universiti Kebangsaan Malaysia. She is a Fellow of the Life Management Institute (FLMI) and an Associate in Customer Service (ACS) from the Institute of Life Office Management (LOMA).

Prior to joining Cagamas, Ms. Mazlina was the Head of HR Relationship Management, Business Group, Group Human Resource, Hong Leong Bank Berhad. Ms. Mazlina has over 30 years of experience in human resources. She has held senior management human resources portfolios in various industries including banking, telecommunications, insurance, manufacturing and hospitality.

Ms. Sarah Abdul Aziz — Company Secretary/Vice President/Head, Corporate Secretariat and Communications

Ms. Sarah Abdul Aziz is the Vice President/Head, Corporate Secretariat and Communications, overseeing the Corporate Secretariat and Communications Department.

She is also the Company Secretary of Cagamas Holdings, Cagamas, Cagamas MBS Berhad, Cagamas SME, Cagamas MGP, Cagamas SRP and BNM Sukuk. She has been with Cagamas for over 27 years and has held various portfolios covering areas such as corporate secretarial, communications, human resources and administration.

Ms. Sarah holds a Degree in Library and Information Science from Universiti Teknologi MARA (UiTM) and is a licensed Company Secretary.

Mr. Muhamed Noh Kaderan — Vice President/Head, Internal Audit

Mr. Muhamed Noh Kaderan is the Vice President/Head of the Internal Audit Department and also the Secretary to the Group Board Audit Committee of Cagamas Holdings.

Mr. Muhamed Noh has more than 16 years of experience in the financial services industry. Prior to joining Cagamas, he was the Chief Internal Auditor of Bangkok Bank Berhad and has held positions in the Malaysian Institute of Accountants in 2003, Bank Muamalat Malaysia Berhad and Malayan Banking Berhad.

Mr. Muhamed Noh holds a Bachelor of Accountancy degree from the University Utara Malaysia. He is a Chartered Accountant and a Chartered Member of the Institute of Internal Auditors, Malaysia.

TAXATION

MALAYSIA

Pursuant to the Income Tax (Exemption) (No. 22) Order 2007, all interest received from a Labuan Company (as defined in the Labuan Business Activity Tax Act 1990) by a non-resident person (other than interest accruing to a business carried on by a non-resident person in Malaysia where that non-resident person is licensed to carry on a business under the Financial Services Act 2013 or the Islamic Financial Services Act 2013) or another Labuan Company is exempt from tax. Under Malaysian revenue law, a company is regarded as a "non-resident" if the management and control of its business or any one of its businesses, as the case may be, are not exercised in Malaysia at any time by its directors or other controlling authority. The rules regarding residency status of individuals are complex but are generally based on the length of time spent in Malaysia.

EU Directive On The Taxation Of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid or secured by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in these Member States which still operate a withholding system when they are implemented. In 2013, the Luxembourg Government announced that it will no longer apply the withholding tax system as from 1 January 2015 in favour of an automatic information exchange under the Directive.

The European Council formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive (such national legislation must be applied from 1 January 2017). The changes made under the Amending Directive include extending the scope of the Directive, in particular, to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or collected for persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the persons, entity or arrangement is constituted or effectively managed outside of the EU. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax ("FTT") may negatively affect holders of the Notes or the Issuer

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor and any paying agent, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement (the "**Dealer Agreement**") dated 29 August 2014, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Forms of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme. The Issuer may also, in connection with each Tranche of Notes issued under the Programme, agree with the relevant Dealers that private banks be paid a rebate in connection with the purchase of such Tranche of Notes by their private bank clients, which rebate may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Issuer and the Guarantor have jointly and severally agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, in the ordinary course of their business activities, the Dealers or their respective affiliates may make or hold (on their own account, on behalf of their clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions, investments and securities activities may involve securities and instruments of the Issuer of its subsidiaries, including Notes under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. As a result of such transactions, a Dealer or its affiliates may hold long or short positions relating to the Notes. Each of the Dealers and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Dealer and its affiliates may engage in other transactions with, and perform services for, the Issuer, the Guarantor or their affiliates in the ordinary course of their business. Each Dealer or its affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While each Dealer and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Dealer or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Dealer may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

Selling Restrictions

United States of America

The Notes and the Guarantee of the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such

Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Dealer represents that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

In addition:

(a) except to the extent permitted under the TEFRA D Rules, each Dealer represents that (i) it has not offered or sold, and agrees that it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and agrees that it will not deliver within the United States or its possessions any definitive Notes at any time;

(b) each Dealer represents that it has and agrees that it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold at any time to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; and

(c) with respect to each affiliate that acquires Notes from it for the purpose of offering or selling such Notes at any time, each Dealer agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a) and (b). Terms used in sub-paragraphs (a), (b) and (c) have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, including the D Rules.

In respect of Notes that are expressed in the applicable Pricing Supplement to be subject to the C Rules, the following applies: Under the TEFRA C Rules, Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with their original issuance. In connection with the original issuance of Bearer Notes, each Dealer represents that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions, and will not otherwise involve its U.S. office in the offer and sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, including the C Rules.

The applicable Pricing Supplement will identify whether the C Rules or D Rules apply or whether TEFRA is not applicable.

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, **provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

   (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

   (2) where no consideration is or will be given for the transfer;

   (3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers and Investments)(Shares and Debentures) Regulation 2005 of Singapore.

Note:

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Malaysia

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Offering Circular has not been registered as a prospectus with the SC under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered for subscription or sale, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to the persons, or other than in relation to an offer or invitation, falling within Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) at issuance, and after issuance, Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of BNM, SC and/or any other regulatory authority from time to time. The issuance of, offer for subscription or purchase of or invitation to subscribe for the Notes would also fall within paragraph 12, Schedule 8 (or Section 257 (1)) of the CMSA, on the basis that the Programme has received an indicative international rating of A3 from Moody's Investors Services Singapore Pte. Ltd and a final long-term global rating of ${}_{g}A_{2}$(s) by RAM Rating Services Berhad.

In addition, no approval from the Labuan Financial Services Authority (the "**LFSA**") has been or will be obtained for the offering of the Notes on the basis that the offer to purchase or invitation to subscribe for the Notes will fall within the categories of excluded offers or invitations set out in section 8(5) of the Labuan Financial Services and Securities Act 2010 (the "**LFSSA**"). The Offering Circular has not been nor will it be registered with the LFSA on the basis that any offer to purchase or invitation to subscribe for the Notes will be an excluded offer or invitation for the purposes of the LFSSA.

Prospective investors should note that residents of Malaysia may be required to obtain regulatory approvals including approval from BNM to purchase the Notes. The onus is on the residents of Malaysia concerned to obtain such regulatory approvals and none of the Dealers or the Issuer or the Guarantor is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme is required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**"), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

None of the Issuer, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Dealers and certain of their affiliates have performed certain commercial banking, investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time, for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform such or other services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business.

GENERAL INFORMATION

1. **Listing**

   Approval-in-principle has been received from the LFX for the listing of the Notes issued under the Programme and approval-in-principle has been received from the SGX-ST for permission to deal in, and quotation of, any Notes that may be issued pursuant to the Programme and that are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The SGX-ST and the LFX take no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or the contents of this document, make no representations as to its accuracy of completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents herein. The approval-in-principle from, and the admission of any Notes to the LFX and the Official List of the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes. Unlisted Notes may be issued under the Programme.

   The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies).

   So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer is to appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes or Global Certificates representing such Notes are exchanged for definitive Notes. In addition, if such event occurs, an announcement of such exchange will be made through the SGX-ST and such announcement shall include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

2. **Authorisation**

   The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 25 June 2014 and by a resolution of the board of directors of the Guarantor passed on 26 May 2014. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee of the Notes relating to them.

3. **Legal and Arbitration Proceedings**

   None of the Issuer, the Guarantor and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

4. **Significant/Material Change**

   Since 31 December 2013, there has been no material adverse change in the financial position or prospects or any significant change in the financial or trading position of the Issuer, the Guarantor and the Group.

5. **Auditor**

   PricewaterhouseCoopers, the Guarantor's independent auditors, have audited, and rendered an unqualified audit report on, the financial statements of the Guarantor as at and for the year ended 31 December 2013.

6. **Documents on Display**

   Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays and public holidays excepted) at the specified offices of the Fiscal Agent for so long as the Notes are capable of being issued under the Programme:

   (i) the memorandum and articles of association of the Issuer and the Guarantor;

   (ii) the audited financial statements of the Guarantor for the financial years ended 31 December 2013 and 31 December 2012;

(iii) the unaudited and unreviewed financial statements of the Guarantor for the six months ended 30 June 2014;

(iv) copies of the latest annual consolidated financial statements, and any condensed consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Issuer or the Guarantor;

(v) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive) will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity;

(vi) a copy of this Offering Circular, together with any supplement to this Offering Circular;

(vii) the Agency Agreement;

(viii) the Deed of Guarantee;

(ix) the Deed of Covenant; and

(x) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. **Clearing of the Notes**

The Notes may be accepted for clearance through Euroclear and Clearstream, Luxembourg and CMU Service and/or CDP. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

8. **Conflict-of-Interest Situations**

(i) **AmInvestment Bank Berhad**

As at the date hereof and after making enquiries as were reasonable in the circumstances, AIBB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest situations in its capacity as one of the Dealers in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. AIBB and AmBank (M) Berhad ("**AmBank**") collectively hold 8.0 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

AIBB, AmBank and AmIslamic Bank Berhad ("**AmIslamic**") are entities within the same group of companies. Mr Cheah Tek Kuang, the Deputy Chairman of AmBank and AIBB, as well as a Non-Executive Director of AmIslamic Bank is also a director of Cagamas Holdings as of 30 June 2014.

In view of the above, potential conflict of interest situations may arise from AIBB's capacity as a Dealer in relation to the Programme.

AIBB has considered the factors involved and it believes that objectivity and independence in carrying out its role as a Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) AIBB is a licensed investment bank regulated by various government authorities and agencies including Bank Negara Malaysia under, inter alia, the FSA and the SC under, inter alia, the CMSA and its appointment as a Dealer in relation to the Programme is in the ordinary course of its business;

(b) AIBB is also governed by its own internal controls and checks and balances with AIBB's employees being competent and skilled to carry out in a professional manner and in the best interest of its clients, the functions required of the role of a Dealer;

(c) AIBB's Dealer role will be governed by relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of AIBB in its capacity as a Dealer in relation to the Programme such agreements and documentation shall be entered into on an arms' length basis;

(d) the conduct of AmBank and AmIslamic is regulated strictly by the Malaysian Financial Services Act 2013 ("**FSA**") and the Islamic Financial Services Act, 2013 respectively and by their own internal controls and checks and balances and they had entered into the abovementioned transactions with the Guarantor in the ordinary course of their business.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(ii) **CIMB**

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the Joint Principal Adviser in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor, which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. CIMB Bank Berhad ("**CIMB Bank**") holds 16.5 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

In addition, Tengku Dato' Zafrul Tengku Abdul Aziz is a non-executive director on the Board of Directors of Cagamas Holdings. He is also the Chief Executive Officer / Executive Director of CIMB.

CIMB and CIMB Bank are entities within the same group of companies.

In view of the above, there may be a potential conflict-of-interest arising from CIMB in its capacity as the Joint Principal Adviser in relation to the Programme.

CIMB has considered the factors involved and it believes that objectivity and independence in carrying out its role as the Joint Principal Adviser in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) CIMB is a licensed investment bank and its appointment as Joint Principal Adviser in relation to the Programme is in the ordinary course of its business;

(b) the role of CIMB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB in its capacity as the Joint Principal Adviser in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of CIMB is regulated strictly by the FSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict-of-interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict-of-interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(iii) **CIMB Bank (L) Limited**

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB (L) confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as an Arranger and Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, wholly-owned by Cagamas Holdings. CIMB Bank holds 16.5 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

CIMB (L) is wholly-owned by CIMB Bank.

In view of the above, there may be a potential conflict-of-interest arising from CIMB Bank (L) in its capacity as an Arranger and Dealer in relation to the Programme.

CIMB (L) has considered the factors involved and it believes that objectivity and independence in carrying out its role as an Arranger and Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) the role of CIMB (L) will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB (L) in its capacity as an Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

(b) the conduct of CIMB (L) is regulated strictly by the LFSSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict-of-interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(iv) **Deutsche Bank AG, Singapore Branch**

As at the date hereof and after making enquiries as were reasonable in the circumstances, DB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as, amongst others, a Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Deutsche Bank (Malaysia) Berhad holds 0.2 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

DB and Deutsche Bank (Malaysia) Berhad are ultimately owned by Deutsche Bank AG.

In view of the above, there may be a potential conflict of interest arising from DB in its capacity as a Dealer in relation to the Programme.

DB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) DB is a licensed commercial bank and its appointment as, amongst others, a Dealer in relation to the Programme is in the ordinary course of its business;

(b) the roles of DB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of DB in its capacity as, amongst others, a Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of DB is regulated strictly by the Monetary Authority of Singapore and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(v) **HSBC**

As at the date hereof and after making enquiries as were reasonable in the circumstances, HSBC confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the Joint Principal Adviser in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. HSBC holds 4.1 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

In view of the above, there may be a potential conflict of interest arising from HSBC in its capacity as the Joint Principal Adviser in relation to the Programme.

HSBC has considered the factors involved and it believes that objectivity and independence in carrying out its role as the Joint Principal Adviser in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) HSBC is a licensed bank and its appointment as the Joint Principal Adviser in relation to the Programme is in the ordinary course of its business;

(b) the role of HSBC will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC in its capacity as the Joint Principal Adviser in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of HSBC is regulated strictly by the FSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict-of-interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(vi) **The Hongkong and Shanghai Banking Corporation Limited Offshore Banking Unit Labuan**

As at the date hereof and after making enquiries as were reasonable in the circumstances, HSBC Labuan confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as an Arranger in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, wholly-owned by Cagamas Holdings. HSBC holds 4.1 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

HSBC is wholly-owned by HSBC Limited and HSBC Labuan is a branch of HSBC Limited.

In view of the above, there may be a potential conflict-of-interest arising from HSBC Labuan in its capacity as an Arranger in relation to the Programme.

HSBC Labuan has considered the factors involved and it believes that objectivity and independence in carrying out its role as an Arranger in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) HSBC Labuan is a licensed bank and its appointment as an Arranger in relation to the Programme is in the ordinary course of its business;

(b) the role of HSBC Labuan will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Labuan in its capacity as an Arranger in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of HSBC Labuan is regulated strictly by the HKMA and LFSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict-of-interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(vii) **The Hongkong and Shanghai Banking Corporation Limited**

As at the date hereof and after making enquiries as were reasonable in the circumstances, HSBC Limited confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as a Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, wholly-owned by Cagamas Holdings. HSBC holds 4.1 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

HSBC is wholly-owned by HSBC Limited.

In view of the above, there may be a potential conflict-of-interest arising from HSBC Limited in its capacity as a Dealer in relation to the Programme.

HSBC Limited has considered the factors involved and it believes that objectivity and independence in carrying out its role as a Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) HSBC Limited is a licensed bank and its appointment as a Dealer in relation to the Programme is in the ordinary course of its business;

(b) the role of HSBC Limited will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of HSBC Limited in its capacity as a Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of HSBC Limited is regulated strictly by the HKMA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict-of-interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(viii) **Maybank Investment Bank Berhad**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Maybank IB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as, amongst others, a Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Maybank IB and Malayan Banking Berhad collectively hold 14.2 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

In addition, Datuk Abdul Farid Alias is a non-executive director on the Board of Directors of Cagamas Holdings. He is currently the Group President & Chief Executive Officer and a non-independent executive director of Malayan Banking Berhad. He is also a non-independent non-executive director of Maybank IB.

Maybank IB and Malayan Banking Berhad are entities within the same group of companies.

In view of the above, there may be a potential conflict of interest arising from Maybank IB in its capacity as a Dealer in relation to the Programme.

Maybank IB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as a Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) Maybank IB is a licensed investment bank and its appointment as, amongst others, a Dealer in relation to the Programme is in the ordinary course of its business;

(b) the roles of Maybank IB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of Maybank IB in its capacity as, amongst others, a Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of Maybank IB is regulated strictly by the FSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(ix) **RHB Investment Bank Berhad**

As at the date hereof and after making enquiries as were reasonable in the circumstances, RHB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as, amongst others, an Arranger and Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. RHB and RHB Bank Berhad collectively hold 8.6 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

RHB and RHB Bank Berhad are entities within the same group of companies as both companies are wholly-owned by RHB Capital Berhad.

In view of the above, there may be a potential conflict of interest arising from RHB in its capacity as an Arranger and Dealer in relation to the Programme.

RHB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as an Arranger and Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) RHB is a licensed investment bank and its appointment as, amongst others, an Arranger and Dealer in relation to the Programme is in the ordinary course of its business;

(b) the roles of RHB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of RHB in its capacity as, amongst others, an Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and

(c) the conduct of RHB is regulated strictly by the FSA and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

(x) **Standard Chartered Bank**

As at the date hereof and after making enquiries as were reasonable in the circumstances, SCB confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as, amongst others, an Arranger and Dealer in relation to the Programme other than as highlighted below.

The Issuer is wholly-owned by the Guarantor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Standard Chartered Bank Malaysia Berhad ("**SCB Malaysia**") holds 3.1 per cent. of the shareholding in Cagamas Holdings as of 30 June 2014.

SCB Malaysia and SCB are ultimately wholly-owned by Standard Chartered PLC.

In view of the above, there may be a potential conflict of interest arising from SCB in its capacity as an Arranger and Dealer in relation to the Programme.

SCB has considered the factors involved and it believes that objectivity and independence in carrying out its roles as an Arranger and Dealer in relation to the Programme, have been and will be maintained at all times for the following reasons:

(a) SCB is a licensed bank and its appointment as, amongst others, an Arranger and Dealer in relation to the Programme is in the ordinary course of its business;

(b) The roles of SCB will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of SCB in its capacity as, amongst others, an Arranger and Dealerin relation to the Programme and shall be carried out on an arms-length basis; and

(c) SCB is a firm authorised by the Prudential Regulation Authority of the United Kingdom and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority of the United Kingdom and by its own internal controls and checks.

In order to further mitigate or address the potential conflict of interest situations described above, the following measures have been taken:

(a) the situations have been brought to the attention of the Board and the Board is hence fully aware of the same. Notwithstanding the potential conflict of interest situations, the Board is agreeable to proceed with the implementation of the Programme based on the present arrangement and terms; and

(b) due diligence review pursuant to the Programme has been undertaken by professional and independent advisers.

INDEX TO FINANCIAL STATEMENTS

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2014

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Group and Company	
	Note	30 Jun 2014	31 Dec 2013
		RM'000	RM'000
ASSETS			
Cash and short-term funds	1	1,184,326	592,956
Derivative financial instruments	2	7,116	7,286
Available-for-sale investment securities	3	1,496,485	1,587,058
Amount due from counterparties	4	3,478,395	3,825,726
Islamic financing assets	5	5,809,673	6,107,933
Mortgage assets			
— Conventional	6	7,561,644	7,846,587
— Islamic	7	7,425,319	7,582,923
Hire purchase assets			
— Conventional		4	4
— Islamic	8	8,555	11,196
Amount due from related company		708	751
Other assets	9	10,034	9,788
Investment in subsidiary companies		—*	—
Property and equipment		3,648	4,019
Intangible assets		9,030	9,873
Deferred taxation		8,842	8,929
TOTAL ASSETS		27,003,779	27,595,029
LIABILITIES			
Unsecured bearer bonds and notes	10	11,061,768	11,521,708
Sukuk	11	13,163,812	13,403,003
Derivative financial instruments	2	34,960	35,898
Provision for taxation		47,567	41,941
Other liabilities	12	64,359	65,337
TOTAL LIABILITIES		24,372,466	25,067,887
Share capital		150,000	150,000
Reserves		2,481,313	2,377,142
SHAREHOLDER'S FUNDS		2,631,313	2,527,142
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		27,003,779	27,595,029
NET TANGIBLE ASSETS PER SHARE (RM)		17.48	16.78

* *Denotes RM4. The investment in subsidiary companies is eliminated at Group level.*

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 8 to 29 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved for issue by the Board of Directors on 8 August 2014.

UNAUDITED CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

		Group and Company	
	Note	**30 Jun 2014**	**30 Jun 2013**
		RM'000	**RM'000**
Interest income	13	370,177	316,295
Interest expense	14	(250,703)	(207,966)
Income from Islamic operations	17	73,283	52,865
Non-interest income	15	(720)	(652)
		192,037	160,542
Administration and general expenses		(12,907)	(10,599)
Personnel costs		(10,585)	(9,551)
PROFIT BEFORE TAXATION AND ZAKAT		168,545	140,392
Zakat		—	—
Taxation		(42,136)	(35,098)
PROFIT FOR THE FINANCIAL PERIOD		126,409	105,294
EARNINGS PER SHARE (SEN)		168.54	140.39
DIVIDEND PER SHARE (SEN)		15.00	15.00

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2013 and the accompanying explanatory notes on pages 8 to 29 attached to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements were approved for issue by the Board of Directors on 8 August 2014.

UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Group and Company	
	30 Jun 2014	**30 Jun 2013**
	RM'000	**RM'000**
Profit for the financial period	126,409	105,294
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Available-for-sale investment securities		
— Net loss on fair value changes before taxation	(391)	(3,414)
— Deferred taxation	99	853
Cash flow hedge		
— Net gain on cash flow hedge before taxation	740	6,479
— Deferred taxation	(186)	(1,620)
Other comprehensive income for the financial period, net of taxation	262	2,298
Total comprehensive income for the financial period	126,671	107,592

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Issued and fully paid ordinary shares of RM1 each	Non-distributable			
	Share capital	**AFS reserves**	**Cash flow hedge reserves**	**Retained profits**	**Total equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group and Company					
Balance as at 1 January 2014	150,000	(11,167)	(18,689)	2,406,998	2,527,142
Profit for the financial period	—	—	—	126,409	126,409
Other comprehensive (loss)/income	—	(292)	554	—	262
Total comprehensive (loss)/income for the financial period	—	(292)	554	126,409	126,671
Final dividend in respect of financial year ended 31 December 2013	—	—	—	(22,500)	(22,500)
Balance as at 30 June 2014	150,000	(11,459)	(18,135)	2,510,907	2,631,313
Balance as at 1 January 2013	150,000	90	(36,629)	2,110,925	2,224,386
Profit for the financial period	—	—	—	105,294	105,294
Other comprehensive (loss)/income	—	(2,561)	4,859	—	2,298
Total comprehensive (loss)/income for the financial period	—	(2,561)	4,859	105,294	107,592
Final dividend in respect of financial year ended 31 December 2012	—	—	—	(16,875)	(16,875)
Balance as at 30 June 2013	150,000	(2,471)	(31,770)	2,199,344	2,315,103

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial period	126,409	105,294
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on available-for-sale investment securities	(4,566)	(4,206)
Accretion of discount on:		
Mortgage assets		
— Conventional	(79,720)	(70,334)
— Islamic	(64,320)	(43,488)
Hire purchase assets		
— Islamic	(152)	(191)
Interest income	(281,180)	(240,478)
Income from Islamic operations	(283,356)	(241,742)
Interest expense	250,703	207,966
Profit attributable to Sukuk holders	281,165	238,053
Depreciation of property and equipment	518	565
Amortisation of intangible assets	1,013	1,211
Gain on disposal of:		
— Property and equipment	—	(12)
— Available-for-sale investment securities	(622)	(470)
Guarantee fee expense	1	5
Wakalah fee expense	121	98
Taxation	42,136	35,098
Operating loss before working capital changes	(11,850)	(12,631)
Decrease/(Increase) in amount due from counterparties	343,959	(96,116)
Decrease in Islamic financing assets	297,634	390,289
Decrease in mortgage assets		
— Conventional	362,477	426,189
— Islamic	217,625	240,086
Decrease in hire purchase assets		
— Conventional	42	234
— Islamic	2,952	4,755
Increase in other assets	(204)	(78)
(Decrease)/Increase in unsecured bearer bonds and notes	(455,000)	150,000
Decrease in Sukuk	(235,000)	(205,000)
Increase in other liabilities	1,051	133
Cash generated from operations	523,686	897,861
Interest received	260,919	150,453
Profit received from Islamic assets	288,123	166,605
Interest paid	(255,643)	(209,102)
Profit attributable to Sukuk holders	(285,356)	(242,520)
Guarantee fee paid	(1)	(5)
Wakalah fee paid	(121)	(98)
Payment of:		
— Zakat	(2,028)	(1,118)
— Taxation	(36,511)	(26,336)
Net cash generated from operating activities	493,068	735,740

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 — (CONTINUED)

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
INVESTING ACTIVITIES		
Purchase of available-for-sale investment securities	(436,513)	(2,407,139)
Sale of available-for-sale investment securities	531,427	1,746,405
Derivative financial instruments	(28)	(78)
Purchase of:		
— Property and equipment	(148)	(721)
— Intangible assets	(170)	(1,832)
Income received from available-for-sale investment securities	26,234	20,721
Investment in subsidiary companies	—*	—
Net cash generated from/(utilised in) investing activities	120,802	(642,644)
FINANCING ACTIVITY		
Dividends paid to holding company	(22,500)	(16,875)
Net cash utilised in financing activity	(22,500)	(16,875)
Net increase in cash and cash equivalents	591,370	76,221
Cash and cash equivalents as at 1 January	592,956	370,939
Cash and cash equivalents as at 30 June	1,184,326	447,160
Analysis of cash and cash equivalents as at 30 June		
Cash and short-term funds	1,184,326	447,160

* *Denotes RM4. The investment in subsidiary companies is eliminated at Group level.*

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014

A1 General information

Cagamas Berhad ("the Company") and its subsidiaries are collectively known as the Group. 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 whilst its subsidiaries are principally engaged to carry on the business of a fund raising vehicle. The Company purchases Islamic financing facilities such as home financing, personal financing and hire purchase financing are funded by issuance of Sukuk. There were no significant changes in these activities during the financial period.

A2 Basis of preparation

The unaudited condensed interim financial statements for the financial period ended 30 June 2014 have been prepared under the historical cost convention except the following assets and liabilities which are stated at fair values: financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2013. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Company since financial year ended 31 December 2013. The Group's and the Company's unaudited interim financial statements include the financial statements of the Company and its subsidiaries.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2013, except for the adoption of the following amendments to MFRSs, and Issues Committee ("IC") Interpretations.

- Amendments to MFRS 10, MFRS 12 and MFRS 127, "Investment Entities"
- Amendments to MFRS 12, "Disclosure of Interests in Other Entities: Investment Entities"
- Amendments to MFRS 127, "Separate Financial Statements (2011): Investment Entities"
- Amendments to MFRS 132, "Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)"
- Amendments to MFRS 136, "Impairment of Assets: Recoverable Amount Disclosures for Non- Financial Assets (Amendments to MFRS 136)"
- Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)"
- IC Interpretation 21, "Levies"

The adoption of the above amendments and interpretations did not have any material impact on the financial results of the Group and the Company.

The following are amendments to MFRSs that have been issued by the MASB but have not been adopted by the Group and the Company as they are either not applicable or not yet effective:

<u>Effective for annual periods commencing on or after 1 July 2014</u>

- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)"
- Amendments to MFRS 2, "Share-based Payment (Annual Improvements 2010-2012 Cycle)"
- Amendments to MFRS 3, "Business Combinations (Annual Improvements 2010-2012 Cycle and 2011- 2013 Cycle)"
- Amendments to MFRS 8, "Operating Segments (Annual Improvements 2012-2012 Cycle)"

A2 Basis of preparation — (Continued)

- Amendments to MFRS 13, "Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)"
- Amendments to MFRS 116, "Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)"
- Amendments to MFRS 119, "Employee Benefits – Defined Benefit Plans: Employee Contributions"
- Amendments to MFRS 124, "Related Party Disclosures (Annual Improvements 2010-2012 Cycle)"
- Amendments to MFRS 138, "Intangible Assets (Annual Improvements 2010-2012 Cycle)"
- Amendments to MFRS 140, "Investments Property (Annual Improvements 2011-2013 Cycle)"

The Group and the Company plan to apply the abovementioned amendments from the annual period beginning 1 July 2014.

<u>Effective for annual period to be announced by MASB</u>

- MFRS 9, "Financial Instruments (IFRS 9 issued by IASB in November 2009)"
- MFRS 9, "Financial Instruments (IFRS 9 issued by IABS in October 2010)"
- MFRS 9, "Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139"
- Amendments to MFRS 7, "Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosures"

The Group and the Company have yet to access MFRS 9's full impact. The Group and the Company will also consider the impact of the remaining phases of MFRS 9 when completed by the MASB.

A3 Auditor's report on preceeding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

A4 Seasonality or Cyclical factors

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

A5 Unusual items due to their nature, size or incidence

There was no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and the Company for the financial period ended 30 June 2014.

A6 Changes in estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Company for the financial period 30 June 2014.

A7 Dividend

A single tier final dividend of 15 sen per ordinary share on 150,000,000 ordinary shares amounting to RM22,500,000 in respect of the financial year ended 31 December 2013 was paid on 28 March 2014.

A8 Subsequent events

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

A9 Changes in the composition of the Group

There were two new subsidiary companies incorporated during the financial year which are both wholly owned by Cagamas Berhad with a paid up capital of RM2 each:

- Cagamas Global P.L.C incorporated in Labuan on 4 April 2014; and
- Cagamas Global Sukuk Berhad incorporated in Malaysia on 5 May 2014.

These subsidiaries have not commenced operations since incorporation date.

1. CASH AND SHORT-TERM FUNDS

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Cash and balances with banks and other financial institutions	50,424	50,569
Money at call and deposit placements maturing within one month	634,912	487,250
Mudharabah money at call and deposit placements maturing within one month	498,990	55,137
	1,184,326	592,956

2. DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are held for economic hedging purposes, although not all derivatives are designated as hedging instruments under the terms of MFRS 139. The analyses below split derivatives between those in accounting hedge relationships and those not in accounting hedge relationships.

	30 Jun 2014			Group and Company 31 Dec 2013		
	Contract/ notional amount	Fair value Assets	Fair value Liabilities	Contract/ notional amount	Fair value Assets	Fair value Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives in accounting hedge relationships						
Derivatives designated as cash flow hedges:						
IRS/IPRS	910,000	7,116	(34,960)	910,000	7,286	(35,898)

The remaining terms and notional principal amounts of the outstanding IRS/IPRS are as follows:

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Three years to five years	800,000	800,000
More than five years	110,000	110,000
	910,000	910,000

3. AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
At fair value:		
Private debt securities	227,862	268,569
Malaysian government securities	331,711	230,220
Government investment issue	200,477	140,821
Islamic debt securities	250,804	421,526
Negotiable instrument of deposits	—	51,629
Quasi government debt securities	116,745	117,099
Islamic quasi government debt securities	368,886	357,194
	1,496,485	1,587,058

The maturity structure of AFS investment securities are as follows:

Maturing within one year	188,614	358,627
One year to three years	449,273	511,522
Three years to five years	488,511	447,033
More than five years	370,087	269,876
	1,496,485	1,587,058

4. AMOUNT DUE FROM COUNTERPARTIES

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Relating to:		
Mortgage loans	2,183,680	2,623,920
Hire purchase and leasing debts	476,629	364,866
Personal loans	818,086	836,940
	3,478,395	3,825,726

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

Maturing within one year	1,139,801	1,459,899
One year to three years	1,232,785	1,266,347
Three years to five years	1,105,809	1,099,480
	3,478,395	3,825,726

5. ISLAMIC FINANCING ASSETS

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Relating to:		
Islamic house financing	1,383,543	1,457,958
Islamic hire purchase financing	3,459,868	3,649,680
Islamic personal financing	966,262	1,000,295
	5,809,673	6,107,933

The maturity structure of Islamic financing assets are as follows:

Maturing within one year	2,003,933	707,743
One year to three years	2,637,601	3,478,802
Three years to five years	1,168,139	1,921,388
	5,809,673	6,107,933

6. MORTGAGE ASSETS — CONVENTIONAL

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Purchase without Recourse ("PWOR")	7,561,644	7,846,587

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

Maturing within one year	1,062,167	1,075,459
One year to three years	1,398,972	1,418,502
Three years to five years	1,342,176	1,357,694
More than five years	5,094,165	5,410,488
	8,897,480	9,262,143
Less:		
Unaccreted discount	(1,300,090)	(1,379,810)
Allowance for impairment losses	(35,746)	(35,746)
	7,561,644	7,846,587

7. MORTGAGE ASSETS — ISLAMIC

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
PWOR	7,425,319	7,582,923

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

Maturing within one year	760,989	747,404
One year to three years	1,004,153	1,000,905
Three years to five years	1,047,559	1,035,932
More than five years	5,832,151	6,082,535
	8,644,852	8,866,776
Less:		
Unaccreted discount	(1,191,492)	(1,255,812)
Allowance for impairment losses	(28,041)	(28,041)
	7,425,319	7,582,923

8. HIRE PURCHASE ASSETS — ISLAMIC

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
PWOR	8,555	11,196

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

Maturing within one year	5,143	6,177
One year to three years	3,558	4,783
Three years to five years	227	761
	8,928	11,721
Less:		
Unaccreted discount	(306)	(458)
Allowance for impairment losses	(67)	(67)
	8,555	11,196

9. OTHER ASSETS

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Prepaid mortgage guarantee fee	1	2
Prepaid wakalah fee	22	—
Staff loans and financing	3,248	2,580
Deposits	802	802
Prepayments	2,013	1,896
Other receivables	575	666
Compensation receivable from originator on mortgage assets	3,373	3,842
	10,034	9,788

10. UNSECURED BEARER BONDS AND NOTES

	Year of maturity	Group and Company 30 Jun 2014 Amount outstanding	30 Jun 2014 Effective interest rate	31 Dec 2013 Amount outstanding	31 Dec 2013 Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2016	180,000	3.50	180,000	3.50
Add:					
Interest payable		2,434		2,451	
		182,434		182,451	
(b) Medium-term notes	2014	1,965,000	3.30 - 4.62	2,580,000	3.30 - 4.66
	2015	625,000	3.35 - 5.30	560,000	3.35 - 5.30
	2016	1,565,000	3.47 - 4.93	1,470,000	3.47 - 4.93
	2017	1,520,000	3.50 - 4.64	1,520,000	3.50 - 4.64
	2018	450,000	3.90 - 5.71	450,000	3.90 - 5.71
	2019	845,000	3.75 - 5.28	845,000	3.75 - 5.28
	2020	495,000	4.10 - 6.00	495,000	4.10 - 6.00
	2021	315,000	4.15 - 5.38	315,000	4.15 - 5.38
	2022	465,000	3.90 - 4.48	465,000	3.90 - 4.48
	2023	525,000	4.25 - 6.05	525,000	4.25 - 6.05
	2024	430,000	4.00 - 5.52	430,000	4.00 - 5.52
	2025	415,000	4.55 - 4.65	415,000	4.55 - 4.65
	2026	10,000	4.41	10,000	4.41
	2027	25,000	4.14 - 4.17	25,000	4.14 - 4.17
	2028	890,000	4.75 - 6.50	890,000	4.75 - 6.50
	2029	245,000	5.50 - 5.75	245,000	5.50 - 5.75
		10,785,000		11,240,000	
Add:					
Interest payable		94,334		99,257	
		10,879,334		11,339,257	
		11,061,768		11,521,708	

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

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Maturing within one year	2,206,768	2,681,708
One year to three years	2,225,000	2,210,000
Three years to five years	2,160,000	1,970,000
More than five years	4,470,000	4,660,000
	11,061,768	11,521,708

11. SUKUK

		Group and Company			
	Year of maturity	Amount outstanding	30 Jun 2014 Effective interest rate	Amount outstanding	31 Dec 2013 Effective interest rate
		RM'000	%	RM'000	%
(a) Islamic commercial papers	2014	—	—	500,000	3.30
Add:					
Profit payable		—	—	271	
		—		500,271	
(b) Islamic medium-term notes	2014	1,370,000	3.33 - 4.62	1,605,000	3.23 - 4.66
	2015	3,075,000	3.35 - 5.30	2,575,000	3.35 - 5.30
	2016	2,165,000	3.40 - 4.93	2,165,000	3.40 - 4.93
	2017	725,000	3.50 - 4.05	725,000	3.50 - 4.05
	2018	645,000	3.60 - 5.80	645,000	3.60 - 5.80
	2019	365,000	3.75 - 5.28	365,000	3.75 - 5.28
	2020	680,000	4.15 - 6.00	680,000	4.15 - 6.00
	2021	245,000	4.15 - 5.38	245,000	4.15 - 5.38
	2022	25,000	3.90 - 4.48	25,000	3.90 - 4.48
	2023	995,000	4.25 - 6.35	995,000	4.25 - 6.35
	2024	315,000	4.00 - 5.52	315,000	4.00 - 5.52
	2025	455,000	4.55 - 4.65	455,000	4.55 - 4.65
	2026	20,000	4.41 - 4.92	20,000	4.41 - 4.92
	2027	15,000	4.14	15,000	4.14
	2028	1,080,000	4.75 - 6.50	1,080,000	4.75 - 6.50
	2029	180,000	5.50 - 5.75	180,000	5.50 - 5.75
	2033	675,000	5.00	675,000	5.00
		13,030,000		12,765,000	
Add:					
Profit payable		133,812		137,732	
		13,163,812		12,902,732	
		13,163,812		13,403,003	

The maturity structure of Sukuk are as follows:

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Maturing within one year	3,558,812	2,243,003
One year to three years	3,265,000	4,740,000
Three years to five years	1,460,000	1,370,000
More than five years	4,880,000	5,050,000
	13,163,812	13,403,003

12. OTHER LIABILITIES

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Provision for zakat	—	2,028
Other payables and accruals	14,331	12,836
Amount due to government	50,028	50,473
	64,359	65,337

13. INTEREST INCOME

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Amount due from counterparties	82,111	82,329
Mortgage assets	173,239	137,493
Compensation from mortgage assets	71	91
Hire purchase assets	52	136
AFS investment securities	24,576	20,521
Deposit and placements with financial institutions	9,636	4,829
	289,685	245,399
Accretion of discount less amortisation of premium (net)	80,492	70,896
	370,177	316,295

14. INTEREST EXPENSE

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Medium-term notes	247,579	204,637
Floating rate notes	3,124	3,329
	250,703	207,966

15. NON-INTEREST INCOME

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Realised net loss on derivatives	(4,705)	(4,684)
Other non-operating income	3,363	3,550
Gain on disposal of AFS investment securities	622	470
Gain on disposal of property and equipment	—	12
	(720)	(652)

16. CAPITAL ADEQUACY

Common equity tier 1 ("CET1") and Tier 1 capital ratios refer to the ratio of total Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio ("RWCR") is the ratio of total capital to risk-weighted assets.

	Group and Company	
	30 Jun 2014	31 Dec 2013
CET 1 capital ratio		
Tier I capital ratio	25.19%	23.70%
Total capital ratio	25.80%	24.30%

	RM'000	RM'000
The capital adequacy ratios are as follows:		
CET 1/Tier I capital		
Paid up capital	150,000	150,000
Retained profits	2,510,907	2,406,998
	2,660,907	2,556,998
Deferred taxation assets	(8,842)	(8,929)
Total CET 1/Tier I capital	2,652,065	2,548,069
Tier II capital		
Allowance for impairment losses	63,855	63,855
Total Tier II capital	63,855	63,855
Total capital	2,715,920	2,611,924

16. CAPITAL ADEQUACY — (Continued)

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

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
Credit risk		
Operational risk	9,811,153	10,044,004
	716,750	705,105
Total risk-weighted assets	10,527,903	10,749,109

17. ISLAMIC OPERATIONS

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Group and Company	
	Note	30 Jun 2014	31 Dec 2013
		RM'000	RM'000
ASSETS			
Cash and short-term funds	(a)	499,014	55,170
Derivative financial instruments		7,116	7,286
AFS investment securities	(b)	35,484	204,788
Financing assets	(c)	5,809,673	6,107,933
Mortgage assets	(d)	7,417,979	7,574,153
Hire purchase assets	(e)	6,871	8,427
Other assets and prepayments		289,457	289,525
TOTAL ASSETS		14,065,594	14,247,282
LIABILITIES			
Sukuk	(f)	13,163,812	13,403,003
Deferred taxation		1,785	1,828
Provision for taxation		4,374	—
Other liabilities	(g)	37,951	37,835
TOTAL LIABILITIES		13,207,922	13,442,666
ISLAMIC OPERATIONS' FUNDS		857,672	804,616
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUND		14,065,594	14,247,282

UNAUDITED CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

		Group and Company	
	Note	30 Jun 2014	30 Jun 2013
		RM'000	RM'000
Total income attributable		354,482	291,191
Income attributable to Sukuk holders	(h)	(281,165)	(238,053)
Non profit expense		(34)	(273)
Total income attributable	(i)	73,283	52,865
Administration and general expenses		(2,370)	(984)
PROFIT BEFORE TAXATION AND ZAKAT		70,913	51,881
Zakat		—	—
Taxation		(17,728)	(12,970)
PROFIT FOR THE FINANCIAL PERIOD		53,185	38,911

17. ISLAMIC OPERATIONS — (Continued)

UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Profit for the financial period	53,185	38,911
Other comprehensive (loss)/income:		
Items that may subsequently reclassified to profit or loss		
AFS investment securities		
— Net loss on fair value changes before taxation	—	(38)
— Deferred taxation	—	10
Cash flow hedge		
— Net (loss)/gain on cash flow hedge before taxation	(172)	907
— Deferred taxation	43	(227)
Other comprehensive (loss)/income for the financial period, net of taxation	(129)	652
Total comprehensive income for the financial period	53,056	39,563

UNAUDITED CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

		Non-distributable			
	Allocated capital funds	AFS reserves	Cash flow hedge reserves	Retained profits	Total funds
	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Company					
Balance as at 1 January 2014	294,159	18	5,466	504,973	804,616
Profit for the financial period	—	—	—	53,185	53,185
Other comprehensive loss	—	—	(129)	—	(129)
Total comprehensive (loss)/income for the financial period	—	—	(129)	53,185	53,056
Balance as at 30 June 2014	294,159	18	5,337	558,158	857,672
Balance as at 1 January 2013	294,159	5	843	377,818	672,825
Profit for the financial period	—	—	—	38,911	38,911
Other comprehensive (loss)/income	—	(28)	680	—	652
Total comprehensive (loss)/income for the financial period	—	(28)	680	38,911	39,563
Balance as at 30 June 2013	294,159	(23)	1,523	416,729	712,388

17. ISLAMIC OPERATIONS — (Continued)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial period	53,185	38,911
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on AFS investment securities	(3,834)	(3,726)
Accretion of discount on:		
Mortgage assets	(64,320)	(43,488)
Hire purchase assets	(112)	(110)
Income from:		
— Debt securities	(601)	—
— Islamic operations	(283,356)	(241,742)
Profit attributable to Sukuk holders	281,165	238,053
Wakalah fee expense	121	98
Taxation	17,728	12,970
Operating (loss)/profit before working capital changes	(24)	966
Decrease in Islamic financing assets	297,634	390,289
Decrease in mortgage assets	216,193	240,588
Decrease in hire purchase assets	1,828	2,830
Decrease/(increase) in other assets	68	(678)
Decrease in Sukuk	(235,000)	(205,000)
Increase/(Decrease) in other liabilities	2,144	(268)
Cash generated from operations	282,843	428,727
Profit received from assets	288,123	166,605
Profit attributable to Sukuk holders	(285,356)	(242,520)
Wakalah fee paid	(121)	(98)
Payment of:		
— Zakat	(2,028)	(1,118)
— Taxation	(13,354)	(8,720)
Net cash generated from operating activities	270,107	342,876
INVESTING ACTIVITIES		
Purchase of AFS investment securities	—	(1,614,907)
Sale of AFS investment securities	173,138	1,270,412
Derivative financial instruments	(2)	—
Income received from/(paid to) AFS investment securities	601	(414)
Net cash generated from/(utilised in) investing activities	173,737	(344,909)
Net increase/(decrease) in cash and cash equivalents	443,844	(2,033)
Cash and cash equivalents as at 1 January	55,170	94,346
Cash and cash equivalents as at 30 June	499,014	92,313
Analysis of cash and cash equivalents as at 30 June		
Cash and short-term funds	499,014	92,313

17. ISLAMIC OPERATIONS — (Continued)

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
(a) Cash and short-term funds		
Cash and bank balances with banks and other financial institutions	24	33
Mudharabah money at call and deposit placements maturing within one month	498,990	55,137
	499,014	55,170
(b) AFS investment securities		
At fair value:		
Government investment issue	30,352	30,363
Debt securities	5,132	174,425
	35,484	204,788
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	413	169,683
One year to three years	35,071	35,105
	35,484	204,788
(c) Financing assets		
Relating to:		
House financing	1,383,543	1,457,958
Hire purchase financing	3,459,868	3,649,680
Personal financing	966,262	1,000,295
	5,809,673	6,107,933
The maturity structure of financing assets are as follows:		
Maturing within one year	2,003,933	707,743
One year to three years	2,637,601	3,478,802
Three years to five years	1,168,139	1,921,388
	5,809,673	6,107,933
(d) Mortgage assets		
PWOR	7,417,979	7,574,153
The maturity structure of mortgage assets are as follows:		
Maturing within one year	759,387	745,909
One year to three years	1,002,197	998,735
Three years to five years	1,046,019	1,034,057
More than five years	5,829,893	6,079,289
	8,637,496	8,857,990
Less:		
Unaccreted discount	(1,191,492)	(1,255,812)
Allowance for impairment losses	(28,025)	(28,025)
	7,417,979	7,574,153

17. ISLAMIC OPERATIONS — (Continued)

	Group and Company	
	30 Jun 2014	31 Dec 2013
	RM'000	RM'000
(e) Hire purchase assets		
PWOR	6,871	8,427
The maturity structure of hire purchase assets are as follows:		
Maturing within one year	3,398	3,529
One year to three years	3,559	4,562
Three years to five years	226	760
	7,183	8,851
Less:		
Unaccreted discount	(263)	(375)
Allowance for impairment losses	(49)	(49)
	6,871	8,427
(f) Sukuk		
Commercial papers	—	500,271
Medium-term notes	13,163,812	12,902,732
	13,163,812	13,403,003
The maturity structure of Sukuk are as follows:		
Maturing within one year	3,558,812	2,243,003
One year to three years	3,265,000	4,740,000
Three years to five years	1,460,000	1,370,000
More than five years	4,880,000	5,050,000
	13,163,812	13,403,003
(g) Other liabilities		
Provision for zakat	—	2,028
Other payables	37,951	35,807
	37,951	37,835

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
(h) Income attributable to the Sukuk holders		
Mortgage assets	172,735	96,699
Hire purchase assets	232	206
Financing assets	108,198	141,148
	281,165	238,053
Income attributable to the Sukuk holders by concept is as follows:		
Bai Al-Dayn	281,165	238,053

17. ISLAMIC OPERATIONS — (Continued)

(i) Total income attributable

	Group and Company	
	30 Jun 2014	30 Jun 2013
	RM'000	RM'000
Income from:		
Mortgage assets	56,105	32,721
Hire purchase assets	39	92
Financing assets	10,479	14,473
AFS investments securities	4,435	3,726
Fee income	38	38
Deposit and placements with financial institutions	2,221	2,088
Non profit expense	(34)	(273)
	73,283	52,865
Total net income analysed by concept are as follows:		
Bai Bithaman Ajil	503	—
Murabahah	96	666
Bai Al-Dayn	66,588	47,014
Mudharabah	6,096	5,185
	73,283	52,865

(j) Capital adequacy

	Group and Company	
	30 Jun 2014	31 Dec 2013
CET I capital ratio		
Tier I capital ratio	16.07%	15.00%
Total capital ratio	16.60%	15.53%
	RM'000	RM'000
CET 1/Tier I capital		
Allocated capital funds	294,159	294,159
Retained profits	558,158	504,973
	852,317	799,132
Deferred taxation liabilities	1,785	1,828
Total CET 1/Tier I capital	854,102	800,960
Tier II capital		
Allowance for impairment losses	28,074	28,074
Total Tier II capital	28,074	28,074
Total capital	882,176	829,034
The breakdown of risk-weighted assets by each major risk category are as follows:		
Credit risk	5,058,367	5,096,085
Operational risk	254,797	243,812
Total risk-weighted assets	5,313,164	5,339,897

18. BUSINESS PROSPECTS

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5%- 5.5% (2013: 4.7%). The growth momentum will be supported by better performance in the external sector amid some moderation in domestic demand. Domestic demand will remain the key driver of growth, albeit at a more

18. BUSINESS PROSPECTS — (Continued)

moderate pace, reflecting the continued public sector consolidation. Private investment is forecasted to register robust growth for the fifth consecutive year, driven by the ongoing implementation of multi-year projects and the improvement in external demand. Private consumption will be underpinned by healthy labour market conditions and sustained income growth.

The Malaysian banking sector will remain well capitalised and liquidity will remain ample. Loan growth is expected to be moderate at between 8.0% to 9.0% in 2014 as compared to 11.0% in 2013. With the measures introduced by the Government and Bank Negara Malaysia ("BNM") to curb on the rising level of household debt, consequently housing loans growth is expected to moderate.

In spite of the recent increase in Overnight Policy Rate ("OPR"); given the continued excess liquidity, low interest rate environment and strong capital position of the Malaysian financial institutions, demand for liquidity from Cagamas currently remains challenging.

Nevertheless, Cagamas is now repositioning itself and laying new foundations to sustain future growth. Cagamas will also continue to enhance its Islamic product portfolios and introduce globally accepted Sukuk structures to attract a larger pool of international and regional investors.

Meanwhile, demand for PWR as hedging risk solutions particularly by Islamic financial institutions is expected to remain strong.

Regulatory development, particularly in relation to Basel III and imposition of Collective Assessment in 2018-19 and end 2015 respectively may create a demand for PWOR as a possible capital management solution for banks.

19. PERFORMANCE REVIEW

The Group registered a pre-tax profit of RM126.41 million for the six months period ended 30 June 2014, an increase of 20.06% from RM105.29 million due to higher PWOR assets and treasury income.

The Group's core capital ratio and RWCR stood at 25.19% and 25.80% respectively, as at end of 30 June 2014. Total shareholder's funds for the Group increased to RM2.63 billion from RM2.53 billion while net tangible assets per share was higher at RM17.48, compared with RM16.78 in 2013.

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2013

Lodged by:

CAGAMAS BERHAD (157931-A)
Level 32, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur.
Tel. +603 22621800 Fax. +60322828125/9125

STATUTORY FINANCIAL STATEMENTS
31 DECEMBER 2013

CONTENTS	PAGES

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2013.

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.

There were no significant changes in the nature of these activities for the Company during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	318,573

DIVIDENDS

The dividends paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012, as shown in the Directors' report of that financial year,	
— a final dividend of 15 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 8 April 2013	16,875
In respect of the financial year ended 31 December 2013,	
— an interim dividend of 5 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 25 October 2013	5,625
	22,500

The Directors now recommend the payment of a single tier final dividend of 15 sen per share on 150,000,000 ordinary shares amounting to RM22,500,000 for the financial year ended 31 December 2013 which is subject to approval of member at the forthcoming Annual General Meeting of the Company.

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 bond, notes and Sukuk issued by the Company. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAAID and MARC-1/MARC-1ID to bond, notes and Sukuk issued by the Company. Moody's Investors Service has also assigned a rating of A3 as the Company's long-term local and foreign currency issuer rating.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Company involving mortgage loans, hire purchase and leasing debts, 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
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Dato' Halipah binti Esa (Appointed on 27.3.2013)
Chung Chee Leong (Appointed on 27.3.2013)
Y.M. Tunku Afwida Tunku A. Malek (Retired on 26.3.2013)

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dato' Albert Yeoh Beow Tit and Dato' Md Agil bin Mohd Natt retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 19.10 the Company's Articles of Association, Dato' Halipah binti Esa and Mr Chung Chee Leong who vacate office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of 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 28 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.

SHARE CAPITAL

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps:

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

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

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 Company inadequate to any substantial extent; or

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

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

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

(a) any charge on the assets of 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 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 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 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 Company for the financial year in which this report is made.

HOLDING COMPANY

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

AUDITOR

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013	2012
		RM'000	RM'000
ASSETS			
Cash and short-term funds	5	592,956	370,939
Derivative financial instruments	6	7,286	1,115
Available-for-sale investment securities	7	1,587,058	1,165,983
Amount due from counterparties	8	3,825,726	3,696,142
Islamic financing assets	9	6,107,933	8,076,861
Mortgage assets			
— Conventional	10	7,846,587	6,093,780
— Islamic	11	7,582,923	3,828,813
Hire purchase assets			
— Conventional	12	4	9
— Islamic	13	11,196	15,937
Amount due from related company		751	829
Other assets	14	9,788	11,053
Property and equipment	15	4,019	4,363
Intangible assets	16	9,873	9,552
Deferred taxation	17	8,929	9,231
TOTAL ASSETS		27,595,029	23,284,607
LIABILITIES			
Unsecured bearer bonds and notes	18	11,521,708	9,217,450
Sukuk	19	13,403,003	11,707,559
Derivative financial instruments	6	35,898	53,741
Provision for taxation		41,941	18,699
Other liabilities	20	65,337	62,772
TOTAL LIABILITIES		25,067,887	21,060,221
Share capital	21	150,000	150,000
Reserves	22	2,377,142	2,074,386
SHAREHOLDER'S FUNDS		2,527,142	2,224,386
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		27,595,029	23,284,607
NET TANGIBLE ASSETS PER SHARE (RM)	23	16.78	14.77

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

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		RM'000	RM'000
Interest income	24	721,595	662,560
Interest expense	25	(431,441)	(442,687)
Income from Islamic operations	40	181,882	101,412
Non-interest income	26	255	4,973
		472,291	326,258
Administration and general expenses		(20,135)	(19,965)
Personnel costs		(20,839)	(18,376)
(Allowance)/Write-back of impairment losses		(6,536)	5,127
PROFIT BEFORE TAXATION AND ZAKAT	27	424,781	293,044
Taxation	29	(104,180)	(72,963)
Zakat		(2,028)	(1,118)
PROFIT FOR THE FINANCIAL YEAR		318,573	218,963
EARNINGS PER SHARE (SEN)	23	212.38	145.98
DIVIDEND PER SHARE (SEN)	30	20.00	88.00

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RM'000	RM'000
Profit for the financial year	318,573	218,963
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Available-for-sale investment securities		
— Net loss on fair value changes before taxation	(15,009)	(1,356)
— Deferred taxation	3,752	339
Cash flow hedge		
— Net gain on cash flow hedge before taxation	23,920	5,425
— Deferred taxation	(5,980)	(1,357)
Other comprehensive income for the financial year, net of taxation	6,683	3,051
Total comprehensive income for the financial year	325,256	222,014

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Issued and fully paid ordinary shares of RM1 each	Non-distributable			
	Note	Share capital	AFS reserve	Cash flow hedge reserve	Retained profits	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000
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	30	—	—	—	(16,875)	(16,875)
Interim dividend in respect of financial year ended 31 December 2013	30	—	—	—	(5,625)	(5,625)
Balance as at 31 December 2013		150,000	(11,167)	(18,689)	2,406,998	2,527,142
Balance as at 1 January 2012		150,000	1,107	(40,697)	1,990,962	2,101,372
Profit for the financial year		—	—	—	218,963	218,963
Other comprehensive (loss)/income		—	(1,017)	4,068	—	3,051
Total comprehensive (loss)/income for the financial year		—	(1,017)	4,068	218,963	222,014
Final dividend in respect of financial year ended 31 December 2011	30	—	—	—	(16,875)	(16,875)
Approved special dividend in respect of financial year ended 31 December 2012	30	—	—	—	(82,125)	(82,125)
Balance as at 31 December 2012		150,000	90	(36,629)	2,110,925	2,224,386

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial year	318,573	218,963
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on available-for-sale investment securities	(7,691)	(1,962)
Accretion of discount on:		
Mortgage assets		
— Conventional	(147,748)	(146,467)
— Islamic	(101,114)	(88,156)
Hire purchase assets		
— Conventional	—	(1)
— Islamic	(363)	(485)
Write-back/(Allowance) of impairment loss on mortgage assets and hire purchase assets and Islamic mortgage assets and Islamic hire purchase assets	6,536	(5,127)
Interest income	(561,729)	(509,583)
Income from Islamic operations	(557,369)	(458,212)
Interest expense	431,441	442,687
Profit attributable to Sukuk holders	487,089	449,726
Depreciation of property and equipment	1,148	1,065
Amortisation of intangible assets	2,132	2,508
Gain on disposal of property and equipment	(14)	(112)
Gain on disposal of available-for-sale investment securities	(2,623)	(4,133)
Guarantee fee expense	8	13
Wakalah fee expense	151	102
Taxation	104,180	72,963
Zakat	2,028	1,118
Operating loss before working capital changes	(25,365)	(25,093)
(lncrease)/decrease in amount due from counterparties	(129,876)	605,546
Decrease/(increase) in Islamic financing assets	1,963,777	(1,190,455)
(lncrease)/decrease in mortgage assets		
— Conventional	(1,535,575)	564,415
— Islamic	(3,579,533)	173,748
Decrease in hire purchase assets		
— Conventional	6	382
— Islamic	5,706	6,186
Decrease/(increase) in other assets	1,342	(5,258)
lncrease/(decrease) in unsecured bearer bonds and notes	2,295,000	(645,000)
Increase in Sukuk	1,690,000	1,111,265
Increase in other liabilities	1,657	453
Cash generated from operations	687,139	596,189
Interest received	446,798	547,449
Profit received from Islamic assets	481,689	456,128
Interest paid	(422,183)	(448,254)
Profit attributable to Sukuk holders	(481,646)	(438,899)
Guarantee fee paid	(8)	(13)
Wakalah fee paid	(151)	(102)
Payment of:		
— Zakat	(1,118)	(2,260)
— Taxation	(82,864)	(67,599)
Net cash generated from operating activities	627,656	642,639

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 — (Continued)

	2013	2012
	RM'000	RM'000
INVESTING ACTIVITIES		
Purchase of available-for-sale investment securities	(3,429,658)	(3,966,712)
Sale of available-for-sale investment securities	3,003,687	3,407,745
Derivative financial instruments	(94)	(224)
Purchase of:		
— Property and equipment	(804)	(1,121)
— Intangible assets	(2,453)	(264)
Proceeds from disposal of property and equipment	14	111
Income received from available-for-sale investment securities	46,169	32,466
Net cash utilised in investing activities	(383,139)	(527,999)

	Note	2013	2012
		RM'000	RM'000
FINANCING ACTIVITY			
Dividends paid to holding company		(22,500)	(99,000)
Net cash utilised in financing activity		(22,500)	(99,000)
Net increase in cash and cash equivalents		222,017	15,640
Cash and cash equivalents as at 1 January		370,939	355,299
Cash and cash equivalents as at 31 December		592,956	370,939
Analysis of cash and cash equivalents as at end of the financial year:			
Cash and short-term funds	5	592,956	370,939

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.

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 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 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 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 Company.

The Islamic operations of 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.

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 revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying 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 Company's financial year beginning on or after 1 July 2012 and 1 January 2013 are as follows:

- MFRS 10, "Consolidated Financial Statements"
- MFRS 11, "Joint arrangements"
- MFRS 12, "Disclosures of Interests in Other Entities"
- MFRS 13, "Fair Value Measurement"
- The revised MFRS 127, "Separate Financial Statements"
- The revised MFRS 128, "Investments in Associates and Joint Ventures"
- Amendments to MFRS 101, "Presentation of items of other comprehensive income"
- Amendments to MFRS 119, "Employee benefits"
- Amendments to MFRS 7, "Financial Instruments: Disclosure"
- Amendments to MFRS 10, 11 & 12, "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.1 Basis of preparation — (continued)

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

- Annual improvements 2009-2011 Cycle
- IC Interpretation 20. "Stripping costs in the production phase of a surface mine"

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

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

(i) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

There is no significant impact arising from the initial application of this standard.

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

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective no earlier than annual periods beginning on or after 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. 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. The Company is yet to assess MFRS 9's full impact. The Company will also consider the impact of the remaining phases of MFRS 9 when completed by the Malaysian Accounting Standard Board ("MASB").

2.2 Amount due from counterparties and Islamic financing assets

Note 1 to the financial statements describes the principal activities of 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 Company. Interest/profit income on amount due from counterparties/Islamic financing debts is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.3 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 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 Company at specified intervals as agreed by both parties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.3 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 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.

2.4 Available-for-sale ("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 Company contracts to purchase the investment. Investments are derecognised when the Company has contracted to sell the investment and transferred substantially alt 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 2.6 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest 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.

2.5 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 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 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 which they are incurred.

At each statement of financial position date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the assets 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 2.6 (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)

2.6 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

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

(b) Non-financial assets

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

2.7 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 rate method. Accretion of discount is recognised using the internal rate of return method.

2.8 Premium and discount on unsecured bearer bonds and notes and Sukuk

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.9 Current and deferred tax

Current tax expense represents taxation at the current rate based on taxable profits 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.

2.10 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.

2.11 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.

2.12 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 Company. The Company has determined the Chief Executive Officer to be the chief operating decision maker.

2.13 Derivative financial instruments and hedge accounting

Interest rate swaps (“IRS”)/ Islamic profit rate swaps (“IPRS”) are used by the Company to hedge the issuance of its debt securities/Sukuk from potential movements in interest/profit rates. Further details of the IRS/IPRS are disclosed in Note 6 to the financial statements.

Fair value of IRS/IPRS is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates 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 Company documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

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

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”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.13 Derivative financial instruments and hedge accounting — (continued)

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.

2.14 Provisions

Provisions are recognised when the Company has 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 Company expects 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.

2.15 Zakat

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

The Company recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Company has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Company has 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% (2012: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit after 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.

2.16 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 Company.

(b) Defined contributions plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.17 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 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 administration and administrator fees*

Service rights to transaction administration and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administration 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 2.6(b) to the financial statements.

2.18 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. Upon the dividend becoming payable, it will be accounted for as a liability.

2.19 Functional and presentation currency

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

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

2.20 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.20 Financial instruments — (continued)

(a) Description — (continued)

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 purpose

Please refer to Note 37 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

In assessing fair values of other financial instruments, the Company uses a variety of methods and makes assumptions that are based on existing market conditions 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 Company for similar financial instruments.

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.

2.21 Contingent liabilities and contingent assets

The Company does 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 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 Company does 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 Company.

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 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 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 Company has exercised its judgement to select appropriate valuation techniques for these instruments. However, changes in the assumptions made and market factors used could affect the reported fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS — (CONTINUED)

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

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

4 RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk management is an integral part of 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 Company has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The 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 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 Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with 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 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.

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

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

4 RISK MANAGEMENT OBJECTIVE AND POLICIES — (CONTINUED)

4.3 Market risk management

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

The Company controls its market risk exposure by imposing threshold limits. The limits are set based on the Company's risk appetite and the risk-return relationship. These limits are regularly reviewed and monitored. The Company has 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 Company also uses derivative instruments such as interest/profit rate swaps to manage and hedge its market risk exposure against fluctuations in interest/profit rates.

4.4 Liquidity risk management

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

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

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

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

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

(c) Monitoring the liquidity ratios of 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

	2013	2012
	RM'000	RM'000
Cash and balances with banks and other financial institutions	50,569	51,136
Money at call and deposits placements maturing within one month	487,250	225,484
Mudharabah money at call and deposits placements maturing within one month	55,137	94,319
	592,956	370,939

6 DERIVATIVE FINANCIAL INSTRUMENTS

IRS/IPRS are used as hedging tools to support issuance of fixed rate bonds/Sukuk to fund floating rate purchases of mortgage loans/Islamic house financing debts. By entering into IRS/IPRS, the Company is protected from adverse movements in interest/profit rates since the Company pays the floating rate receipts from its floating rate purchases to and receives fixed rate payments from the swap counterparties. These fixed rate payments will then be utilised to pay interest/profit on the fixed rate bonds/Sukuk issued.

The IRS/IPRS are also used to hedge the Company's issuance of debt securities/Sukuk in a rising interest/profit rate environment. In the first leg of the transaction, the Company pays fixed rate interest/profit and receives floating rate payments from the swap counterparties. On issuance of the debt securities/Sukuk, the Company enters into the IRS/IPRS transaction by taking an opposite position for the same amounts as in the first leg of the transaction. The IRS/IPRS protects the Company in a rising interest/profit rate environment since the Company will be receiving higher fixed rate as compared to the higher fixed rate that the Company is required to pay to the bond holders/Sukuk holders.

6 DERIVATIVE FINANCIAL INSTRUMENTS — (CONTINUED)

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 Company has designated a number of IRS/IPRS as cash flow hedges. The total fair value of derivatives included within cash flow hedges at 31 December 2013 was a credit of RM28.6 million (2012: RM52.6 million).

(b) Fair value hedges

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

(c) Net investment hedges

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

All derivative financial instruments are held for economic hedging purposes, although not all derivatives are designated as hedging instruments under the terms of MFRS 139. The analyses below split derivatives between those in accounting hedge relationships and those not in accounting hedge relationships.

	2013			2012		
		Fair value			Fair value	
	Contract/ notional amount	Assets	Liabilities	Contract/ notional amount	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives in accounting hedge relationships						
Derivatives designated as cash flow hedges:						
IRS/IPRS	910,000	7,286	(35,898)	910,000	1,115	(53,741)

The remaining terms and notional principal amounts of the outstanding IRS/IPRS are as follows:

	2013	2012
	RM'000	RM'000
Three years to five years	800,000	500,000
More than five years	110,000	410,000
	910,000	910,000

7 AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES

	2013	2012
	RM'000	RM'000
At fair value:		
Private debt securities	268,569	122,762
Malaysian government securities	230,220	83,700
Government investment issues	140,821	168,281
Islamic debt securities	421,526	285,078
Negotiable instrument of deposits	51,629	205,511
Bank Negara Malaysia Sukuk	—	99,764
Quasi government debt securities	117,099	200,887
IQuasi government debt securities	357,194	—
	1,587,058	1,165,983

7 AVAILABLE-FOR-SALE (“AFS”) INVESTMENT SECURITIES — (CONTINUED)

The maturity structure of AFS investment securities are as follows:

	2013	2012
	RM’000	RM’000
Maturing within one year	358,627	373,633
One year to three years	511,522	378,111
Three years to five years	447,033	318,287
More than five years	269,876	95,952
	1,587,058	1,165,983

8 AMOUNT DUE FROM COUNTERPARTIES

	2013	2012
	RM’000	RM’000
Relating to:		
Mortgage loans	2,623,920	2,706,802
Hire purchase and leasing debts	364,866	116,299
Personal loans	836,940	873,041
	3,825,726	3,696,142

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

	2013	2012
Maturing within one year	1,459,899	131,335
One year to three years	1,266,347	1,464,210
Three years to five years	1,099,480	2,100,597
	3,825,726	3,696,142

9 ISLAMIC FINANCING ASSETS

	2013	2012
	RM’000	RM’000
Relating to:		
Islamic house financing	1,457,958	1,063,445
Islamic hire purchase	3,649,680	4,034,911
Islamic personal financing	1,000,295	2,978,505
	6,107,933	8,076,861

The maturity structure of Islamic financing assets are as follows:

	2013	2012
Maturing within one year	707,743	2,619,653
One year to three years	3,478,802	3,002,670
Three years to five years	1,921,388	2,454,538
	6,107,933	8,076,861

10 MORTGAGE ASSETS — CONVENTIONAL

	2013 RM'000	2012 RM'000
Purchase Without Recourse ("PWOR")	7,846,587	6,093,780

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

	2013 RM'000	2012 RM'000
Maturing within one year	1,075,459	1,164,395
One year to three years	1,418,502	1,242,583
Three years to five years	1,357,694	1,129,947
More than five years	5,410,488	3,861,989
Less:	9,262,143	7,398,914
Unaccreted discount	(1,379,810)	(1,269,160)
Allowance for impairment losses	(35,746)	(35,974)
	7,846,587	6,093,780

11 MORTGAGE ASSETS — ISLAMIC

	2013 RM'000	2012 RM'000
PWOR	7,582,923	3,828,813

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

	2013 RM'000	2012 RM'000
Maturing within one year	747,404	670,991
One year to three years	1,000,905	662,728
Three years to five years	1,035,932	633,608
More than five years	6,082,535	2,756,369
Less:	8,866,776	4,723,696
Unaccreted discount	(1,255,812)	(873,616)
Allowance for impairment losses	(28,041)	(21,267)
	7,582,923	3,828,813

12 HIRE PURCHASE ASSETS — CONVENTIONAL

	2013 RM'000	2012 RM'000
PWOR	4	9

The maturity structure of hire purchase assets — conventional are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	5	11
One year to three years	—	—
Less:	5	11
Unaccreted discount	—	—
Allowance for impairment losses	(1)	(2)
	4	9

13 HIRE PURCHASE ASSETS — ISLAMIC

	2013 RM'000	2012 RM'000
PWOR	11,196	15,937

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

	2013	2012
Maturing within one year	6,177	6,613
One year to three years	4,783	8,091
Three years to five years	761	1,894
More than five years	—	83
	11,721	16,681
Less:		
Unaccreted discount	(458)	(668)
Allowance for impairment losses	(67)	(76)
	11,196	15,937

14 OTHER ASSETS

	2013 RM'000	2012 RM'000
Prepaid mortgage guarantee fee	2	3
Prepaid wakalah fee	—	1
Staff loans and financing	2,580	2,918
Deposits	802	772
Prepayments	1,896	2,035
Other receivables	666	453
Compensation receivable from originator on mortgage assets	3,842	4,871
	9,788	11,053

15 PROPERTY AND EQUIPMENT

	Office equipment	Furniture and fittings	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000
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
Cost				
As at 1 January 2012	4,432	4,555	517	9,504
Additions	588	7	526	1,121
Disposals	(119)	—	(445)	(564)
As at 31 December 2012	4,901	4,562	598	10,061
Accumulated depreciation				
As at 1 January 2012	(3,387)	(1,292)	(514)	(5,193)
Charge for the financial year	(552)	(452)	(61)	(1,065)
Disposals	115	—	445	560
As at 31 December 2012	(3,824)	(1,744)	(130)	(5,698)
Net book value				
As at 31 December 2012	1,077	2,818	468	4,363

16 INTANGIBLE ASSETS

	Service rights	Computer software	Computer software licenses	Total
	RM'000	RM'000	RM'000	RM'000
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
Cost				
As at 1 January 2012	16,717	11,869	1,013	29,599
Additions	—	121	143	264
Reclassifications	—	4	(4)	—
As at 31 December 2012	16,717	11,994	1,152	29,863
Accumulated amortisation				
As at 1 January 2012	(7,706)	(9,212)	(885)	(17,803)
Charge for the financial year	(1,204)	(1,122)	(182)	(2,508)
Reclassifications	—	(186)	186	—
As at 31 December 2012	(8,910)	(10,520)	(881)	(20,311)
Net book value				
As at 31 December 2012	7,807	1,474	271	9,552

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 1 to 14 years (2012: 2 to 15 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:

	2013	2012
	RM'000	RM'000
Deferred tax assets (before offsetting)	(10,595)	(12,622)
Deferred tax liabilities (before offsetting)	1,666	3,391
Deferred tax assets	(8,929)	(9,231)

The movements of deferred tax are as follows:

	2013	2012
Balance as at 1 January	(9,231)	(9,194)
Debit to income statement (Note 29)	(1,926)	(1,055)
Credit to other comprehensive income	2,228	1,018
Balance as at 31 December	(8,929)	(9,231)

17 DEFERRED TAXATION — (CONTINUED)

The movements in deferred tax assets and liabilities comprise the following:

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2013				
Deferred tax assets				
Unrealised (losses)/gains on revaluation of IRS/IPRS under cash flow hedging accounting	(12,210)	—	5,980	(6,230)
Provisions	(412)	(232)	—	(644)
Revaluation 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 of AFS investment securities	31	—	(31)	—
	3,391	(1,694)	(31)	1,666

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2012				
Deferred tax assets				
Unrealised (losses)/gains on revaluation of IRS/IPRS under cash flow hedging accounting	(13,567)	—	1,357	(12,210)
Provisions	—	(412)	—	(412)
	(13,567)	(412)	1,357	(12,622)
Deferred tax liabilities				
Accelerated tax depreciation	4,003	(643)	—	3,360
Revaluation of AFS investment securities	370	—	(339)	31
	4,373	(643)	(339)	3,391

18 UNSECURED BEARER BONDS AND NOTES

		2013		2012	
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2013	—	—	180,000	3.410
	2016	180,000	3,500	—	—
Add: Interest payable		2,451		2,686	
		182,451		182,686	

18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)

	Year of maturity	2013 Amount outstanding	2013 Effective interest rate	2012 Amount outstanding	2012 Effective interest rate
		RM'000	%	RM'000	%
(b) Medium-term notes	2013	—	—	290,000	3.290 - 5.000
	2014	2,580,000	3.300 - 4.660	2,230,000	3.300 - 4.660
	2015	560,000	3.350 - 5.300	420,000	3.350 - 5.300
	2016	1,470,000	3.470 - 4.930	1,230,000	3.470 - 4.930
	2017	1,520,000	3.500 - 4.640	1,520,000	3.500 - 4.640
	2018	450,000	3.900 - 5.710	150,000	3.950 - 5.710
	2019	845,000	3.750 - 5.280	845,000	3.750 - 5.280
	2020	495,000	4.100 - 6.000	185,000	4.360 - 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	150,000	4.250 - 6.050
	2024	430,000	4.000 - 5.520	430,000	4.000 - 5.520
	2025	415,000	4.550 - 4.650	5,000	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	430,000	6.250 - 6.500
	2029	245,000	5.500 - 5.750	245,000	5.500 - 5.690
		11,240,000		8,945,000	
Add: Interest payable		99,257		89,764	
		11,339,257		9,034,764	
		11,521,708		9,217,450	

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

	2013	2012
	RM'000	RM'000
Maturing within one year	2,681,708	562,450
One year to three years	2,210,000	2,650,000
Three years to five years	1,970,000	2,750,000
More than five years	4,660,000	3,255,000
	11,521,708	9,217,450

(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.

19 SUKUK

	Year of maturity	2013 Amount outstanding	2013 Effective profit rate	2012 Amount outstanding	2012 Effective profit rate
		RM'000	%	RM'000	%
(a) Islamic commercial papers	2013	—	—	500,000	3.210
	2014	500,000	3.300	—	—
Add: Profit payable		271		264	
		500,271		500,264	
(b) Islamic medium-term notes	2013	—	—	3,445,000	3.250 - 5.000
	2014	1,605,000	3.230 - 4.660	1,055,000	3.330 - 4.660
	2015	2,575,000	3.350 - 5.300	2,575,000	3.350 -5.300
	2016	2,165,000	3.400 - 4.930	880,000	3.500 - 4.930
	2017	725,000	3.500 - 4.050	725,000	3.500 - 4.050
	2018	645,000	3.600 - 5.800	205,000	3.950 - 5.800
	2019	365,000	3.750 - 5.280	365,000	3.750 - 5.280
	2020	680,000	4.150 - 6.000	270,000	5.900 - 6.000
	2021	245,000	4.150 - 5.380	245,000	4.150 - 5.307
	2022	25,000	3.900 - 4.480	25,000	3.900 - 4.480
	2023	995,000	4.250 - 6.350	345,000	4.250 - 6.350
	2024	315,000	4.000 - 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 - 4.650	5,000	4.650
	2026	20,000	4.410 - 4.920	20,000	4.410 - 4.650
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 - 6.500	405,000	6.250 - 6.500
	2029	180,000	5.500 - 5.750	180,000	5.500 -5.750
	2033	675,000	5.000	—	—
		12,765,000		11,075,000	
Add: Profit payable		137,732		132,295	
		12,902,732		11,207,295	
		13,403,003		11,707,559	

The maturity structure of Sukuk are as follows:

	2013	2012
	RM'000	RM'000
Maturing within one year	2,243,003	4,077,559
One year to three years	4,740,000	3,630,000
Three years to five years	1,370,000	1,605,000
More than five years	5,050,000	2,395,000
	13,403,003	11,707,559

(a) Islamic commercial papers

Islamic commercial papers were issued by 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 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.

20 OTHER LIABILITIES

	2013	2012
	RM'000	RM'000
Provision for zakat	2,028	1,118
Other payables and accruals	12,836	10,812
Amount due to government	50,473	50,842
	65,337	62,772

21 SHARE CAPITAL

	2013		2012	
	Amount	Number of shares	Amount	Number of shares
	RM'000	'000	RM'000	'000
Ordinary shares of RM1 each:				
Authorised:				
Balance as at 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
Balance as at 1 January/31 December	150,000	150,000	150,000	150,000

22 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.

23 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM2,517,269,000 (2012: RM2,214,834,000) of the Company by 150,000,000 ordinary shares of the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM318,573,000 (2012: RM218,963,000) of the Company by 150,000,000 ordinary shares of 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.

24 INTEREST INCOME

	2013	2012
	RM'000	RM'000
Amount due from counterparties	167,239	178,368
Mortgage assets	348,837	292,620
Compensation from mortgage assets	172	138
Hire purchase assets	228	449
AFS investment securities	45,607	38,050
Deposits and placements with financial institutions	10,588	7,222
	572,671	516,847
Accretion of discount less amortisation of premium (net)	148,924	145,713
	721,595	662,560

25 INTEREST EXPENSE

	2013 RM'000	2012 RM'000
Medium-term notes	424,888	435,456
Floating rate notes	6,553	7,226
Deposits and placements of financial institutions	—	5
	431,441	442,687

26 NON-INTEREST INCOME

	2013 RM'000	2012 RM'000
Realised net loss on derivatives	(9,462)	(8,798)
Other non-operating income	7,080	9,635
Gain on disposal of AFS investment securities	2,623	4,024
Gain on disposal of property and equipment	14	112
	255	4,973

27 PROFIT BEFORE TAXATION AND ZAKAT

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

	2013 RM'000	2012 RM'000
Directors' remuneration (Note 28)	692	827
Rental of premises	2,418	2,148
Hire of equipment	242	251
Auditor's remuneration		
— Audit fees	165	152
— Non audit fees	8	8
Depreciation of property and equipment	1,148	1,065
Amortisation of intangible assets	2,132	2,508
Servicers fees	3,096	2,783
Repairs and maintenance	1,766	1,590
Donations and sponsorship	183	177
Corporate expenses	645	739
Travelling expenses	(87)	248
Gain on disposal of property and equipment	(14)	(112)
Allowance/(Write-back) of impairment losses	6,536	(5,127)
Personnel costs:		
— Salary and allowances	11,166	10,261
— Bonus	4,667	3,722
— Overtime	56	61
— EPF & SOCSO	2,553	2,298
— Insurance	433	242

28 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 Yeoh Beow Tit
Tang Wing Chew
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon
Dato' Halipah binti Esa (Appointed on 27.3.2013)
Y.M. Tunku Afwida Tunku A. Malek (Retired on 26.3.2013)

28 DIRECTORS' REMUNERATION — (CONTINUED)

Executive Director

Chung Chee Leong (Appointed on 27.3.2013)

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

	2013	2012
	RM'000	RM'000
Non Executive Directors:		
Fees	370	370
Other remuneration	305	457
	675	827
Executive Director:		
Fees	13	—
Other remuneration	4	—
	17	—
	692	827

29 TAXATION

(a) *Tax charge for the financial year:*

	2013	2012
	RM'000	RM'000
Malaysian income tax:		
— Current tax	106,106	74,018
— Deferred taxation (Note 17)	(1,926)	(1,055)
	104,180	72,963
Current tax:		
— Current year	106,379	73,878
— (Over)/underprovision in prior year	(273)	140
Deferred taxation:		
Origination and reversal of temporary differences (Note 17)	(1,926)	(1,055)
	104,180	72,963

(b) *Reconciliation of income tax expense*

The tax on 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:

	2013	2012
	RM'000	RM'000
Profit before taxation	424,781	293,044
Taxation calculated at Malaysian tax rate of 25% (2012: 25%)	106,195	73,261
Expenses not deductible for tax purposes	556	325
Deduction arising from zakat contribution	(280)	(280)
Expenses allowed for double deduction	—	(10)
Amortisation of intangible assets not deductible	(2,018)	—
Change in taxation basis	—	(473)
(Over)/underprovision in prior year	(273)	140
	104,180	72,963

30 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	2013		2012	
	Gross per share	Amount of dividend net of tax	Gross per share	Amount of dividend net of tax
	Sen	RM'000	Sen	RM'000
Interim dividend paid	5.00	5,625	—	—
Special dividend paid	—	—	25.00	28,125
Special dividend paid	—	—	48.00	54,000
Final dividend paid	15.00	16,875	15.00	16,875
	20.00	22,500	88.00	99,000

At the forthcoming Annual General Meeting, single tier final dividend in respect of the financial year ended 31 December 2013 of 15 sen per share (2012: 15 sen per share), less income tax of Nil% (2012: 25%) amounting to RM22,500,000 (2012: RM16,875,000) will be proposed for shareholder's approval.

31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	Relationships
CHB	Holding company
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of 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

BNM is regarded as a related party on the basis of having significant influence over the holding company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company and its 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 holding company. These transactions have been disclosed on the statement of financial position and income statement of the Company.

31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)

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

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

	Related company	Structured entity of holding 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	—	—
Amount due from			
Transaction administrator and administrator fees	751	—	—
BNM current accounts	—	—	31
Reimbursement of operating expenses	—	—	342

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS").

	Related company	Structured entity of holding company	Other related party
	RM'000	RM'000	RM'000
2012			
Income			
Bank swap premium	—	—	419
Transaction administrator and administrator fees	7,808	124	77
Expenses			
FAST* and RENTAS** charges	—	—	61
Guarantee and Wakalah fee	115	—	—
Amount due from			
Transaction administrator and administrator fees	829	—	—
Bank swap premium	—	—	146
BNM current accounts	—	—	29
Reimbursement of operating expenses	—	—	249

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS").

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

In addition, the Company's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel was RM5,337,904 (2012: RM4,751,518).

The total remuneration paid to the Directors is disclosed in Note 28 to the financial statements.

(c) Transactions with the GOM and its related parties

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

31 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)

(c) Transactions with the GOM and its related parties — (continued)

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

32 CAPITAL COMMITMENTS

	2013	2012
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	—	1,960
Authorised but not contracted for	7,793	1,567
	7,793	3,527
Analysed as follows:		
Equipment	93	158
Computer equipment	7,700	3,369
	7,793	3,527

33 LEASE COMMITMENTS

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

	2013	2012
	RM'000	RM'000
Maturing within one year	2,792	3,033
One year to three years	59	2,866
	2,851	5,899

34 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 Company takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest/profit margin may increase as a result of such changes but may reduce or create losses in the event that an unexpected movement in the market interest/profit rates arise.

The following tables summarise the Company's exposure to interest/profit rate risks. Included in the tables are 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 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 represents a static position which provides an indication of the potential impact on 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 Company's shareholder's funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

34 INTEREST/PROFIT RATE RISK — (CONTINUED)

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

	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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						
Mortgage assets:	707,743	3,478,802	1,921,388	—	—	6,107,933
— 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)	7,582,923^3
Hire purchase assets:						
— Conventional	5	—	—	—	(1)	4^2
— 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 conventional hire purchase assets of RM1,204.

^3 Includes impairment losses on Islamic mortgage assets of RM28,040,701.

^4 Includes impairment losses on Islamic hire purchase assets of RM66,518.

	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
	—	—	—	—	143,176	143,176
Other liabilities	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		

34 INTEREST/PROFIT RATE RISK — (CONTINUED)

	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Financial assets						
Cash and short-term funds	319,804	—	—	—	51,135	370,939
AFS investment securities	373,633	378,111	318,287	95,952	—	1,165,983
Amount due from counterparties	131,335	1,464,210	2,100,597	—	—	3,696,142
Islamic financing assets						
Mortgage assets:	2,619,653	3,002,670	2,454,538	—	—	8,076,861
— Conventional	1,164,395	1,242,583	1,129,947	3,861,989	(1,305,134)	6,093,780^1
— Islamic						
Hire purchase assets:	670,991	662,728	633,608	2,756,369	(894,883)	3,828,813^3
— Conventional	11	—	—	—	(2)	9^2
— Islamic	6,613	8,091	1,894	83	(744)	15,937^4
Other assets	1,818	2,175	1,561	2,289	3,169	11,012
	5,288,253	6,760,568	6,640,432	6,716,682	(2,146,459)	23,259,476

^1 Includes impairment losses on conventional mortgage assets of RM35,974,413.

^2 Includes impairment losses on conventional hire purchase assets of RM1,883.

^3 Includes impairment losses on Islamic mortgage assets of RM21,267,391.

^4 Includes impairment losses on Islamic hire purchase assets of RM75,626.

	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012						
Financial liabilities						
Unsecured bearer bonds and notes	562,450	2,650,000	2,750,000	3,255,000	—	9,217,450
Sukuk	4,077,559	3,630,000	1,605,000	2,395,000	—	11,707,559
Other liabilities	—	—	—	—	135,212	135,212
	4,640,009	6,280,000	4,355,000	5,650,000	135,212	21,060,221
Total interest/profit sensitivity gap	648,244	480,568	2,285,432	1,066,682		
Cumulative gap	648,244	1,128,812	3,414,244	4,480,926		

34 INTEREST/PROFIT RATE RISK — (CONTINUED)

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

	-100 basis points RM'000	+100 basis points RM'000
2013		
AFS reserve	49,162	(46,650)
IRS/IPRS	(38,381)	36,342
Taxation effects on the above at tax rate of 25%	(2,695)	2,577
Effect on shareholder's funds	8,086	(7,731)
As percentage of shareholder's funds	0.3%	-0.3%
2012		
AFS reserve	29,433	(28,035)
IRS/IPRS	(47,507)	44,620
Taxation effects on the above at tax rate of 25%	4,518	(4,146)
Effect on shareholder's funds	(13,556)	12,439
As percentage of shareholder's funds	-0.6%	0.6%

35 CREDIT RISK

35.1 Credit risk concentrations

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 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.

Industrial analysis based on its industrial distribution

	Cash and short term funds	Derivatives financial instruments	AFS investment securities	Amount due from counter parties	Islamic financing assets	Mortgage assets	Islamic mortgage assets	Hire purchase assets	Islamic hire purchase assets	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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
2012											
Government bodies	—	—	435,266	—	—	—	—	—	—	5,120	440,386
Financial institutions:											
— Commercial banks	370,939	1,115	236,015	3,579,842	8,076,861	—	—	—	—	146	12,264,918
— Investment banks	—	—	—	—	—	—	—	—	—	—	—
Communications, electricity, gas and water	—	—	40,763	—	—	—	—	—	—	—	40,763
Transportation	—	—	107,091	—	—	—	—	—	—	—	107,091
Leasing	—	—	—	116,300	—	—	—	—	—	—	116,300
Consumers	—	—	—	—	—	6,093,780	3,828,813	9	15,937	—	9,938,539
Others	—	—	346,848	—	—	—	—	—	—	6,616	353,464
Total	370,939	1,115	1,165,983	3,696,142	8,076,861	6,093,780	3,828,813	9	15,937	11,882	23,261,461

35 CREDIT RISK — (CONTINUED)

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

All amount due to 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 which are more than 90 days due. The coverage ratio is calculated in reference to total impairment allowance and the carrying value (before impairment) of credit risk loans.

	Neither past due nor impaired	Past due but not individually impaired	Total	Impairment allowance	Total carrying value	Credit risk loan	Coverage ratio
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	
2012							
Amount due from counterparties	3,696,142	—	3,696,142	—	3,696,142	—	—
Islamic financing assets	8,076,861	—	8,076,861	—	8,076,861	—	—
Mortgage assets							
— Conventional	6,059,310	70,444	6,129,754	35,974	6,093,780	70,444	51%
— Islamic	3,798,795	51,285	3,850,080	21,267	3,828,813	51,285	41%
Hire purchase assets							
— Conventional	5	6	11	2	9	6	32%
— Islamic	15,861	152	16,013	76	15,937	152	50%
	21,646,974	121,887	21,768,861	57,319	21,711,542	121,887	

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets — (continued)

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

	2013		2012	
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	3,825,726	3,825,726	3,696,142	3,696,142
Islamic financing assets	6,107,933	6,107,933	8,076,861	8,076,861
Mortgage assets				
— Conventional	7,823,324	7,823,324	6,059,310	6,059,310
— Islamic	7,573,937	7,573,937	3,798,795	3,798,795
Hire purchase assets				
— Conventional	1	1	5	5
— Islamic	11,101	11,101	15,861	15,861
	25,342,022	25,342,022	21,646,974	21,646,974

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

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

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

	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2013					
Conventional:					
— mortgage assets	4,882	4,487	4,126	45,514	59,009
— hire purchase assets	—	—	—	4	4
Islamic:					
— mortgage assets	4,282	2,907	2,699	27,139	37,027
— hire purchase assets	—	44	2	116	162
	9,164	7,438	6,827	72,773	96,202

	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2012					
Conventional:					
— mortgage assets	11,195	8,538	6,051	44,660	70,444
— hire purchase assets	—	—	—	6	6
Islamic:					
— mortgage assets	5,766	8,046	4,340	33,133	51,285
— hire purchase assets	1	—	—	151	152
	16,962	16,584	10,391	77,950	121,887

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. This may result from administrative delays on the side of the borrower leading to

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets — (continued)

assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

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

For the financial year ended 31 December 2013, the Company has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets.

The movement in impairment allowance are as follows:

	As at 1 January	Allowance made	Write back of allowance	As at 31 December
	RM'000	RM'000	RM'000	RM'000
2013				
Conventional:				
— mortgage assets	35,974	131	(359)	35,746
— hire purchase assets	2	—	(1)	1
Islamic:				
— mortgage assets	21,267	6,902	(128)	28,041
— hire purchase assets	76	33	(42)	67
	57,319	7,066	(530)	63,855
2012				
Conventional:				
— mortgage assets	40,382	1,029	(5,437)	35,974
— hire purchase assets	16	—	(14)	2
Islamic:				
— mortgage assets	21,872	839	(1,444)	21,267
— hire purchase assets	176	22	(122)	76
	62,446	1,890	(7,017)	57,319

35.3 AFS investment securities

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

	Investment Grade			
	GOM	AAA	AA1 to AA2/ AA+ to AA	Total
	RM'000	RM'000	RM'000	RM'000
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 debt securities	—	421,526	—	421,526
Negotiable instrument of deposits	—	51,629	—	51,629
Quasi government debt securities	117,099	—	—	117,099
IQuasi government debt securities	357,194	—	—	357,194
	845,334	554,619	187,105	1,587,058

35 CREDIT RISK — (CONTINUED)

35.3 AFS investment securities — (continued)

	Investment Grade			
	GOM	AAA	AA1 to AA2/ AA+ to AA	Total
	RM'000	RM'000	RM'000	RM'000
2012				
Private debt securities	—	81,999	40,763	122,762
Malaysian government securities	83,700	—	—	83,700
Government investment issues	168,281	—	—	168,281
Islamic debt securities	—	285,078	—	285,078
Negotiable instrument of deposits	—	205,511	—	205,511
Bank Negara Malaysia Sukuk	99,764	—	—	99,764
Quasi government debt securities	200,887	—	—	200,887
	552,632	572,588	40,763	1,165,983

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

35.4 Amount due from related company

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

35.5 Offsetting financial instruments

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

	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	Cash collateral placed	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
Derivative financial liabilities	(35,898)	—	(35,898)	—	26,100	(9,798)
2012						
Derivative financial liabilities	(53,741)	—	(53,741)	—	43,960	(9,781)

36 LIQUIDITY RISK

36.1 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.

36.2 Liquidity pool

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

	Cash and short term funds with licensed financial institutions	Derivative financial instruments	AFS investment securities	Mortgage assets	Islamic mortgage assets	Other available liquidity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013	592,956	7,286	1,587,058	7,846,587	7,582,923	9,953,500	27,570,310
2012	370,939	1,115	1,165,983	6,093,780	3,828,813	11,798,792	23,259,422

36 LIQUIDITY RISK — (CONTINUED)

36.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by 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 Company managing the liquidity risk based on a different basis, which does not result in a significantly different analysis.

	Contractual maturity dates					
	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
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
2012						
Financial liabilities						
Unsecured bearer bonds and notes	13,804	51,175	824,379	6,607,046	4,218,626	11,715,030
Sukuk	33,621	845,097	3,524,016	6,202,325	3,210,408	13,815,467
Other liabilities	10,816	—	—	—	51,956	62,772
	58,241	896,272	4,348,395	12,809,371	7,480,990	25,593,269
Assets held for managing liquidity risk	803,355	635,219	4,013,917	14,584,378	10,698,814	30,735,683

36.4 Derivatives liabilities

The Company's derivatives comprise interest rate swaps/Islamic profit rate swap, for which net cash flows are exchanged, held for hedging purposes. The derivatives held by the Company is settled on a net basis.

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

	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
2013						
Derivatives held for hedging						
— IRS/IPRS	—	(4,767)	(4,453)	(17,976)	(4,159)	(31,355)
2012						
Derivatives held for hedging						
— IRS/IPRS	—	(4,896)	(5,246)	(34,059)	(14,536)	(58,737)

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 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

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

37.1 Fair value of financial instruments carried at fair value — (continued)

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.

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

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

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

The estimated fair value of the interest rate swaps/Islamic profit rate swaps 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).

	Level 1	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2013				
Assets				
AFS investments securities	—	1,587,058	—	1,587,058
Derivative financial instruments	—	7,286	—	7,286
Liabilities				
Derivative financial instruments	—	35,898	—	35,898
2012				
Assets				
AFS investments securities	—	1,165,983	—	1,165,983
Derivative financial instruments	—	1,115	—	1,115
Liabilities				
Derivative financial instruments	—	53,741	—	53,741

37.2 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

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

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

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

(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 Company's financial instruments above approximated their carrying values in the statement of financial position except for the following:

	2013		2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Amount due from counterparties	3,825,726	3,623,966	3,696,142	3,658,310
Islamic financing assets	6,107,933	5,802,562	8,076,861	8,118,391
Mortgage assets				
— Conventional	7,846,587	7,846,599	6,093,780	6,893,146
— Islamic	7,582,923	7,584,303	3,828,813	4,201,962
Hire purchase assets				
— Conventional	4	4	9	3
— Islamic	11,196	11,210	15,937	17,826
	25,374,369	24,868,644	21,711,542	22,889,638
Financial liabilities				
Unsecured bearer bonds and notes	11,521,708	11,673,930	9,217,450	9,253,355
Sukuk	13,403,003	13,539,338	11,707,559	11,691,278
	24,924,711	25,213,268	20,925,009	20,944,633

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 date of the statement of financial position 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 market yield to maturity at the date of the statement of financial position 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 date of the statement of financial position and, is therefore within Level 3 of the fair value hierarchy.

38 SEGMENT REPORTING

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

(a) PWR

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

(b) PWOR

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

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.

	PWR	PWOR	Total
	RM'000	RM'000	RM'000
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 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

	PWR	PWOR	Total
	RM'000	RM'000	RM'000
2012			
External revenue	505,701	708,631	1,214,332
External interest/profit expense	(396,566)	(496,157)	(892,723)
Profit from operations	81,410	211,634	293,044
Zakat	(752)	(366)	(1,118)
Taxation	(20,047)	(52,916)	(72,963)
Profit after taxation by segment	60,611	158,352	218,963
Segment assets	13,332,548	9,952,059	23,284,607
Segment liabilities	10,728,144	10,332,077	21,060,221
Other information:			
Capital expenditure	792	593	1,385
Depreciation and amortisation	1,355	2,218	3,573

39 CAPITAL ADEQUACY

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 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 Company is not subject to 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 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 1 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 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets.

Core capital ratio refers to the ratio of Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio is the ratio of total capital base to risk-weighted assets.

The capital adequacy ratios are as follows:

	2013	2012
	RM'000	RM'000
Tier I capital		
Paid up capital	150,000	150,000
Retained profits	2,406,998	2,110,925
	2,556,998	2,260,925
Deferred taxation assets	(8,929)	(9,231)
Total tier I capital	2,548,069	2,251,694
Tier ll capital		
Allowance for impairment losses	63,855	57,319
Total tier II capital	63,855	57,319
Total capital base	2,611,924	2,309,013

	2013	2012
	RM'000	RM'000
Capital ratios:		
Core	23.7%	23.8%
Risk-weighted	24.3%	24.4%

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2013	2012
	RM'000	RM'000
Credit risk	10,044,004	8,816,211
Operational risk	705,105	639,329
Total risk-weighted assets	10,749,109	9,455,540

40 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Cash and short-term funds	(a)	55,170	94,346
Derivative financial instruments		7,286	1,115
AFS investment securities	(b)	204,788	99,764
Financing assets	(c)	6,107,933	8,076,861
Mortgage assets	(d)	7,574,153	3,820,156
Hire purchase assets	(e)	8,427	9,975
Other assets and prepayments		289,525	289,439
TOTAL ASSETS		14,247,282	12,391,656
LIABILITIES			
Sukuk	(f)	13,403,003	11,707,559
Deferred taxation		1,828	282
Other liabilities	(g)	37,835	10,990
TOTAL LIABILITIES		13,442,666	11,718,831
ISLAMIC OPERATIONS' FUNDS		804,616	672,825
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		14,247,282	12,391,656

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Total income attributable		669,540	551,772
Income attributable to the Sukuk holders	(h)	(487,089)	(450,036)
Non profit expense		(569)	(324)
Total income attributable	(i)	181,882	101,412
Administration and general expenses		(2,836)	(2,133)
(Allowance)/Write-back of impairment losses		(6,802)	600
PROFIT BEFORE TAXATION AND ZAKAT		172,244	99,879
Taxation		(43,061)	(24,970)
Zakat		(2,028)	(1,118)
PROFIT FOR THE FINANCIAL YEAR		127,155	73,791

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013	2012
Profit for the financial year	127,155	73,791
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
AFS investment securities		
— Net gain on fair value changes before taxation	17	4
— Deferred taxation	(4)	(1)
Cash flow hedge		
— Net gain on cash flow hedge before taxation	6,164	1,124
— Deferred taxation	(1,541)	(281)
Other comprehensive income for the financial year, net of taxation	4,636	846
Total comprehensive income for the financial year	131,791	74,637

40 ISLAMIC OPERATIONS — (CONTINUED)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Allocated capital funds	AFS reserve	Cash flow hedge reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
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
Balance as at 1 January 2012	294,159	2	—	304,027	598,188
Profit for the financial year	—	—	—	73,791	73,791
Other comprehensive income	—	3	843	—	846
Total comprehensive income for the financial year	—	3	843	73,791	74,637
Balance as at 31 December 2012	294,159	5	843	377,818	672,825

40 ISLAMIC OPERATIONS — (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
OPERATING ACTIVITIES		
Profit for the financial year	127,155	73,791
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Accretion of discount on:		
— Mortgage assets	(101,114)	(88,156)
— Hire purchase assets	(222)	(233)
Amortisation of premium less accretion of discount on debt securities	(6,655)	(2,968)
Write-back/(Allowance) of impairment loss on mortgage assets and hire purchase assets	6,802	(600)
Income from:		
— Debt securities	(362)	(96)
— Operations	(556,826)	(458,212)
Gain on disposal of AFS investment securities	—	(109)
Profit attributable to Sukuk holders	487,089	449,726
Wakalah fee expense	151	102
Taxation	43,061	24,970
Zakat	2,028	1,118
Operating profit/(loss) before working capital changes	1,107	(667)
Decrease/(Increase) in financing assets	1,963,777	(1,190,454)
(lncrease)/decrease in mortgage assets	(3,579,736)	178,814
Decrease in hire purchase assets	2,108	605
(lncrease)/decrease in other assets and prepayments	(86)	142
Increase in Sukuk	1,690,000	1,111,265
lncrease/(decrease) in other liabilities	6,073	(2,294)
Cash generated from operating activities	83,243	97,411
Profit received from assets	481,689	456,128
Profit paid to Sukuk holders	(481,646)	(438,899)
Wakalah fee paid	(151)	(102)
Payment of taxation	(23,196)	(20,892)
Payment of zakat	(1,118)	(2,260)
Net cash generated from operating activities	58,821	91,386
INVESTING ACTIVITIES		
Purchase of AFS investment securities	(1,961,455)	(1,505,542)
Sale of AFS investment securities	1,863,517	1,458,106
Derivative financial instruments	(8)	9
Income (paid to)/received from debt securities	(51)	96
Net cash utilised in investing activities	(97,997)	(47,331)
Net (decrease)/increase in cash and cash equivalents	(39,176)	44,055
Cash and cash equivalents as at 1 January	94,346	50,291
Cash and cash equivalents as at 31 December	55,170	94,346
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds	55,170	94,346

40 ISLAMIC OPERATIONS — (CONTINUED)

(a) Cash and short-term funds

	2013 RM'000	2012 RM'000
Cash and bank balances with banks and other financial institutions	33	27
Mudharabah money at call and deposits placements maturing within one month	55,137	94,319
	55,170	94,346

(b) AFS investment securities

	2013 RM'000	2012 RM'000
At fair value:		
Bank Negara Malaysia Sukuk	—	99,764
Debt securities	174,425	—
Government investment issues	30,363	—
	204,788	99,764

The maturity structure of AFS investment securities are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	169,683	99,764
One year to three years	35,105	—
	204,788	99,764

(c) Financing assets

	2013 RM'000	2012 RM'000
Relating to:		
Housing financing	1,457,958	1,063,445
Hire purchase	3,649,680	4,034,911
Personal financing	1,000,295	2,978,505
	6,107,933	8,076,861

The maturity structure of financing assets are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	707,743	2,619,653
One year to three years	3,478,802	3,002,670
Three years to five years	1,921,388	2,454,538
	6,107,933	8,076,861

(d) Mortgage assets

	2013 RM'000	2012 RM'000
PWOR	7,574,153	3,820,156

The maturity structure of mortgage assets are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	745,909	669,901
One year to three years	998,735	660,770
Three years to five years	1,034,057	631,828
More than five years	6,079,289	2,752,523
	8,857,990	4,715,022
Less:		
Unaccreted discount	(1,255,812)	(873,616)
Allowance for impairment losses	(28,025)	(21,250)
	7,574,153	3,820,156

40 ISLAMIC OPERATIONS — (CONTINUED)

(e) Hire purchase assets

	2013 RM'000	2012 RM'000
PWOR	8,427	9,975

The maturity structure of hire purchase assets are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	3,529	3,448
One year to three years	4,562	5,016
Three years to five years	760	1,894
More than five years	—	83
Less:	8,851	10,441
Unaccreted discount	(375)	(445)
Allowance for impairment losses	(49)	(21)
	8,427	9,975

(f) Sukuk

	2013 RM'000	2012 RM'000
Commercial papers	500,271	500,264
Medium-term notes	12,902,732	11,207,295
	13,403,003	11,707,559

The maturity structure of Sukuk are as follows:

	2013 RM'000	2012 RM'000
Maturing within one year	2,243,003	4,077,559
One year to three years	4,740,000	3,630,000
Three years to five years	1,370,000	1,605,000
More than five years	5,050,000	2,395,000
	13,403,003	11,707,559

(g) Other liabilities

	2013 RM'000	2012 RM'000
Zakat	2,028	1,118
Other payables	35,807	9,872
	37,835	10,990

(h) Income attributable to the Sukuk holders

	2013 RM'000	2012 RM'000
Mortgage assets	219,868	195,142
Hire purchase assets	413	337
Financing assets	266,808	254,247
Deposits and placements of financial institutions	—	310
	487,089	450,036

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

	2013 RM'000	2012 RM'000
Bai Al-Dayn	487,089	449,726
Mudharabah	—	310
	487,089	450,036

40 ISLAMIC OPERATIONS — (CONTINUED)

(i) Total income attributable

	2013 RM'000	2012 RM'000
Income from:		
Mortgage assets	145,728	72,924
Hire purchase assets	159	301
Financing assets	25,186	23,650
AFS investment securities	7,094	3,351
Deposits and placements with financial institutions	4,284	1,510
Non profit expense	(569)	(324)
	181,882	101,412

Total net income analysed by concept are as follows:

	2013 RM'000	2012 RM'000
Bai Bithaman Ajil	307	195
Murabahah	228	1,900
Bai Al-Dayn	171,073	97,015
Mudharabah	10,274	2,301
Ijarah	—	1
	181,882	101,412

(j) Capital adequacy

	2013 RM'000	2012 RM'000
Tier I capital		
Allocated capital funds	294,159	294,159
Other reserves	504,973	377,818
	799,132	671,977
Deferred taxation liabilities	1,828	282
Total tier I capital	800,960	672,259
Tier II capital		
Allowance for impairment losses	28,074	21,271
Total tier II capital	28,074	21,271
Total capital base	829,034	693,530
Capital ratios:		
Core	15.0%	14.5%
Risk-weighted	15.5%	15.0%

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2013 RM'000	2012 RM'000
Credit risk	5,096,085	4,420,830
Operational risk	243,812	201,270
Total risk-weighted assets	5,339,897	4,622,100

(k) Shariah advisors

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

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 December 2013.

42 APPROVAL OF FINANCIAL STATEMENTS

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

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

We, Dato' Ooi Sang Kuang and Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 5 to 74 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the results and cash flow of 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, Chung Chee Leong, the Director primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 74 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHUNG CHEE LEONG

Subscribed and solemnly declared by the above named Chung Chee Leong at Kuala Lumpur in Malaysia on 06 MAR 2014.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 409
LEONG CHIEW KEONG
MALAYSIA

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

pwc

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 5 to 74 which comprise the statement of financial position as at 31 December 2013 of the Company, and the statement of income, comprehensive income, changes in equity and cash flows 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 42.

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 financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 and of its 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

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

REPORT ON THE FINANCIAL STATEMENTS — (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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
6 March 2014

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2012

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 8195/9125

STATUTORY FINANCIAL STATEMENTS
31 DECEMBER 2012

CONTENTS **PAGES**

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issue 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.

There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	218,963

DIVIDENDS

The dividends paid by the Company since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011, as shown in the Directors' report of that financial year,	
— a final dividend of 15 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 7 May 2012	16,875
In respect of the financial year ended 31 December 2012,	
— a special dividend of 25 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 1 November 2012	28,125
— a special dividend of 48 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 10 December 2012	54,000
	99,000

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares, less taxation of 25%, amounting to RM16,875,000 for the financial year ended 31 December 2012 which is subject to approval of members at the forthcoming Annual General Meeting of the Company.

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 bond, notes and Sukuk issued by the Company. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAAID and MARC-1/MARC-1ID to bond, notes and Sukuk issued by the Company.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Company involving mortgage loans, hire purchase and leasing debts, Islamic financing facilities as well as issuance of unsecured debt securities and Sukuk are done at arm's length with various financial institutions including that of substantial shareholders of Cagamas Holdings Berhad.

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
Y.M. Tunku Afwida Tunku A, Malek
Tang Wing Chew
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon

DIRECTORS — (CONTINUED)

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Y.M. Tunku Afwida Tunku A. Malek and Mr Tang Wing Chew retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of 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 28 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.

SHARE CAPITAL

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and statement of financial position were made out, the Directors took reasonable steps:

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

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

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 Company inadequate to any substantial extent; or

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

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

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

(a) any charge on the assets of 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 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 Company to meet its obligations when they fall due.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS — (CONTINUED)

In the opinion of the Directors:

(a) the results of the operations of 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 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.

AUDITORS

Our auditors, PricewaterhouseCoopers, have 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	DATO' ALBERT YEOH BEOW TIT DIRECTOR

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012	31 December 2011	1 January 2011
		RM'000	RM'000	RM'000
ASSETS				
Cash and short-term funds	5	370,939	355,299	113,722
Derivative financial instruments	6	1,115	—	2,848
Available-for-sale investment securities	7	1,165,983	596,599	350,383
Amount due from counterparties	8	3,696,142	4,307,044	4,325,110
Islamic financing debts	9	8,076,861	6,879,635	6,854,347
Mortgage assets				
— Conventional	10	6,093,780	6,578,196	7,074,638
— Islamic	11	3,828,813	3,918,909	3,992,999
Hire purchase assets				
— Conventional	12	9	52	761
— Islamic	13	15,937	21,221	25,463
Amount due from related company and SPE		829	976	1,059
Amount due from ultimate holding company		—	2	2
Other assets	14	11,053	5,646	6,375
Property and equipment	15	4,363	4,311	5,363
Intangible assets	16	9,552	11,796	13,943
Deferred taxation	17	9,231	9,194	5,170
TOTAL ASSETS		23,284,607	22,688,880	22,772,183
LIABILITIES				
Unsecured bearer bonds and notes	18	9,217,450	9,868,021	10,039,490
Sukuk	19	11,707,559	10,585,467	10,651,329
Derivative financial instruments	6	53,741	58,278	46,813
Provision for taxation		18,699	12,279	13,186
Amount due to ultimate holding company		—	—	100,000
Other liabilities	20	62,772	63,463	13,352
TOTAL LIABILITIES		21,060,221	20,587,508	20,864,170
Share capital	21	150,000	150,000	150,000
Reserves	22	2,074,386	1,951,372	1,758,013
SHAREHOLDER'S FUNDS		2,224,386	2,101,372	1,908,013
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		23,284,607	22,688,880	22,772,183
NET TANGIBLE ASSETS PER SHARE (RM)	23	14.77	13.93	12.63

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

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		RM'000	RM'000
Interest income	24	662,560	681,926
Interest expense	25	(442,687)	(451,555)
Income from Islamic operations	40	101,412	107,486
Non-interest income	26	4,973	3,342
		326,258	341,199
Administration and general expenses		(19,965)	(18,915)
Personnel costs		(18,376)	(18,020)
Write-back of allowance for impairment losses		5,127	—
PROFIT BEFORE TAXATION AND ZAKAT	27	293,044	304,264
Taxation	29	(72,963)	(75,559)
Zakat		(1,118)	(2,260)
PROFIT FOR THE FINANCIAL YEAR		218,963	226,445
EARNINGS PER SHARE (SEN)	23	145.98	150.96
DIVIDEND PER SHARE (SEN)	30	88.00	20.00

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012	2011
	RM'000	**RM'000**
Profit for the financial year	218,963	226,445
Other comprehensive income/(loss):		
Available-for-sale investment securities		
— Net (loss)/gain on fair value changes before taxation	(1,356)	1,448
— Deferred taxation	339	(362)
Cash flow hedge		
— Net gain/(loss) on cash flow hedge before taxation	5,425	(15,274)
— Deferred taxation	(1,357)	3,602
Other comprehensive income/(loss) for the financial year, net of taxation	3,051	(10,586)
Total comprehensive income for the financial year	222,014	215,859

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			
		Share capital	AFS reserve	Cash flow hedge reserve	Retained profits	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2012		150,000	1,107	(40,697)	1,990,962	2,101,372
Profit for the financial year		—	—	—	218,963	218,963
Other comprehensive (loss)/income		—	(1,017)	4,068	—	3,051
Total comprehensive (loss)/income for the financial year		—	(1,017)	4,068	218,963	222,014
Final dividend in respect of financial year ended 31 December 2011	30	—	—	—	(16,875)	(16,875)
Approved special dividend in respect of financial year ended 31 December 2012	30	—	—	—	(82,125)	(82,125)
Balance as at 31 December 2012		150,000	90	(36,629)	2,110,925	2,224,386
Balance as at 1 January 2011		150,000	21	(29,025)	1,787,017	1,908,013
Profit for the financial year		—	—	—	226,445	226,445
Other comprehensive income/(loss)		—	1,086	(11,672)	—	(10,586)
Total comprehensive income/(loss) for the financial year		—	1,086	(11,672)	226,445	215,859
Final dividend in respect of financial year ended 31 December 2010	30	—	—	—	(16,875)	(16,875)
Interim dividend in respect of financial year ended 31 December 2011	30	—	—	—	(5,625)	(5,625)
Balance as at 31 December 2011		150,000	1,107	(40,697)	1,990,962	2,101,372

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

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		RM'000	RM'000
OPERATING ACTIVITIES			
Profit for the financial year		218,963	226,445
Adjustments for investment items and items not involving the movement of cash and cash equivalents:			
Amortisation of premium less accretion of discount on:			
— Available-for-sale investment securities		1,006	905
— Islamic debt securities		(2,968)	(2,486)
Accretion of discount on:			
Mortgage assets			
— Conventional		(146,467)	(153,578)
— Islamic		(88,156)	(87,330)
Hire purchase assets			
— Conventional		(1)	(10)
— Islamic		(485)	(2,639)
Write-back of allowance for impairment loss on mortgage assets/Islamic mortgage assets/hire purchase and Islamic hire purchase assets		(5,127)	—
Income from Islamic debt securities		(96)	(828)
Interest income		(509,487)	(528,853)
Income from Islamic operations		(458,212)	(463,259)
Interest expense		442,687	451,555
Profit attributable to Sukuk holders		449,726	448,863
Depreciation of property and equipment		1,065	1,126
Amortisation of intangible assets		2,508	2,631
Gain on disposal of property and equipment		(112)	(26)
Gain on disposal of available-for-sale investment securities		(4,133)	(4,909)
Unrealised losses on revaluation of IRS		—	3
Guarantee fee expense		13	19
Wakalah fee expense		102	108
Taxation		72,963	75,559
Zakat		1,118	2,260
Operating loss before working capital changes		(25,093)	(34,444)
Decrease in amount due from counterparties		605,546	24,262
Increase in Islamic financing debts		(1,190,455)	(18,730)
Decrease in mortgage assets			
— Conventional		564,415	659,958
— Islamic		173,748	156,099
Decrease in hire purchase assets			
— Conventional		382	1,460
— Islamic		6,186	7,279
(lncrease)/decrease in other assets		(5,258)	817
Decrease in unsecured bearer bonds and notes		(645,000)	(165,000)
lncrease/(decrease) in Sukuk		1,111,265	(79,180)
Increase in other liabilities		453	49,636
Cash generated from operations		596,189	602,157
Interest received		547,449	490,184
Profit received from Islamic assets		456,128	461,624
Interest paid		(448,254)	(458,025)
Profit attributable to Sukuk holders		(438,899)	(435,544)
Guarantee fee paid		(13)	(19)
Wakalah fee paid		(102)	(108)
Payment of:			
— Zakat		(2,260)	(1,785)
— Taxation		(67,599)	(77,250)
Net cash generated from operating activities		642,639	581,234

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 — (Continued)

	Note	2012	2011
		RM'000	RM'000
INVESTING ACTIVITIES			
Purchase of available-for-sale investment securities		(3,966,712)	(2,906,672)
Sale of available-for-sale investment securities		3,407,745	2,673,372
Derivative financial instrument		(224)	(964)
Purchase of:			
— Property and equipment		(1,121)	(74)
— Intangible assets		(264)	(484)
Proceeds from disposal of property and equipment		111	26
Income received from:			
— Available-for-sale investment securities		32,370	16,751
— Islamic debts securities		96	888
Net cash utilised in investing activities		(527,999)	(217,157)
FINANCING ACTIVITY			
Dividends paid to ultimate holding company		(99,000)	(122,500)
Net cash utilised in financing activity		(99,000)	(122,500)
Net increase in cash and cash equivalents		15,640	241,577
Cash and cash equivalents as at 1 January		355,299	113,722
Cash and cash equivalents as at 31 December		370,939	355,299
Analysis of cash and cash equivalents as at end of the financial year:			
Cash and short-term funds	5	370,939	355,299

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 purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issue 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 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 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 financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The financial statements for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 "First-time adoption of MFRS". The Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) as if these policies had always been in effect.

The financial statements 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 Company.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying 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 to existing standards that are applicable to the Company but not yet effective

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

(i) Financial year beginning on 1 January 2013

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do, not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.1 Basis of preparation — (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective — (continued)

There is no significant impact arising from the initial application of this standard.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

  The initial application of this standard will result in additional disclosures in the financial statements.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

  The initial application of this standard will result in additional disclosures in the financial statements.

(ii) Financial year beginning on 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of "currently has a legally enforceable right of set-off" that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

  There is no significant impact arising from the initial application of this standard.

(iii) Financial year beginning on 1 January 2015

- MFRS 9 "Financial instruments — classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

  On initial application of the standard, financial assets classified as available for sale will need to be reclassified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.1 Basis of preparation — (continued)

(b) Transition from FRS to MFRS

MFRS 1 mandatory exceptions

- Estimates

  MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

- Hedge accounting

  Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 "Financial instruments: Recognition and measurement" at that date. Hedging relationships cannot be designated retrospectively.

2.2 Amount due from counterparties and Islamic financing debts

Note 1 to the financial statements describes the principal activities of the Company, which are inter alia, the purchase 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 debts in respect of mortgage loans, personal loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Company. Interest/profit income on amount due from counterparties/Islamic financing debts is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.3 Mortgage assets and hire purchase assets

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

As at the statement of financial position date, mortgage assets and hire purchase assets acquired are stated at their unpaid principal balances due to 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 acquired is accreted to the income statement over the term of the assets using the effective yield method.

2.4 Available-for-sale ("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 Company contracts to purchase the investment. Investments are derecognised when the Company has contracted to sell the investment and has 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.4 Available-for-sale ("AFS") investment securities — (continued)

See accounting policy on impairment of financial assets in Note 2.6 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest 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.

2.5 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 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 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 which they are incurred.

At each statement of financial position date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the assets 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 2.6 (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.

2.6 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Company assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. An asset 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 asset that can be reliably estimated.

The amount of the loss is measured as the difference between the assets'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 through the use of an allowance account 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 occuring 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 Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial asset is impaired. If any such evidence

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.6 Impairment of assets — (continued)

(a) Financial assets — (continued)

exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in the income statement. If, in the subsequent period, the fair value of a debt instrument classified as AFS investment securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(b) Non-financial assets

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

2.7 Income recognition

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

2.8 Premium and discount on unsecured bearer bonds and notes and Sukuk

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

2.9 Current and deferred tax

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

Deferred taxation 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 taxation 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 taxation 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 taxation asset is realised or deferred taxation liability is settled.

2.10 Cash and cash equivalents

For the purpose of cash flow statement, 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.

2.11 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.12 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 Company. The Company has determined the Chief Executive Officer to be the chief operating decision maker.

2.13 Derivative financial instruments and hedge accounting

Interest rate swaps ("IRS") are used by the Company to hedge the issuance of its debt securities/Sukuk from potential movements in interest/profit rates. Further details of the IRS/PRS are disclosed in Note 6 to the financial statements.

Fair value of IRS/IPRS is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates 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 Company documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

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

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.

2.14 Provisions

Provisions are recognised when the Company has 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 Company expects 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)

2.15 Zakat

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

The Company recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised when the Company has a current zakat obligation as a result of a zakat assessment. The amount of zakat expenses shall be assessed when the Company has 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% (2011: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit after 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.

2.16 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 Company.

(b) Defined contributions plans

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

2.17 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 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 administration and administrator fees

Service rights to transaction administration and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administration 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 2.6 (b) to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.18 Share capital

(a) Classification

Ordinary shares are classified as equity. Other shares are clasified 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 shareholders of the Company

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

2.19 Functional and presentation currency

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

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

2.20 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 purpose

Please refer to Note 37 for the detailed methods and assumptions used to estimate the fair values for each type of financial instruments.

In assessing fair values of other financial instruments, the Company uses a variety of methods and makes assumptions that are based on existing market conditions 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 Company for similar financial instruments.

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.

2.21 Contingent liabilities and contingent assets

The Company does 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 Company or a present obligation that is not recognised because it is not probable that

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.21 Contingent liabilities and contingent assets — (continued)

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.

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 Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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 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 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 Company has exercised its judgement to select 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

The Company makes allowances for losses on mortgage assets and 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 flow to service the assets.

4 RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk management is an integral part of 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 Company has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The 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 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 Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with 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.

4 RISK MANAGEMENT OBJECTIVE AND POLICIES — (CONTINUED)

4.1 Risk management structure — (continued)

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 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 fulfil its financial obligations when they fall due. Credit risk arises in the form of on balance sheet items such as lending and investments, as well as in the form of off balance sheet items such as guarantees and treasury hedging activities.

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

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

4.3 Market risk management

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

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

The Company also uses derivative instruments such as interest rate swaps to manage and hedge its market risk exposure against fluctuations in interest rates.

4.4 Liquidity risk management

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

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

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

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

4 RISK MANAGEMENT OBJECTIVE AND POLICIES — (CONTINUED)

4.4 Liquidity risk management — (continued)

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

(c) Monitoring the liquidity ratios of 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

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	51,136	50,757	197
Money at call and deposits placements maturing within one month	225,484	254,324	80,150
Mudharabah money at call and deposits placements maturing within one month	94,319	50,218	33,375
	370,939	355,299	113,722

6 DERIVATIVE FINANCIAL INSTRUMENTS

IRS/IPRS are used as hedging tools to support issuance of fixed rate bonds/Sukuk to fund floating rate purchases of mortgage loans/Islamic house financing debts. By entering into IRS/IPRS, the Company is protected from adverse movements in interest rates since the Company pays the floating rate receipts from its floating rate purchases to and receives fixed rate payments from the swap counterparties. These fixed rate payments will then be utilised to pay interest on the fixed rate bonds issued.

The IRS/IPRS are also used to hedge the Company's issuance of debt securities/Sukuk in a rising interest rate environment. In the first leg of the transaction, the Company pays fixed rate interest and receives floating rate payments from the swap counterparties. On issuance of the debt securities/Sukuk, the Company enters into the IRS/IPRS transaction by taking an opposite position for the same amounts as in the first leg of the transaction. The IRS/IPRS protects the Company in a rising interest rate environment since the Company will be receiving higher fixed rate as compared to the higher fixed rate that the Company is required to pay to the bond holders/Sukuk holders.

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 Company has designated a number of IRS/IPRS as cash flow hedges. The total fair value of derivatives included within cash flow hedges at 31 December 2012 was a credit of RM52.6 million (2011: RM58.3 million).

(b) Fair value hedges

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

(c) Net investment hedges

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

All derivatives financial instruments are held for economic hedging purposes, although not all derivatives are designated as hedging instruments under the terms of MFRS 139. The analyses below split derivatives between those in accounting hedge relationships and those not in accounting hedge relationships.

6 DERIVATIVE FINANCIAL INSTRUMENTS — (CONTINUED)

(c) Net investment hedges — (continued)

	31 December 2012			31 December 2011			1 January 2011		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives in accounting hedge relationships									
Derivatives designated as cash flow hedges:									
IRS/IPRS	910,000	1,115	(53,741)	435,000	—	(58,278)	570,000	—	(44,018)
Derivatives not in accounting hedge relationship									
IRS/IPRS	—	—	—	—	—	—	320,000	2,848	(2,795)
Total recognised derivatives assets/ (liabilities)	910,000	1,115	(53,741)	435,000	—	(58,278)	890,000	2,848	(46,813)

The remaining terms and notional principal amounts of the outstanding IRS/IPRS are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	—	25,000	455,000
One year to three years	—	—	25,000
Three years to five years	500,000	—	—
More than five years	410,000	410,000	410,000
	910,000	435,000	890,000

7 AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
At fair value:			
Private debt securities	122,762	96,564	137,700
Malaysian government securities	83,700	173,614	97,040
Government issued instruments	168,281	144,016	10,183
Islamic debt securities	285,078	5,103	5,073
Negotiable instruments of deposits	205,511	177,302	100,387
Bank Negara Malaysia Sukuk	99,764	—	—
Quasi government debt securities	200,887	—	—
	1,165,983	596,599	350,383

The maturity structure of AFS investment securities is as follows:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	373,633	217,703	108,210
One year to three years	378,111	60,117	242,173
Three years to five years	318,287	91,951	—
More than five years	95,952	226,828	—
	1,165,983	596,599	350,383

8 AMOUNT DUE FROM COUNTERPARTIES

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Relating to:			
Mortgage loans	2,706,802	3,156,863	3,887,937
Hire purchase and leasing debts	116,299	345,348	437,173
Personal loans	873,041	804,833	—
	3,696,142	4,307,044	4,325,110

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

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	131,335	548,923	1,210,727
One year to three years	1,464,210	1,687,575	1,592,354
Three years to five years	2,100,597	1,070,544	1,522,029
More than five years	—	1,000,002	—
	3,696,142	4,307,044	4,325,110

9 ISLAMIC FINANCING DEBTS

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Relating to:			
Islamic house financing debts	1,063,445	525,417	553,644
Islamic hire purchase debts	4,034,911	3,217,740	2,587,283
Islamic personal financing	2,978,505	3,136,478	3,713,420
	8,076,861	6,879,635	6,854,347

The maturity structure of Islamic financing debts are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	2,619,653	1,038,705	702,765
One year to three years	3,002,670	3,199,533	1,284,009
Three years to five years	2,454,538	2,641,397	3,567,540
More than five years	—	—	1,300,033
	8,076,861	6,879,635	6,854,347

10 MORTGAGE ASSETS — CONVENTIONAL

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Purchase Without Recourse ("PWOR")	6,093,780	6,578,196	7,074,638

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

Maturing within one year	1,164,395	1,130,210	1,087,207
One year to three years	1,242,583	1,291,603	1,312,196
Three years to five years	1,129,947	1,176,325	1,229,599
More than five years	3,861,989	4,429,549	5,037,653
	7,398,914	8,027,687	8,666,655
Less:			
Unaccreted discount	(1,269,160)	(1,409,109)	(1,551,635)
Allowance for impairment losses	(35,974)	(40,382)	(40,382)
	6,093,780	6,578,196	7,074,638

11 MORTGAGE ASSETS — ISLAMIC

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
PWOR	3,828,813	3,918,909	3,992,999

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

	31 December 2012	31 December 2011	1 January 2011
Maturing within one year	670,991	614,546	552,994
One year to three years	662,728	644,573	615,136
Three years to five years	633,608	636,396	637,204
More than five years	2,756,369	2,990,043	3,222,305
	4,723,696	4,885,558	5,027,639
Less:			
Unaccreted discount	(873,616)	(944,777)	(1,012,768)
Allowance for impairment losses	(21,267)	(21,872)	(21,872)
	3,828,813	3,918,909	3,992,999

12 HIRE PURCHASE ASSETS — CONVENTIONAL

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
PWOR	9	52	761

The maturity structure of hire purchase assets — conventional are as follows:

	31 December 2012	31 December 2011	1 January 2011
Maturing within one year	11	68	740
One year to three years	—	—	48
	11	68	788
Less:			
Unaccreted discount	—	—	(11)
Allowance for impairment losses	(2)	(16)	(16)
	9	52	761

13 HIRE PURCHASE ASSETS — ISLAMIC

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
PWOR	15,937	21,221	25,463

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

	31 December 2012	31 December 2011	1 January 2011
Maturing within one year	6,613	7,097	7,614
One year to three years	8,091	12,267	14,039
Three years to five years	1,894	2,914	5,068
More than five years	83	132	148
	16,681	22,410	26,869
Less:			
Unaccreted discount	(668)	(1,013)	(1,230)
Allowance for impairment losses	(76)	(176)	(176)
	15,937	21,221	25,463

14 OTHER ASSETS

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Prepaid mortgage guarantee fee	3	16	16
Prepaid wakalah fee	1	103	30
Staff loans and financing	2,918	3,439	4,327
Deposits	772	746	737
Prepayments	2,035	931	1,024
Other receivables	453	411	241
Compensation receivable from originator on mortgage assets	4,871	—	—
	11,053	5,646	6,375

15 PROPERTY AND EQUIPMENT

	Office equipment	Furniture and fittings	Motor vehicles	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
As at 1 January 2012	4,432	4,555	517	—	9,504
Additions	588	7	526	—	1,121
Disposals	(119)	—	(445)	—	(564)
As at 31 December 2012	4,901	4,562	598	—	10,061
Accumulated depreciation					
As at 1 January 2012	(3,387)	(1,292)	(514)	—	(5,193)
Charge for the financial year	(552)	(452)	(61)	—	(1,065)
Disposals	115	—	445	—	560
As at 31 December 2012	(3,824)	(1,744)	(130)	—	(5,698)
Net book value					
As at 31 December 2012	1,077	2,818	468	—	4,363
Cost					
As at 1 January 2011	4,362	4,551	617	—	9,530
Additions	70	4	—	—	74
Disposal	—	—	(100)	—	(100)
As at 31 December 2011	4,432	4,555	517	—	9,504
Accumulated depreciation					
As at 1 January 2011	(2,768)	(835)	(564)	—	(4,167)
Charge for the financial year	(619)	(457)	(50)	—	(1,126)
Disposal	—	—	100	—	100
As at 31 December 2011	(3,387)	(1,292)	(514)	—	(5,193)
Net book value					
As at 31 December 2011	1,045	3,263	3	—	4,311
Cost					
As at 1 January 2010	4,141	4,502	617	4	9,264
Additions	245	45	—	—	290
Disposals	(24)	—	—	—	(24)
Reclassification	—	4	—	(4)	—
As at 31 December 2010	4,362	4,551	617	—	9,530
Accumulated depreciation					
As at 1 January 2010	(2,153)	(385)	(473)	—	(3,011)
Charge for the financial year	(631)	(450)	(91)	—	(1,172)
Disposals	16	—	—	—	16
As at 31 December 2010	(2,768)	(835)	(564)	—	(4,167)
Net book value					
As at 31 December 2010	1,594	3,716	53	—	5,363

16 INTANGIBLE ASSETS

	Service rights	Computer software	Computer software licenses	Computer software under development	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
As at 1 January 2012	16,717	11,869	1,013	—	29,599
Additions	—	121	143	—	264
Reclassifications	—	4	(4)	—	—
As at 31 December 2012	16,717	11,994	1,152	—	29,863
Accumulated amortisation					
As at 1 January 2012	(7,706)	(9,212)	(885)	—	(17,803)
Charge for the financial year	(1,204)	(1,122)	(182)	—	(2,508)
Reclassifications	—	(186)	186	—	—
As at 31 December 2012	(8,910)	(10,520)	(881)	—	(20,311)
Net book value					
As at 31 December 2012	7,807	1,474	271	—	9,552
Cost					
As at 1 January 2011	16,717	11,389	1,009	—	29,115
Additions	—	480	4	—	484
As at 31 December 2011	16,717	11,869	1,013	—	29,599
Accumulated amortisation					
As at 1 January 2011	(6,502)	(8,154)	(516)	—	(15,172)
Charge for the financial year	(1,204)	(1,058)	(369)	—	(2,631)
As at 31 December 2011	(7,706)	(9,212)	(885)	—	(17,803)
Net book value					
As at 31 December 2011	9,011	2,657	128	—	11,796
Cost					
As at 1 January 2010	16,717	10,433	967	297	28,414
Additions	—	659	42	—	701
Reclassification	—	297	—	(297)	—
As at 31 December 2010	16,717	11,389	1,009	—	29,115
Accumulated amortisation					
As at 1 January 2010	(5,298)	(7,186)	(324)	—	(12,808)
Charge for the financial year	(1,204)	(968)	(192)	—	(2,364)
As at 31 December 2010	(6,502)	(8,154)	(516)	—	(15,172)
Net book value					
As at 31 December 2010	10,215	3,235	493	—	13,943

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 2 to 15 years (2011: 3 to 16 years).

17 DEFERRED TAXATION

Deferred taxation 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:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Deferred taxation assets (before offsetting)	(12,622)	(13,567)	(9,965)
Deferred taxation liabilities (before offsetting)	3,391	4,373	4,795
Deferred taxation assets	(9,231)	(9,194)	(5,170)

The movements during the financial year relating to deferred taxation are as follows:

	31 December 2012	31 December 2011	1 January 2011
Balance as at 1 January	(9,194)	(5,170)	(21,465)
(Credit)/debit to income statement (Note 29)	(1,055)	(784)	15,338
Debit/(credit) to other comprehensive income	1,018	(3,240)	957
Balance as at 31 December	(9,231)	(9,194)	(5,170)

The movements in deferred taxation assets and liabilities during the financial year comprise the following:

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2012				
Deferred taxation assets				
Unrealised (losses)/gains on revaluation of IRS under cash flow hedging accounting	(13,567)	—	1,357	(12,210)
Provisions	—	(412)	—	(412)
	(13,567)	(412)	1,357	(12,622)
Deferred taxation liabilities				
Accelerated tax depreciation	4,003	(643)	—	3,360
Revaluation of AFS investment securities	370	—	(339)	31
	4,373	(643)	(339)	3,391
2011				
Deferred taxation assets				
Unrealised losses on revaluation of IRS under cash flow hedging accounting	(9,965)	—	(3,602)	(13,567)
Deferred taxation liabilities				
Accelerated tax depreciation	4,787	(784)	—	4,003
Revaluation of AFS investment securities	8	—	362	370
	4,795	(784)	362	4,373
2010				
Deferred taxation assets				
Allowance for impairment losses	(15,611)	15,611	—	—
Unamortised premium of AFS investment securities	(20)	20	—	—
Unrealised (losses)/gains on revaluation of IRS under cash flow hedging accounting	(11,968)	1,376	627	(9,965)
	(27,599)	17,007	627	(9,965)

17 DEFERRED TAXATION — (CONTINUED)

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2010				
Deferred taxation liabilities				
Accelerated tax depreciation	4,622	165	—	4,787
Unaccreted discount of AFS investment securities and mortgage assets	338	(338)	—	—
Revaluation of AFS investment securities	(322)	—	330	8
Unrealised gains/(losses) on revaluation of IRS	1,496	(1,496)	—	—
	6,134	(1,669)	330	4,795

18 UNSECURED BEARER BONDS AND NOTES

		31 December 2012		31 December 2011		1 January 2011	
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%	RM'000	%
(a) Fixed rate bonds	2011	—	—	—	—	480,000	3.912 – 4.350
Add: Interest payable		—		—		4,150	
		—		—		484,150	
(b) Floating rate notes	2011	—	—	—	—	135,000	2.370 – 2.990
	2012	—	—	25,000	3.060	25,000	3.060
	2013	180,000	3.410	180,000	3.410	180,000	3.410
		180,000		205,000		340,000	
Add: Interest payable		2,686		2,846		3,407	
		182,686		207,846		343,407	
(c) Medium-term notes	2011	—	—	—	—	710,000	2.950 – 4.630
	2012	—	—	900,000	3.230 – 4.210	750,000	3.400 – 4.210
	2013	290,000	3.290 – 5.000	190,000	3.400 – 4.900	155,000	3.500 – 5.000
	2014	2,230,000	3.300 – 4.660	2,175,000	3.480 – 4.660	2,070,000	4.320 – 4.660
	2015	420,000	3.350 – 5.300	255,000	3.820 – 5.300	255,000	3.820 – 5.300
	2016	1,230,000	3.470 – 4.930	1,215,000	3.650 – 4.930	380,000	4.700 – 4.930
	2017	1,520,000	3.500 – 4.640	1,465,000	3.980 – 4.640	1,465,000	3.980 – 4.640
	2018	150,000	3.950 – 5.710	150,000	3.950 – 5.710	140,000	5.710
	2019	845,000	3.750 – 5.280	840,000	4.800 – 5.280	840,000	4.800 – 5.280
	2020	185,000	4.360 – 6.000	185,000	4.360 – 6.000	185,000	4.360 – 6.000
	2021	315,000	4.150 – 5.380	315,000	4.100 – 5.380	310,000	5.120 – 5.380
	2022	465,000	3.900 – 4.480	360,000	4.480 – 4.950	360,000	4.480 – 4.950
	2023	150,000	4.250 – 6.050	150,000	4.250 – 6.050	140,000	6.050
	2024	430,000	4.000 – 5.520	425,000	5.267 – 5.520	425,000	5.267 – 5.520
	2025	5,000	4.650	5,000	4.650	5,000	4.650
	2026	10,000	4.410	10,000	4.410	—	—
	2027	25,000	4.140 – 4.170	250,000	5.150	250,000	5.150
	2028	430,000	6.250 – 6.500	430,000	6.250 – 6.500	430,000	6.250 – 6.500
	2029	245,000	5.500 – 5.690	245,000	5.500 – 5.750	245,000	5.500 – 5.750
		8,945,000		9,565,000		9,115,000	
Add: Interest payable		89,764		95,175		96,933	
		9,034,764		9,660,175		9,211,933	
		9,217,450		9,868,021		10,039,490	

18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)

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

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	562,450	1,023,021	1,429,490
One year to three years	2,650,000	2,545,000	1,110,000
Three years to five years	2,750,000	1,470,000	2,325,000
More than five years	3,255,000	4,830,000	5,175,000
	9,217,450	9,868,021	10,039,490

(a) *Fixed rate bonds*

The fixed rate bonds are redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

(b) *Floating rate notes*

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

(c) *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.

19 SUKUK

	Year of maturity	31 December 2012 Amount outstanding	31 December 2012 Effective profit rate	31 December 2011 Amount outstanding	31 December 2011 Effective profit rate	1 January 2011 Amount outstanding	1 January 2011 Effective profit rate
		RM'000	%	RM'000	%	RM'000	%
(a) Bithaman Ajil							
(i) Primary Sukuk	2011	—	—	—	—	240,000	4.050 – 4.160
	2012	—	—	240,000	4.150	240,000	4.150
		—		240,000		480,000	
(ii) Secondary Sukuk	2011	—	—	—	—	14,930	—
	2012	—	—	4,980	—	4,980	—
		—		4,980		19,910	
Less: Unamortised deferred expenses		—		(1,245)		(11,995)	
		—		243,735		487,915	
(b) Islamic commercial papers							
	2011	—	—	—	—	300,000	3.000
	2013	500,000	3.210	—		—	
		500,000		—		300,000	
Add: Profit payable		264		—		4,932	
		500,264		—		304,932	
(c) Islamic medium-term notes	2011	—	—	—	—	1,170,000	2.950 – 4.630
	2012	—	—	1,685,000	3.230 – 3.900	1,285,000	3.300 – 3.900
	2013	3,445,000	3.250 – 5.000	3,070,000	3.400 – 5.000	2,930,000	3.410 – 5.000
	2014	1,055,000	3.330 – 4.660	920,000	3.480 – 4.660	290,000	4.000 – 4.660
	2015	2,575,000	3.350 – 5.300	1,455,000	3.820 – 5.300	1,055,000	3.820 – 5.300
	2016	880,000	3.500 – 4.930	755,000	3.650 – 4.930	740,000	3.850 – 4.930
	2017	725,000	3.500 – 4.050	5,000	4.050	5,000	4.050
	2018	205,000	3.950 – 5.800	205,000	3.950 – 5.800	195,000	5.710 – 5.800
	2019	365,000	3.750 – 5.280	345,000	5.030 – 5.280	345,000	5.030 – 5.280
	2020	270,000	5.900 – 6.000	270,000	4.360 – 6.000	270,000	4.360 – 6.000
	2021	245,000	4.150 – 5.307	245,000	4.150 – 5.380	235,000	5.150 – 5.380
	2022	25,000	3.900 – 4.480	5,000	4.480	5,000	4.480
	2023	345,000	4.250 – 6.350	345,000	4.250 – 6.350	335,000	6.050 – 6.350
	2024	315,000	4.000 – 5.520	305,000	5.270 – 5.520	305,000	5.270 – 5.520
	2025	5,000	4.650	5,000	4.650	5,000	4.650
	2026	20,000	4.410 – 4.650	20,000	4.410 – 4.920	—	—
	2027	15,000	4.140	—	—	—	—
	2028	405,000	6.250 – 6.500	405,000	6.250 – 6.500	405,000	6.250 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750	180,000	5.500 – 5.750
		11,075,000		10,220,000		9,755,000	
Add: Profit payable		132,295		121,732		103,482	
		11,207,295		10,341,732		9,858,482	
		11,707,559		10,585,467		10,651,329	

The maturity structure of Sukuk are as follows:

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Maturing within one year	4,077,559	2,050,467	1,822,594
One year to three years	3,630,000	3,990,000	4,458,735
Three years to five years	1,605,000	2,210,000	1,345,000
More than five years	2,395,000	2,335,000	3,025,000
	11,707,559	10,585,467	10,651,329

19 SUKUK — (CONTINUED)

(a) *Bithaman Ajil*

Bithaman Ajil are issued under the Islamic principle of Bai' Bithaman Ajil with non-detachable secondary Sukuk. The non-detachable secondary Sukuk are redeemable on the due dates.

(b) *Islamic commercial papers*

Islamic commercial papers were issued by 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).

(c) *Islamic medium-term notes*

Islamic medium-term notes are long term papers issued by 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.

20 OTHER LIABILITIES

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Provision for zakat	1,118	2,260	1,785
Other payables	10,812	11,088	11,567
Amount due to government	50,842	50,115	—
	62,772	63,463	13,352

21 SHARE CAPITAL

	31 December 2012 and 2011		1 January 2011	
	Amount	Number of shares	Amount	Number of shares
	RM'000	'000	RM'000	'000
Ordinary shares of RM1 each:				
Authorised:				
Balance as at 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
Balance as at 1 January/31 December	150,000	150,000	150,000	150,000

22 RESERVES

(a) *AFS reserves*

This amount represents the unrealised fair value gains or losses on AFS investment securities.

(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.

(c) *Section 108 tax credit*

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of Income Tax (Amendments) Act, 1999 to pay dividends out of its retained profits amounting approximately RM1,790,000,000 as at 31 December 2012.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

23 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM2,214,834,000 (2011: RM2,089,576,000) of the Company by 150,000,000 ordinary shares of the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM218,963,000 (2011: RM226,445,000) of the Company by 150,000,000 ordinary shares of 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.

24 INTEREST INCOME

	2012	2011
	RM'000	RM'000
Amount due from counterparties	178,368	181,728
Mortgage assets	292,620	318,322
Compensation from mortgage assets	138	—
Hire purchase assets	449	744
AFS investment securities	38,050	21,790
Deposits and placements with financial institutions	7,222	6,269
	516,847	528,853
Accretion of discount less amortisation of premium (net)	145,713	153,073
	662,560	681,926

25 INTEREST EXPENSE

	2012	2011
	RM'000	RM'000
Fixed-rate bonds	—	10,109
Medium-term notes	435,456	431,274
Floating rate notes	7,226	10,170
Deposits and placements of financial institutions	5	2
	442,687	451,555

26 NON-INTEREST INCOME

	2012	2011
	RM'000	RM'000
Realised net loss on derivatives	(8,798)	(11,055)
Other non-operating income	9,635	9,560
Gain on disposal of AFS investment securities	4,024	4,811
Gain on disposal of property and equipment	112	26
	4,973	3,342

27 PROFIT BEFORE TAXATION AND ZAKAT

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

	2012 RM'000	2011 RM'000
Directors' remuneration (Note 28)	827	671
Rental of premises	2,148	2,234
Hire of equipment	251	230
Auditor's remuneration		
— Audit fees	152	141
Depreciation of property and equipment	1,065	1,126
Amortisation of intangible assets	2,508	2,631
Servicer fee	2,773	3,001
Repairs and maintenance	1,590	1,353
Donations and sponsorship	177	404
Corporate expenses	739	624
Travelling	248	274
Gain on disposal of property and equipment	(112)	(26)
Write-back of allowance for impairment losses	(5,127)	—
Personnel costs:		
— Salary and allowances	10,261	10,755
— Bonus	3,722	2,790
— Overtime	61	55
— EPF & SOCSO	2,298	2,394
— Insurance	242	236

28 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 Yeoh Beow Tit
Y.M. Tunku Afwida Tunku A. Malek
Tang Wing Chew
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt
Philip Tan Puay Koon

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

	2012 RM'000	2011 RM'000
Fees	370	382
Other remuneration	457	289
	827	671

29 TAXATION

	2012 RM'000	2011 RM'000
Tax charge for the financial year:		
(a) Current tax	74,018	76,343
Deferred taxation (Note 17)	(1,055)	(784)
	72,963	75,559
Current taxation:		
Provision for current year	73,878	76,420
Under/(over) provision in prior years	140	(77)
Deferred taxation:		
Origination and reversal of temporary differences	(1,055)	(784)
	72,963	75,559

(b) Reconciliation of income tax expense

The tax on 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:

	2012 RM'000	2011 RM'000
Profit before taxation	293,044	304,264
Taxation calculated at Malaysian tax rate of 25% (2011: 25%)	73,261	76,066
Expenses not deductible for tax purposes	325	198
Deduction arising from zakat contribution	(280)	(565)
Expenses allowed for double deduction	(10)	(63)
Change in taxation basis	(473)	—
Under/(over) provision in prior years	140	(77)
	72,963	75,559

30 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	2012		2011	
	Gross per share	Amount of dividend net of tax	Gross per share	Amount of dividend net of tax
	Sen	RM'000	Sen	RM'000
Interim dividend paid	—	—	5.00	5,625
Special dividend paid	25.00	28,125	—	—
Special dividend paid	48.00	54,000	—	—
Final dividend proposed/paid	15.00	16,875	15.00	16,875
	88.00	99,000	20.00	22,500

At the forthcoming Annual General Meeting, final gross dividend in respect of the financial year ended 31 December 2012 of 15 sen per share (2011: 15 sen per share), less income tax of 25% (2011: 25%) amounting to RM16,875,000 (2011: RM16,875,000) will be proposed for shareholders' approval.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	Relationships
Cagamas Holdings Berhad ("CHB")	Ultimate holding company
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Special purpose entity ("SPE") of ultimate holding company
Cagamas SME Berhad ("CSME")	SPE of ultimate holding company
Cagamas MGP Berhad ("CMGP") (formerly known as Cagamas HKMC Berhad) ("CHKMC")	Related company
Cagamas SRP Berhad ("CSRP")	Related company
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company 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 were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated. These transactions have been disclosed on the statement of financial position and income statement of the Company.

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

	Ultimate holding company	Related company	Wholly owned SPE of ultimate holding company	Joint venture	Other related party
	RM'000	RM'000	RM'000	RM'000	RM'000
2012					
Income					
Bank swap premium	—	—	—	—	419
Transaction administrator and administrator fees	—	7,808	124	—	77
Expenses					
FAST* and RENTAS** charges	—	—	—	—	61
Guarantee and wakalah fee	—	—	—	115	—
Amount due from					
Transaction administrator and administrator fees	—	829	—	—	—
Bank swap premium	—	—	—	—	146
BNM current accounts	—	—	—	—	29
Reimbursement of operating expenses	—	—	—	—	249

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS")

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)

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

	Ultimate holding company	Related company	Wholly owned SPE of ultimate holding company	Joint venture	Other related party
	RM'000	RM'000	RM'000	RM'000	RM'000
2011					
Income					
Bank swap premium	—	—	—	—	541
Transaction administrator and administrator fees	—	8,540	160	—	93
Expenses					
FAST* and RENTAS** charges	—	—	—	—	59
Guarantee and wakalah fee	—	—	—	127	—
Amount due from					
Transaction administrator and administrator fees	—	910	36	—	—
Bank swap premium	—	—	—	—	133
BNM current accounts	—	—	—	—	31
Reimbursement of operating expenses	2	—	8	9	290

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS").

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

In addition, the Company's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel was RM4,751,518 (2011: RM5,102,167).

The total remuneration paid to the Directors is disclosed in Note 28 to the financial statements.

(c) *Transactions with the Government of Malaysia and its related parties*

As BNM has significant influence over the ultimate holding company, the Government of Malaysia and entities controlled, jointly controlled or has significant influence by the Government of Malaysia are related parties of Cagamas Berhad.

Cagamas Berhad enters into transactions with many of these entities to purchases 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. These transactions are carried out on commercial terms and are consistently apply to all parties whether government-related or not.

32 CAPITAL COMMITMENTS

	2012	2011
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	1,960	558
Authorised but not contracted for	1,567	1,089
	3,527	1,647
Analysed as follows:		
Equipment	158	454
Computer equipment	3,369	4,410
	3,527	4,864

33 LEASE COMMITMENTS

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

	2012	2011
	RM'000	RM'000
Maturing within one year	3,033	833
One year to three years	2,866	96
	5,899	929

34 MARKET RISK

34.1 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 rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Company takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest 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 Company's exposure to interest/profit rate risks. Included in the tables are 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 Company's exposure to interest rates movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

The tables also represents a static position which provides an indication of the potential impact on the Company's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-balance sheet 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 Company's shareholders' funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

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

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012							
Assets							
Cash and short-term funds	2.99	319,804	—	—	—	51,135	370,939
AFS investment securities	3.46	373,633	378,111	318,287	95,952	—	1,165,983
Amount due from counterparties	4.52	131,335	1,464,210	2,100,597	—	—	3,696,142
Islamic financing debts	3.97	2,619,653	3,002,670	2,454,538	—	—	8,076,861
Mortgage assets:							
— Conventional	3.96	1,164,395	1,242,583	1,129,947	3,861,989	(1,305,134)	6,093,780^1
— Islamic	3.97	670,991	662,729	633,608	2,756,369	(894,884)	3,828,813^3
Hire purchase assets:							
— Conventional	4.00	11	—	—	—	(2)	9^2
— Islamic	4.00	6,613	8,091	1,894	83	(744)	15,937^4
Other assets	—	1,818	2,175	1,561	2,289	3,169	11,012
Total assets		5,288,253	6,760,569	6,640,432	6,716,682	(2,146,460)	23,259,476

^1 Includes impairment lossess on conventional mortgage assets of RM35,974,413.

^2 Includes impairment lossess on conventional hire purchase assets of RM1,883.

^3 Includes impairment lossess on Islamic mortgage assets of RM21,267,391.

^4 Includes impairment lossess on Islamic hire purchase assets of RM75,626.

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012							
Liabilities							
Unsecured bearer bonds and notes	4.60	562,450	2,650,000	2,750,000	3,255,000	—	9,217,450
Sukuk	4.19	4,077,559	3,630,000	1,605,000	2,395,000	—	11,707,559
Other liabilities	—	—	—	—	—	111,663	111,663
Total liabilities		4,640,009	6,280,000	4,355,000	5,650,000	111,663	21,036,672
Total liabilities/profit sensivity gap		648,244	480,569	2,285,432	1,066,682		
Cumulative gap		648,244	1,128,813	3,414,245	4,480,927		
31 December 2011							
Assets							
Cash and short-term funds	2.98	304,542	—	—	—	50,757	355,299
AFS investment securities	3.47	217,703	60,117	91,951	226,828	—	596,599
Amount due from counterparties	4.62	548,923	1,687,575	1,070,544	1,000,002	—	4,307,044
Islamic financing debts	4.01	1,038,705	3,199,533	2,641,397	—	—	6,879,635
Mortgage assets:							
— Conventional	3.95	1,130,210	1,291,603	1,176,325	4,429,549	(1,449,491)	6,578,196^1
— Islamic	3.98	614,546	644,573	636,396	2,990,043	(966,649)	3,918,909^3
Hire purchase assets:							
— Conventional	4.00	68	—	—	—	(16)	52^2
— Islamic	4.00	7,097	12,267	2,914	132	(1,189)	21,221^4
Other assets	—	367	734	581	1,757	2,134	5,573
Total assets		3,862,161	6,896,402	5,620,108	8,648,311	(2,364,454)	22,662,528

^1 Includes impairment lossess on conventional mortgage assets of RM40,381,980.

^2 Includes impairment lossess on conventional hire purchase assets of RM16,129.

^3 Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

^4 Includes impairment lossess on Islamic hire purchase assets of RM176,055.

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2011							
Liabilities							
Unsecured bearer bonds and notes	4.63	1,023,021	2,545,000	1,470,000	4,830,000	—	9,868,021
Sukuk	4.30	2,050,467	3,990,000	2,210,000	2,335,000	—	10,585,467
Other liabilities	—	—	—	—	—	117,353	117,352
Total liabilities		3,073,487	6,535,000	3,680,000	7,165,000	117,352,638	20,570,840
Total liabilities/profit sensivity gap		788,673	361,402	1,940,108	1,483,311		
Cumulative gap		788,673	1,150,075	3,090,183	4,573,494		
1 January 2011							
Assets							
Cash and short-term funds	2.70	113,525	—	—	—	197	113,722
AFS investment securities	3.26	108,210	242,173	—	—	—	350,383
Amount due from counterparties	4.68	1,210,727	1,592,354	1,522,029	—	—	4,325,110
Islamic financing debts	4.03	702,765	1,284,009	3,567,540	1,300,033	—	6,854,347
Mortgage assets:							
— Conventional	4.14	1,087,207	1,312,196	1,229,599	5,037,653	(1,592,017)	7,074,638^1
— Islamic	4.18	552,994	615,136	637,204	3,222,305	(1,034,640)	3,992,999^3
Hire purchase assets:							
— Conventional	4.14	740	48	—	—	(27)	761^2
— Islamic	4.18	7,614	14,039	5,068	148	(1,406)	25,463^4
Other assets	—	3,031	52	393	3,043	2,695	9,214
Total assets		3,786,813	5,060,007	6,961,833	9,563,182	(2,625,198)	22,746,637

^1 Includes impairment lossess on conventional mortgage assets of RM40,381,980.

^2 Includes impairment lossess on conventional hire purchase assets of RM16,129.

^3 Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

^4 Includes impairment lossess on Islamic hire purchase assets of RM176,055.

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011							
Liabilities							
Unsecured bearer bonds and notes	4.66	1,429,490	1,110,000	2,325,000	5,175,000	—	10,039,490
Sukuk	4.24	1,822,594	4,458,735	1,345,000	3,025,000	—	10,651,329
Amount due to ultimate holding company	—	—	—	—	—	100,000	100,000
Other liabilities	—	2,765	—	—	—	70,586	73,351
Total liabilities		3,254,849	5,568,735	3,670,000	8,200,000	170,586	20,864,170
Total liabilities/profit sensivity gap		530,793	(509,033)	3,291,833	1,320,610		
Cumulative gap		530,793	21,760	3,313,593	4,634,203		

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

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

	-100 basis points	+100 basis points
	RM'000	RM'000
31 December 2012		
AFS reserve	(29,433)	28,035
IRS	47,507	(44,620)
Taxation effects on the above at tax rate of 25%	(4,518)	4,146
Effect on shareholder's funds	13,556	(12,439)
As percentage of shareholder's funds	0.6%	(0.6)%
31 December 2011		
AFS reserve	(6,003)	5,707
IRS	31,206	(28,770)
Taxation effects on the above at tax rate of 25%	(6,301)	5,766
Effect on shareholder's funds	18,902	(17,297)
As percentage of shareholder's funds	0.9%	(0.8)%
1 January 2011		
AFS reserve	(2,709)	2,645
IRS	34,507	(31,650)
Taxation effects on the above at tax rate of 25%	(7,949)	7,252
Effect on shareholder's funds	23,849	(21,753)
As percentage of shareholder's funds	1.2%	(1.1)%

35 CREDIT RISK

The Company's counterparties are mainly the Government of Malaysia, financial institutions and individuals in Malaysia. The financial institutions are governed by the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act, 1983 and are subject to periodic review by the BNM. The following tables summarise 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.

35.1 Credit risk concentrations

	Cash and short term funds	Derivatives financial instruments	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage assets	Islamic mortgage assets	Hire purchase assets	Islamic hire purchase assets	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012											
Government bodies	—	—	435,266	—	—	—	—	—	—	5,120	440,386
Financial institutions:											
— Commercial banks	370,939	1,115	236,015	3,579,842	8,076,861	—	—	—	—	146	12,264,918
Communications, electricity, gas and water	—	—	40,763	—	—	—	—	—	—	—	40,763
Transportation	—	—	107,091	—	—	—	—	—	—	—	107,091
Leasing	—	—	—	116,300	—	—	—	—	—	—	116,300
Individuals	—	—	—	—	—	6,093,780	3,828,813	9	15,937	—	9,938,539
Others	—	—	346,848	—	—	—	—	—	—	6,616	353,464
Total	370,939	1,115	1,165,983	3,696,142	8,076,861	6,093,780	3,828,813	9	15,937	11,882	23,261,461
31 December 2011											
Government bodies	—	—	317,630	—	—	—	—	—	—	290	317,920
Financial institutions:											
— Commercial banks	355,299	—	192,625	3,883,385	6,879,635	—	—	—	—	133	11,311,077
Communications, electricity, gas and water	—	—	—	82,702	—	—	—	—	—	—	82,702
Transportation	—	—	5,103	—	—	—	—	—	—	—	5,103
Leasing	—	—	—	340,957	—	—	—	—	—	—	340,957
Individuals	—	—	—	—	—	6,578,196	3,918,909	52	21,221	—	10,518,378
Others	—	—	81,241	—	—	—	—	—	—	6,201	87,442
Total	355,299	—	596,599	4,307,044	6,879,635	6,578,196	3,918,909	52	21,221	6,624	22,663,579

35 CREDIT RISK — (CONTINUED)

35.1 Credit risk concentrations — (continued)

	Cash and short term funds	Cash and short term funds	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage assets	Islamic mortgage assets	Hire purchase assets	Islamic hire purchase assets	Other assets	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1 January 2011											
Government bodies	—	—	163,367	—	—	—	—	—	—	125	163,492
Financial institutions:											
— Commercial banks	59,264	—	100,388	3,838,439	6,854,347	—	—	—	—	2,980	10,855,418
— Investment banks	54,458	—	—	—	—	—	—	—	—	—	54,458
Communications, electricity, gas and water	—	—	—	100,116	—	—	—	—	—	—	100,116
Transportation	—	—	5,269	19,234	—	—	—	—	—	—	24,503
Leasing	—	—	—	367,321	—	—	—	—	—	—	367,321
Individuals	—	—	—	—	—	7,074,638	3,992,999	761	25,463	—	11,093,861
Others	—	—	81,359	—	—	—	—	—	—	7,168	88,527
Total	113,722	—	350,383	4,325,110	6,854,347	7,074,638	3,992,999	761	25,463	10,273	22,747,696

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debt, mortgage assets and hire purchase assets

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

	Neither past due nor impaired	Past due but not individually impaired	Total	Impairment allowance	Total carrying value	Credit risk loan	Coverage ratio
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	
31 December 2012							
Amount due from counterparties	3,696,142	—	3,696,142	—	3,696,142	—	—
Islamic financing debts	8,076,861	—	8,076,861	—	8,076,861	—	—
Mortgage assets							
— Conventional	6,059,310	70,444	6,129,754	35,974	6,093,780	70,444	51%
— Islamic	3,798,795	51,285	3,850,080	21,267	3,828,813	51,285	41%
Hire purchase assets							
— Conventional	5	6	11	2	9	6	>100%
— Islamic	15,861	152	16,013	76	15,937	152	>100%
	21,646,974	121,887	21,768,861	57,319	21,711,542	121,887	
31 December 2011							
Amount due from counterparties	4,307,044	—	4,307,044	—	4,307,044	—	—
Islamic financing debts	6,879,635	—	6,879,635	—	6,879,635	—	—
Mortgage assets							
— Conventional	6,555,325	63,253	6,618,578	40,382	6,578,196	63,253	64%
— Islamic	3,908,320	32,461	3,940,781	21,872	3,918,909	32,461	67%
Hire purchase assets							
— Conventional	61	7	68	16	52	7	>100%
— Islamic	21,236	161	21,397	176	21,221	161	>100%
	21,671,621	95,882	21,767,503	62,446	21,705,057	95,882	

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debt, mortgage assets and hire purchase assets — (continued)

	Neither past due nor impaired	Past due but not individually impaired	Total	Impairment allowance	Total carrying value	Credit risk loan	Coverage ratio
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
1 January 2011							
Amount due from counterparties	4,325,110	—	4,325,110	—	4,325,110	—	—
Islamic financing debts	6,854,347	—	6,854,347	—	6,854,347	—	—
Mortgage assets							
— Conventional	7,050,264	64,756	7,115,020	40,382	7,074,638	64,756	62%
— Islamic	3,990,102	24,769	4,014,871	21,872	3,992,999	24,769	88%
Hire purchase assets							
— Conventional	775	2	777	16	761	2	>100%
— Islamic	25,439	200	25,639	176	25,463	200	88%
	22,246,037	89,727	22,335,764	62,446	22,273,318	89,727	

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

	31 December 2012		31 December 2011		1 January 2011	
	Strong	Total	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	3,696,142	3,696,142	4,307,044	4,307,044	4,325,110	4,325,110
Islamic financing debts	8,076,861	8,076,861	6,879,635	6,879,635	6,854,347	6,854,347
Mortgage assets						
— Conventional	6,059,310	6,059,310	6,555,325	6,555,325	7,050,264	7,050,264
— Islamic	3,798,795	3,798,795	3,908,320	3,908,320	3,990,102	3,990,102
Hire purchase assets						
— Conventional	5	5	61	61	775	775
— Islamic	15,861	15,861	21,236	21,236	25,439	25,439
	21,646,974	21,646,974	21,671,621	21,671,621	22,246,037	22,246,037

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

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

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debt, mortgage assets and hire purchase assets — (continued)

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

	91 to 120 days RM'000	121 to 150 days RM'000	151 to 180 days RM'000	Over 180 days RM'000	Total RM'000
31 December 2012					
Conventional:					
— mortgage assets	11,195	8,538	6,051	44,660	70,444
— hire purchase assets	—	—	—	6	6
Islamic:					
— mortgage assets	5,766	8,046	4,340	33,133	51,285
— hire purchase assets	1	—	—	151	152
	16,962	16,584	10,391	77,950	121,887
31 December 2011					
Conventional:					
— mortgage assets	10,835	7,147	3,725	41,546	63,253
— hire purchase assets	—	—	4	3	7
Islamic:					
— mortgage assets	4,276	2,836	3,234	22,115	32,461
— hire purchase assets	35	28	—	98	161
	15,146	10,011	6,963	63,762	95,882
1 January 2011					
Conventional:					
— mortgage assets	14,062	8,891	4,440	37,363	64,756
— hire purchase assets	—	—	2	—	2
Islamic:					
— mortgage assets	4,417	2,473	4,085	13,794	24,769
— hire purchase assets	—	116	25	59	200
	18,479	11,480	8,552	51,216	89,727

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 PWOR assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

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

For the financial year ended 31 December 2012, the Company has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets.

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debt, mortgage assets and hire purchase assets — (continued)

The movement in impairment allowance is as follows:

	As at 1 January	Provision made	Write back of provision	As at 31 December
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Conventional:				
— mortgage assets	40,382	1,029	(5,437)	35,974
— hire purchase assets	16	—	(14)	2
Islamic:				
— mortgage assets	21,872	839	(1,444)	21,267
— hire purchase assets	176	22	(122)	76
	62,446	1,890	(7,017)	57,319
31 December 2011 and 1 January 2011				
Conventional:				
— mortgage assets	40,382	—	—	40,382
— hire purchase assets	16	—	—	16
Islamic:				
— mortgage assets	21,872	—	—	21,872
— hire purchase assets	176	—	—	176
	62,446	—	—	62,446

35.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Company mainly uses the ratings by external rating agencies, mainly Rating Services Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC"). The table below presents an analysis of AFS investment securities external ratings designation:

	Investment Grade			
	GOM	AAA	AA1 to AA2	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Private debt securities	—	81,999	40,763	122,762
Malaysian government securities	83,700	—	—	83,700
Government issued instruments	168,281	—	—	168,281
Islamic debt securities	—	285,078	—	285,078
Negotiable instruments of deposits	—	205,511	—	205,511
Bank Negara Malaysia Sukuk	99,764	—	—	99,764
Quasi government debt securities	200,887	—	—	200,887
	552,632	572,588	40,763	1,165,983
31 December 2011				
Private debt securities	—	81,241	15,322	96,564
Malaysian government securities	173,614	—	—	173,614
Government issued instruments	144,016	—	—	144,016
Islamic debt securities	—	5,103	—	5,103
Negotiable instruments of deposits	—	100,685	76,618	177,302
	317,630	187,029	91,940	596,599

35 CREDIT RISK — (CONTINUED)

35.3 AFS investment securities — (continued)

	Investment Grade			
	GOM	AAA	AA1 to AA2	Total
	RM'000	RM'000	RM'000	RM'000
1 January 2011				
Private debt securities	—	137,700	—	137,700
Malaysian government securities	97,040	—	—	97,040
Government issued instruments	10,183	—	—	10,183
Islamic debt securities	—	5,073	—	5,073
Negotiable instruments of deposits	—	50,014	50,373	100,387
	107,223	192,787	50,373	350,383

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

35.4 Amount due from related company, SPE and ultimate holding company

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

36 LIQUIDITY RISK

36.1 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.

36.2 Liquidity pool

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

	Cash and deposit in licensed financial institutions	Derivative financial instruments	AFS investment securities	Mortgage assets	Islamic mortgage assets	Other available liquidity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2012	370,939	1,115	1,165,983	6,093,780	3,828,813	11,798,792	23,259,422
As at 31 December 2011	355,299	—	596,599	6,578,196	3,918,909	11,213,525	22,662,528
As at 1 January 2011	113,722	2,848	350,383	7,074,638	3,992,999	11,212,047	22,746,637

36 LIQUIDITY RISK — (CONTINUED)

36.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Company under non-derivative 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 Company managing the liquidity risk based on a different basis.

	Contractual maturity dates					
	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
31 December 2012						
Liabilities						
Unsecured bearer bonds and notes	13,804	51,175	824,379	6,607,046	4,218,626	11,715,030
Sukuk	33,621	845,097	3,524,016	6,202,325	3,210,408	13,815,467
Other liabilities	5,967	—	—	—	51,956	57,923
Total liabilities	53,392	896,272	4,348,395	12,809,371	7,480,990	25,588,420
Assets held for managing liquidity risk	803,355	635,219	4,013,917	14,584,378	10,698,814	30,735,683
31 December 2011						
Liabilities						
Unsecured bearer bonds and notes	14,564	219,569	1,135,574	5,420,955	6,151,098	12,941,760
Sukuk	29,190	624,444	1,688,105	6,958,692	3,270,651	12,571,082
Other liabilities	5,291	—	—	—	51,524	56,815
Total liabilities	49,045	844,013	2,823,679	12,379,647	9,473,273	25,569,657
Assets held for managing liquidity risk	874,863	787,016	2,973,562	13,366,639	12,762,552	30,764,634
1 January 2011						
Liabilities						
Unsecured bearer bonds and notes	149	207,776	1,147,420	3,745,651	5,663,018	10,764,014
Sukuk	215,702	510,584	1,411,582	6,899,361	4,106,527	13,143,756
Amount due to ultimate holding company	100,000	—	—	—	—	100,000
Other liabilities	6,560	—	—	—	1,675	8,235
Total liabilities	322,411	718,360	2,559,002	10,645,012	9,771,220	24,016,005
Assets held for managing liquidity risk	811,384	1,129,464	2,638,221	12,733,154	13,753,152	31,065,375

36 LIQUIDITY RISK — (CONTINUED)

36.4 Derivatives liabilities

The Company's derivatives comprise interest rate swaps, for which net cash flows are exchanged, held for hedging purposes. The derivatives held by the Company is settled on a net basis.

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

	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
31 December 2012						
Derivatives held for hedging — IRS/IPRS . . .	—	(4,896)	(5,246)	(34,059)	(14,536)	(58,737)
31 December 2011						
Derivatives held for hedging — IRS	—	(4,540)	(4,491)	(38,622)	(17,555)	(65,208)
1 January 2011						
Derivatives held for hedging — IRS	(3,200)	(5,536)	(4,621)	(30,892)	(6,715)	(50,964)

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arms length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market values 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. In addition, fair value information for non-financial assets and liabilities such as property and equipment are excluded, as they do not fall within the scope of MFRS 7, which requires the fair value information to be disclosed.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest 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.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

37.1 Fair value of financial instruments

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

	31 December 2012		31 December 2011		1 January 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Amount due from counterparties	3,696,142	3,658,310	4,307,044	4,225,749	4,325,110	4,331,896
Islamic financing debts	8,076,861	8,118,391	6,879,635	6,933,983	6,854,347	6,883,641
Mortgage assets						
— Conventional	6,093,780	6,893,146	6,578,196	7,211,341	7,074,638	7,457,328
— Islamic	3,828,813	4,201,962	3,918,909	4,191,731	3,992,999	4,163,877
Hire purchase assets						
— Conventional	9	3	52	75	761	758
— Islamic	15,937	17,826	21,221	22,586	25,463	25,506
	21,711,542	22,889,638	21,705,057	22,585,465	22,273,318	22,863,006
Liabilities						
Unsecured bearer bonds and notes	9,217,450	9,253,355	9,868,021	9,877,465	10,039,490	10,439,339
Sukuk	11,707,559	11,691,278	10,585,467	10,742,244	10,651,329	10,792,463
	20,925,009	20,944,633	20,453,488	20,619,709	20,690,819	21,231,802

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

The carrying amount of cash and short-term funds is used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) Amounts due from counterparties

The fair value of the fixed rate assets portfolio 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. The fair value of the floating rate assets portfolio is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

(c) Mortgage assets and hire purchase assets

The fair value of the mortgage assets and hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets market yield to maturity at the date of the statement of financial position.

(d) AFS investment securities

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

(e) Islamic financing debts

The fair value of the Islamic financing debts 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 date of the statement of financial position.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

37.1 Fair value of financial instruments — (continued)

(f) Other financial assets

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount.

(g) Unsecured bearer bonds and notes and Sukuk

The fair value of the unsecured bearer bonds and notes and sukuk is derived from the market indicative quotes or observable market prices at the date of the statement of financial position.

(h) Amount due from related company, SPE and ultimate holding company

The estimated fair value of amount due from related company, SPE and ultimate holding company approximate their book value due to short tenure of less than one year.

(i) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount.

(j) Derivatives

The estimated fair value of the interest rate swaps is based on the estimated future cash flows discounted using the market interest rate at the statement of financial position date.

37.2 Fair value hierarchy

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).

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2012				
Assets				
AFS investments securities	—	1,165,983	—	1,165,983
Derivatives financial instruments	—	1,115	—	1,115
Liabilities				
Derivatives financial instruments	—	53,741	—	53,741
31 December 2011				
Assets				
AFS investments securities	—	596,599	—	596,599
Liabilities				
Derivatives financial instruments	—	58,278	—	58,278
1 January 2011				
Assets				
AFS investments securities	—	350,383	—	350,383
Derivatives financial instruments	—	2,848	—	2,848
Liabilities				
Derivatives financial instruments	—	46,813	—	46,813

38 SEGMENT REPORTING

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

(a) PWR

The PWR scheme consists of purchase of 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 Company. The loans and financing are acquired with recourse to the primary lenders should the loans and financing fail to comply with agreed prudential criteria.

(b) PWOR

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

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

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

	Purchase with recourse	Purchase without recourse	Total
	RM'000	RM'000	RM'000
31 December 2012			
External revenue	505,701	708,631	1,214,332
External interest/profit expense	(396,566)	(496,157)	(892,723)
Profit from operations	81,410	211,634	293,044
Zakat	(752)	(366)	(1,118)
Taxation	(20,047)	(52,916)	(72,963)
Profit after taxation by segment	60,611	158,352	218,963
Segment assets	13,332,548	9,952,059	23,284,607
Segment liabilities	10,728,144	10,332,077	21,060,221
Other information:			
Capital expenditure	792	593	1,385
Depreciation and amortisation	1,355	2,218	3,573
31 December 2011			
External revenue	486,469	751,806	1,238,275
External interest/profit expense	(369,891)	(530,527)	(900,418)
Profit from operations	90,473	213,791	304,264
Zakat	(1,084)	(1,176)	(2,260)
Taxation	(22,111)	(53,448)	(75,559)
Profit after taxation by segment	67,278	159,167	226,445
Segment assets	12,159,217	10,529,663	22,688,880
Segment liabilities	16,476,036	4,111,472	20,587,508
Other information:			
Capital expenditure	299	259	558
Depreciation and amortisation	2,014	1,743	3,757

38 SEGMENT REPORTING — (CONTINUED)

(b) PWOR — (continued)

	Purchase with recourse	Purchase without recourse	Total
	RM'000	RM'000	RM'000
1 January 2011			
External revenue	458,824	797,404	1,256,228
External interest/profit expense	(323,058)	(563,845)	(886,903)
Profit from operations	100,562	223,581	324,143
Zakat	(604)	(232)	(836)
Taxation	(26,732)	(55,895)	(82,627)
Profit after taxation by segment	73,226	167,454	240,680
Segment assets	11,667,020	11,105,163	22,772,183
Segment liabilities	9,958,596	10,905,574	20,864,170
Other information:			
Capital expenditure	508	483	991
Depreciation and amortisation	1,196	2,340	3,536

39 CAPITAL ADEQUACY

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 Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

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

The Company is not subject to the BNM 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 Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The Company maintains a ratio of total regulatory capital to its risk-weighted assets which is computed in accordance with the BNM revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II).

The regulatory capital comprise of two tiers:

(a) Tier 1 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 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets and unrealised gains arising from fair valuation of financial instruments held.

Core capital ratio refers to the ratio of Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio is the ratio of total capital base to risk-weighted assets.

39 CAPITAL ADEQUACY — (CONTINUED)

The capital adequacy ratios are as follows:

	2012 RM'000	2011 RM'000
Tier I capital		
Paid up capital	150,000	150,000
Retained profits	2,110,925	1,990,962
	2,260,925	2,140,962
Deferred taxation assets	(9,231)	(9,194)
Total tier I capital	2,251,694	2,131,768
Tier II capital		
Allowance for impairment losses	57,319	62,446
Total tier II capital	57,319	62,446
Total capital base	2,309,013	2,194,214

	2012 RM'000	2011 RM'000
Capital ratios:		
Core	23.8%	24.4%
Risk-weighted	24.4%	25.1%

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

Credit risk	8,816,211	8,069,591
Operational risk	639,329	667,489
Total risk-weighted assets	9,455,540	8,737,080

40 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
ASSETS				
Cash and short-term funds	(a)	94,346	50,291	33,389
Derivatives financial instruments		1,115	—	—
AFS investment securities	(b)	99,764	49,247	5,073
Financing debts	(c)	8,076,861	6,879,635	6,854,347
Mortgage assets	(d)	3,820,156	3,915,318	3,992,999
Hire purchase assets	(e)	9,975	9,930	6,689
Other assets and prepayments		289,439	289,582	289,206
TOTAL ASSETS		12,391,656	11,194,003	11,181,703
LIABILITIES				
Sukuk	(f)	11,707,559	10,585,467	10,651,329
Deferred taxation		282	—	—
Other liabilities	(g)	10,990	10,348	8,843
TOTAL LIABILITIES		11,718,831	10,595,815	10,660,172
ISLAMIC OPERATIONS' FUNDS		672,825	598,188	521,531
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		12,391,656	11,194,003	11,181,703

40 ISLAMIC OPERATIONS — (CONTINUED)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Total income attributable		551,772	556,349
Income attributable to the Sukuk holders	(h)	(450,036)	(448,863)
Non profit expense		(324)	—
Total income attributable	(i)	101,412	107,486
Administration and general expenses		(2,133)	(2,266)
Write-back of allowance for impairment losses		600	—
PROFIT BEFORE TAXATION AND ZAKAT		99,879	105,220
Taxation		(24,970)	(26,305)
Zakat		(1,118)	(2,260)
PROFIT FOR THE FINANCIAL YEAR		73,791	76,655

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Profit for the financial year		73,791	76,655
Other comprehensive income:			
AFS investment securities			
— Net gain on fair value changes before taxation		4	2
— Deferred taxation		(1)	—
Cash flow hedge			
— Net gain on cash flow hedge before taxation		1,124	—
— Deferred taxation		(281)	—
Other comprehensive gain for the financial year, net of taxation		846	2
Total comprehensive income for the financial year		74,637	76,657

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Allocated capital funds RM'000	AFS reserve RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2012	294,159	2	—	304,027	598,188
Profit for the financial year	—	—	—	73,791	73,791
Other comprehensive income	—	3	843	—	846
Total comprehensive income for the financial year	—	3	843	73,791	74,637
Balance as at 31 December 2012	294,159	5	843	377,818	672,825
Balance as at 1 January 2011	294,159	—	—	227,372	521,531
Profit for the financial year	—	—	—	76,655	76,655
Other comprehensive income	—	2	—	—	2
Total comprehensive income for the financial year	—	2	—	76,655	76,657
Balance as at 31 December 2011	294,159	2	—	304,027	598,188

40 ISLAMIC OPERATIONS — (CONTINUED)

STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012 RM'000	2011 RM'000
OPERATING ACTIVITIES		
Profit for the financial year	73,791	76,655
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Accretion of discount on:		
— Mortgage assets	(88,156)	(87,330)
— Hire purchase assets	(233)	(2,249)
Amortisation of premium less accretion of discount on debt securities	(2,968)	(2,486)
Write-back of allowance of impairment loss on mortgage assets and hire purchase assets	(600)	—
Income from:		
— Debts securities	(96)	(828)
— Operations	(458,212)	(463,259)
Gain on disposal of AFS investment securities	(109)	(99)
Profit attributable to Sukuk holders	449,726	448,863
Wakalah fee expense	102	108
Taxation	24,970	26,305
Zakat	1,118	2,260
Operating loss before working capital changes	(667)	(2,060)
Increase in financing debts	(1,190,454)	(18,730)
Decrease in mortgage assets	178,814	159,689
Decrease/(increase) in hire purchase assets	605	(594)
Decrease/(increase) in other assets and prepayments	142	(374)
Increase/(decrease) in Sukuk	1,111,265	(79,180)
Decrease in other liabilities	(2,294)	(674)
Cash generated from operating activities	97,411	58,077
Profit received from assets	456,128	461,624
Profit paid to Sukuk holders	(438,899)	(435,544)
Wakalah fee paid	(102)	(108)
Payment of taxation	(20,892)	(24,602)
Payment of zakat	(2,260)	(1,785)
Net cash generated from operating activities	91,386	57,662
INVESTING ACTIVITIES		
Purchase of AFS investment securities	(1,505,542)	(635,747)
Sale of AFS investment securities	1,458,106	594,099
Derivative financial instruments	9	—
Income received from debt securities	96	888
Net cash utilised in investing activities	(47,331)	(40,760)
Net increase in cash and cash equivalents	44,055	16,902
Cash and cash equivalents as at 1 January	50,291	33,389
Cash and cash equivalents as at 31 December	94,346	50,291
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds	94,346	50,291

40 ISLAMIC OPERATIONS — (CONTINUED)

(a) *Cash and short-term funds*

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	27	73	14
Mudharabah money at call and deposit placements maturing within one month	94,319	50,218	33,375
	94,346	50,291	33,389

(b) *AFS investment securities*

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
At fair value:			
Bank Negara Malaysia Sukuk	99,764	—	—
Debt securities	—	—	5,073
Negotiable instruments of deposits	—	49,247	—
	99,764	49,247	5,073
The maturity structure of AFS investment securities is as follows:			
Maturing within one year	99,764	49,247	5,073

(c) *Financing debts*

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Housing financing debts	1,063,445	525,417	553,644
Hire purchase debts	4,034,911	3,217,740	2,587,283
Personal financing	2,978,505	3,136,478	3,713,420
	8,076,861	6,879,635	6,854,347
The maturity structure of financing debts are as follows:			
Maturing within one year	2,619,653	1,038,705	702,765
One year to three years	3,002,670	3,199,533	1,284,009
Three years to five years	2,454,538	2,641,397	3,567,540
More than five years	—	—	1,300,033
	8,076,861	6,879,635	6,854,347

(d) *Mortgage assets*

	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
PWOR	3,820,156	3,915,318	3,992,999
The maturity structure of mortgage assets are as follows:			
Maturing within one year	669,901	613,926	552,994
One year to three years	660,770	643,619	615,136
Three years to five years	631,828	635,561	637,204
More than five years	2,752,523	2,988,861	3,222,305
	4,715,022	4,881,967	5,027,639
Less:			
Unaccreted discount	(873,616)	(944,777)	(1,012,768)
Allowance for impairment losses	(21,250)	(21,872)	(21,872)
	3,820,156	3,915,318	3,992,999

40 ISLAMIC OPERATIONS — (CONTINUED)

(e) *Hire purchase assets*

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
PWOR	9,975	9,930	6,689
The maturity structure of hire purchase assets are as follows:			
Maturing within one year	3,448	2,737	1,842
One year to three years	5,016	4,904	3,136
Three years to five years	1,894	2,695	2,034
More than five years	83	132	148
	10,441	10,468	7,160
Less:			
Unaccreted discount	(445)	(538)	(365)
Allowance for impairment losses	(21)	—	(106)
	9,975	9,930	6,689

(f) *Sukuk*

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Commercial papers	500,264	—	304,932
Medium-term notes	11,207,295	10,341,732	9,858,482
Bithaman Ajil	—	243,735	487,915
	11,707,559	10,585,467	10,651,329
The maturity structure of Sukuk are as follows:			
Maturing within one year	4,077,559	2,050,467	1,822,594
One year to three years	3,630,000	3,990,000	4,458,735
Three years to five years	1,605,000	2,210,000	1,345,000
More than five years	2,395,000	2,335,000	3,025,000
	11,707,559	10,585,467	10,651,329

(g) *Other liabilities*

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Zakat	1,118	2,260	1,785
Other payables	9,872	8,088	7,058
	10,990	10,348	8,843

(h) *Income attributable to the Sukuk holders*

	2012 RM'000	2011 RM'000
Mortgage assets	195,142	200,061
Hire purchase assets	337	293
Financing debts	254,247	248,442
Deposits and placements of financial institutions	310	67
	450,036	448,863
Income attributable to the Sukuk holders by concept are as follows:		
Bai Al-Dayn	449,726	448,796
Mudharabah	310	67
	450,036	448,863

40 ISLAMIC OPERATIONS — (CONTINUED)

(i) Total net income

	2012 RM'000	2011 RM'000
Income from:		
Mortgage assets	72,924	78,157
Hire purchase assets	301	199
Financing debts	23,650	22,865
AFS investment securities	3,351	3,511
Deposits and placements with financial institutions	1,510	2,754
Non profit expense	(324)	—
	101,412	107,486

Total net income analysed by concept are as follows:

	2012 RM'000	2011 RM'000
Bai Bithaman Ajil	195	524
Murabahah	1,900	149
Bai Al-Dayn	97,015	101,221
Mudharabah	2,301	4,935
Ijarah	1	11
Musyarakah	—	366
Bai Al-Inah	—	280
	101,412	107,486

(j) Capital adequacy

	2012 RM'000	2011 RM'000
Tier I capital		
Allocated capital funds	294,159	294,159
Other reserves	378,666	304,029
Deferred tax liabilities	282	—
Total tier I capital	673,107	598,188
Tier II capital		
Allowance for impairment losses	21,271	21,872
Total tier II capital	21,271	21,872
Total capital base	694,378	620,060
Capital ratios:		
Risk-weighted	15.0%	16.8%

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	2012 RM'000	2011 RM'000
Credit risk	4,420,830	3,491,176
Operational risk	201,270	207,233
Total risk-weighted assets	4,622,100	3,698,409

(k) Shariah advisors

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

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 December 2012.

42 APPROVAL OF FINANCIAL STATEMENTS

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

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

We, Dato' Ooi Sang Kuang and Dato' Albert Yeoh Beow Tit, being two of the Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 5 to 81 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2012 and of the results and cash flow of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

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

DATO' OOI SANG KUANG
CHAIRMAN

DATO' ALBERT YEOH BEOW TIT
DIRECTOR

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

I, Rafiza Ghazali, being the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 81 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.

RAFIZA GHAZALI

Subscribed and solemnly declared by the abovenamed Rafiza Ghazali at Kuala Lumpur in Malaysia on 25 FEB 2013.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
NO. W465
KAPT. (B) JASNI BIN YUSOFF
MALAYSIA

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

pwc

INDEPENDENT AUDITORS' 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 5 to 81, which comprise the statements of financial position as at 31 December 2012 of the Company, and the statement of income, comprehensive income, changes in equity and cash flows 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 42.

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 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CAGAMAS BERHAD
(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 Company as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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.

As stated in Note 2 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of income, comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and the financial performance and cash flows for the year then ended.

PRICEWATERHOUSECOOPERS
(AF-1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No.2682/10/13 (J))
Chartered Accountant

Kuala Lumpur
25 February 2013

CAGAMAS BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS
31 DECEMBER 2011

Lodged by:

CAGAMAS BERHAD (157931-A)
Level 32, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur
Tel. +603 22621800 Fax. +60322828125/9125

STATUTORY FINANCIAL STATEMENTS
31 DECEMBER 2011

CONTENTS	PAGES

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issue 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.

There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	226,445

DIVIDENDS

The dividends paid by the Company since 31 December 2010 were as follows:

	RM'000
In respect of the financial year ended 31 December 2010, as shown in the Directors' report of that financial year,	
— a special dividend of 88.89 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 18 January 2011	100,000
— a final dividend of 15 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 27 May 2011	16,875
In respect of the financial year ended 31 December 2011,	
— an interim dividend of 5 sen per share on 150,000,000 ordinary shares, less taxation of 25%, paid on 25 October 2011	5,625
	122,500

The Directors now recommend the payment of a final dividend of 15 sen per share on 150,000,000 ordinary shares, less taxation of 25%, amounting to RM16,875,000 for the financial year ended 31 December 2011 which is subject to approval of members at the forthcoming Annual General Meeting of the Company.

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 bond, notes and Sukuk issued by the Company. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAAID and MARC-1/MARC-1ID to bond, notes and Sukuk issued by the Company.

RELATED PARTY TRANSACTIONS

Most of the transactions of the Company involving mortgage loans, hire purchase and leasing debts, Islamic financing facilities as well as issuance of unsecured debt securities and Sukuk are done at arm's length with various financial institutions including that of substantial shareholders of Cagamas Holdings Berhad.

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
Y.M. Tunku Afwida Tunku A. Malek
Tang Wing Chew
Dr. Roslan A. Ghaffar
Dato' Md Agil bin Mohd Natt (Appointed on 12.08.2011)

Philip Tan Puay Koon	(Appointed on 12.08.2011)
Dato' Mohd Razif Abd Kadir	(Deceased on 08.08.2011)
Tan Sri Dato' Sri Tay Ah Lek	(Resigned on 12.08.2011)
Yvonne Chia	(Resigned on 12.08.2011)
Cheah Tek Kuang	(Resigned on 12.08.2011)
Datuk George Ratilal	(Resigned on 12.08.2011)

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.

In accordance with Article 19.10 of the Company's Articles and Association, Dato' Md Agil bin Mohd Natt and Philip Tan Puay Koon who vacate office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of 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 28 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.

SHARE CAPITAL

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and statement of financial position were made out, the Directors took reasonable steps:

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

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

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 Company inadequate to any substantial extent; or

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

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

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

(a) any charge on the assets of 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 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 Company to meet its obligations when they fall due.

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

In the opinion of the Directors:

(a) the results of the operations of the 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 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.

AUDITORS

Our auditors, PricewaterhouseCoopers, have 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	Y.M. TUNKU AFWIDA TUNKU A. MALEK DIRECTOR

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011	2010
		RM'000	RM'000
ASSETS			
Cash and short-term funds	5	355,299	113,722
Derivative financial instruments	6	—	2,848
Available-for-sale investment securities	7	596,599	350,383
Amount due from counterparties	8	4,307,044	4,325,110
Islamic financing debts	9	6,879,635	6,854,347
Mortgage assets			
— Conventional	10	6,578,196	7,074,638
— Islamic	11	3,918,909	3,992,999
Hire purchase assets			
— Conventional	12	52	761
— Islamic	13	21,221	25,463
Amount due from related company and SPE		976	1,059
Amount due from ultimate holding company		2	2
Other assets	14	5,646	6,375
Property and equipment	15	4,311	5,363
Intangible assets	16	11,796	13,943
Deferred taxation	17	9,194	5,170
TOTAL ASSETS		22,688,880	22,772,183
LIABILITIES			
Unsecured bearer bonds and notes	18	9,868,021	10,039,490
Sukuk	19	10,585,467	10,651,329
Derivative financial instruments	6	58,278	46,813
Provision for taxation		12,279	13,186
Amount due to ultimate holding company		—	100,000
Other liabilities	20	63,463	13,352
TOTAL LIABILITIES		20,587,508	20,864,170
Share capital	21	150,000	150,000
Reserves	22	1,951,372	1,758,013
SHAREHOLDER'S FUNDS		2,101,372	1,908,013
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		22,688,880	22,772,183
NET TANGIBLE ASSETS PER SHARE (RM)	23	13.93	12.63

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

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		RM'000	RM'000
Interest income	24	681,926	728,932
Interest expense	25	(451,555)	(471,824)
Income from Islamic operations	40	107,486	112,217
Non-interest income/(expense)	26	3,342	(5,343)
		341,199	363,982
Administration and general expenses		(18,915)	(19,138)
Personnel costs		(18,020)	(20,701)
PROFIT BEFORE TAXATION AND ZAKAT	27	304,264	324,143
Taxation	29	(75,559)	(82,627)
Zakat		(2,260)	(836)
PROFIT FOR THE FINANCIAL YEAR		226,445	240,680
EARNINGS PER SHARE (SEN)	23	150.96	160.45
DIVIDEND PER SHARE (SEN)	30	20.00	108.89

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RM'000	RM'000
Profit for the financial year	226,445	240,680
Other comprehensive income/(loss):		
Available-for-sale investment securities		
— Net gain on fair value changes before taxation	1,448	1,319
— Deferred taxation	(362)	(330)
Cash flow hedge		
— Net loss on cash flow hedge before taxation	(15,274)	(3,600)
— Deferred taxation	3,602	(600)
— Transfer to income statement upon ineffective hedging	—	107
— Deferred taxation	—	(27)
Other comprehensive loss for the financial year, net of taxation	(10,586)	(3,131)
Total comprehensive income for the financial year	215,859	237,549

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable			
		Share capital	AFS reserve	Cash flow hedge reserve	Retained profits	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2011		150,000	21	(29,025)	1,787,017	1,908,013
Profit for the financial year		—	—	—	226,445	226,445
Other comprehensive loss		—	1,086	(11,672)	—	(10,586)
Total comprehensive income/(loss) for the financial year		—	1,086	(11,672)	226,445	215,859
Final dividend in respect of financial year ended 31 December 2010	30	—	—	—	(16,875)	(16,875)
Interim dividend in respect of financial year ended 31 December 2011	30	—	—	—	(5,625)	(5,625)
Balance as at 31 December 2011		150,000	1,107	(40,697)	1,990,962	2,101,372
Balance as at 1 January 2010		150,000	(968)	(24,905)	1,668,837	1,792,964
Profit for the financial year		—	—	—	240,680	240,680
Other comprehensive income/(loss)		—	989	(4,120)	—	(3,131)
Total comprehensive income/(loss) for the financial year		—	989	(4,120)	240,680	237,549
Final dividend in respect of financial year ended 31 December 2009	30	—	—	—	(16,875)	(16,875)
Interim dividend in respect of financial year ended 31 December 2010	30	—	—	—	(5,625)	(5,625)
Approved special dividend in respect of financial year ended 31 December 2010	30	—	—	—	(100,000)	(100,000)
Balance as at 31 December 2010		150,000	21	(29,025)	1,787,017	1,908,013

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

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit for the financial year	226,445	240,680
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Amortisation of premium less accretion of discount on:		
— Available-for-sale investment securities	905	(1,349)
— Islamic debt securities	(2,486)	(1,184)
Accretion of discount on:		
Mortgage assets		
— Conventional	(153,578)	(160,209)
— Islamic	(87,330)	(89,818)
Hire purchase assets		
— Conventional	(10)	(33)
— Islamic	(2,639)	(898)
Islamic commercial papers	—	2,377
Income from Islamic debt securities	(828)	(175)
Interest income	(528,853)	(566,796)
Income from Islamic operations	(463,259)	(432,348)
Interest expense	451,555	471,824
Profit attributable to Sukuk holders	448,863	412,131
Depreciation of property and equipment	1,126	1,172
Amortisation of intangible assets	2,631	2,364
Gain on disposal of property and equipment	(26)	(10)
Gain on disposal of available-for-sale investment securities	(4,909)	(1,235)
Unrealised losses on revaluation of IRS	3	472
Realised loss on IRS hedge	—	107
Guarantee fee expense	19	206
Wakalah fee expense	108	175
Taxation	75,559	82,627
Zakat	2,260	836
Operating loss before working capital changes	(34,444)	(39,084)
Decrease in amount due from counterparties	24,262	332,398
Increase in Islamic financing debts	(18,730)	(2,275,815)
Decrease in mortgage assets		
— Conventional	659,958	580,036
— Islamic	156,099	190,335
Decrease in hire purchase assets		
— Conventional	1,460	1,949
— Islamic	7,279	3,810
Decrease/(increase) in other assets	817	(117,696)
Decrease in unsecured bearer bonds and notes	(165,000)	(1,397,301)
(Decrease)/increase in Sukuk	(79,180)	1,470,505
Increase/(decrease) in other liabilities	49,636	(832)
Cash generated from/(utilised in) operations	602,157	(1,251,695)
Interest received	490,184	533,179
Profit received from Islamic assets	461,624	578,452
Interest paid	(458,025)	(485,912)
Profit attributable to Sukuk holders	(435,544)	(388,499)
Guarantee fee paid	(19)	—
Wakalah fee paid	(108)	—
Payment of:		
— zakat	(1,785)	(1,702)
— taxation	(77,250)	(92,799)
Net cash generated from/(utilised in) operating activities	581,234	(1,108,976)

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 — (CONTINUED)

	2011 RM'000	2010 RM'000
INVESTING ACTIVITIES		
Purchase of available-for-sale investment securities	(2,906,672)	(952,751)
Sale of available-for-sale investment securities	2,673,372	1,472,540
Derivative financial instrument	(964)	(1,889)
Purchase of:		
— property and equipment	(74)	(290)
— intangible assets	(484)	(701)
Proceeds from disposal of property and equipment	26	16
Income received from:		
— Available-for-sale investment securities	16,751	6,413
— Islamic debts securities	888	175
Net cash (utilised in)/generated from investing activities	(217,157)	523,513
FINANCING ACTIVITY		
Dividends paid to ultimate holding company	(122,500)	(22,500)
Net cash utilised in financing activity	(122,500)	(22,500)
Net increase/(decrease) in cash and cash equivalents	241,577	(607,963)
Cash and cash equivalents as at 1 January	113,722	721,685
Cash and cash equivalents as at 31 December	355,299	113,722
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds	355,299	113,722

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 purchases of mortgage loans, personal loans and hire purchase and leasing debts from primary lenders approved by the Company and the issue 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 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 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 financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies in accordance with the Financial Reporting Standards ("FRS"), the Malaysian Accounting Standard Board ("MASB") Approved Accounting Standards for Entities Other than Private Entities and comply with the provisions of the Companies Act, 1965.

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

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

The preparation of financial statements in conformity with FRS 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 Company's accounting policies. Although these estimates 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 to existing standards that are applicable to the Company and are effective:*

- Amendment to FRS 7 "Financial instruments: Disclosures – improving disclosures about financial instruments".

  Changes to the above standard has resulted in additional disclosures in the financial statements of the Company.

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

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

(i) Financial year beginning on 1 January 2012

In the next financial year, the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

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 Company but not yet effective — (continued)

There is no significant impact arising from the transition from FRS to MFRS.

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

(ii) Financial year beginning on 1 January 2013

- MFRS 9 "Financial instruments — classification and measurement of financial assets and financial liabilities" (effective from 1 January 2013) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  The initial application of this standard will result in the change in classification and measurement of financial assets currently classified as Available-for-Sale.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

  There is no significant impact arising from the initial application of this standard.

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 July 2011) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

  The initial application of this standard will result in additional disclosures in the financial statements.

- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in OCI in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

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 Company but not yet effective — (continued)

The initial application of this standard will result in additional disclosures in the financial statements.

2.2 Amount due from counterparties and Islamic financing debts

Note 1 to the financial statements describes the principal activities of the Company, which are inter alia, the purchase 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 debts in respect of mortgage loans, personal loans and hire purchase and leasing debts are stated at their unpaid principal balances due to the Company. Interest/profit income on amount due from counterparties/Islamic financing debts is recognised on an accrual basis and computed at the respective interest/profit rates based on monthly rest.

2.3 Mortgage assets and hire purchase assets

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

As at the statement of financial position date, mortgage assets and hire purchase assets acquired are stated at their unpaid principal balances due to 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 acquired is accreted to the income statement over the term of the assets using the effective yield method.

2.4 Available-for-sale ("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 Company contracts to purchase the investment. Investments are derecognised when the Company has contracted to sell the investment and has 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 2.6 (a) to the financial statements.

Interest/profit income from AFS investment securities is recognised using the effective interest 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.

2.5 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.5 Property and equipment and depreciation — (continued)

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 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 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 which they are incurred.

At each statement of financial position date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the assets 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 2.6 (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.

2.6 Impairment of assets

(a) Financial assets

(i) Assets carried at amortised cost

The Company assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. An asset 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 asset that can be reliably estimated.

The amount of the loss is measured as the difference between the assets'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 through the use of an allowance account 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 occuring 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 Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial asset 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)

2.6 Impairment of assets — (continued)

(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.

2.7 Income recognition

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

2.8 Premium and discount on unsecured bearer bonds and notes and Sukuk

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

2.9 Income taxes

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

Deferred taxation 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 taxation 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 taxation 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 taxation asset is realised or deferred taxation liability is settled.

2.10 Cash and cash equivalents

For the purpose of cash flow statement, 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.

2.11 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.

2.12 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 Company. The Company has determined the Chief Executive Officer to be the chief operating decision maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.13 Derivative financial instruments and hedge accounting

Interest rate swaps ("IRS") are used by the Company to hedge the issuance of its debt securities/Sukuk from potential movements in interest/profit rates. Further details of the IRS are disclosed in Note 6 to the financial statements.

Fair value of IRS is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates 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 Company documents at the inception the relationship between the hedging instrument and hedged item, including the risk management objective for undertaking various hedge transactions and methods used to assess the effectiveness of the hedge.

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

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.

2.14 Provisions

Provisions are recognised when the Company has 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 Company expects 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.

2.15 Zakat

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.15 Zakat — (continued)

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% (2010: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit after 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 year in which it is incurred.

2.16 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 Company.

(b) Defined contributions plans

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 year to which they relate to. Once the contributions have been paid, the Company has no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.17 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 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 administration and administrator fees

Service rights to transaction administration and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administration 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 2.6 (b) to the financial statements.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.18 Share capital — (continued)

(a) Classification — (continued)

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

(b) Dividends to shareholders of the Company

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

2.19 Functional and presentation currency

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

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

2.20 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 purpose

The fair value of publicly traded derivatives and securities is based on quoted market prices at the statement of financial position date.

In assessing fair values of other financial instruments, the Company uses a variety of methods and makes assumptions that are based on existing market conditions 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 Company for similar financial instruments.

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.

2.21 Contingent liabilities and contingent assets

The Company does 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

2.21 Contingent liabilities and contingent assets — (continued)

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 Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and exercise of judgement by management in the process of applying 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 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 Company has exercised its judgement to select 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

The Company makes allowances for losses on mortgage assets and hire purchase assets based on assessment of recoverability. Whilst management is guided by the requirement of FRS 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 flow to service the assets.

4 RISK MANAGEMENT OBJECTIVE AND POLICIES

Risk management is an integral part of 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 Company has streamlined risk management according to its business activities, and enhanced key controls to ensure effectiveness of risk management and its independence from risk taking activities.

The 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 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 Company's operations and activities. The Board of Directors sets the risk appetite and tolerance level that are consistent with 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 Company's risks.

4 RISK MANAGEMENT OBJECTIVE AND POLICIES — (CONTINUED)

4.1 Risk management structure — (continued)

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 balance sheet items such as lending and investments, as well as in the form of off balance sheet items such as guarantees and treasury hedging activities.

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

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

4.3 Market risk management

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

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

The Company also uses derivative instruments such as interest rate swaps to manage and hedge its market risk exposure against fluctuations in interest rates.

4.4 Liquidity risk management

Liquidity risk arises when the Company does not have sufficient funds to meet its financial obligations when they fail due.

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

The Company’s liquidity management process, as carried out within the Company and monitored by related departments, includes:

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

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

4 RISK MANAGEMENT OBJECTIVE AND POLICIES — (CONTINUED)

4.4 Liquidity risk management — (continued)

(c) Monitoring the liquidity ratios of 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

	2011	2010
	RM'000	RM'000
Cash and balances with banks and other financial institutions	50,757	197
Money at call and deposits placements maturing within one month	254,324	80,150
Mudharabah money at call and deposits placements maturing within one month	50,218	33,375
	355,299	113,722

6 DERIVATIVE FINANCIAL INSTRUMENTS

IRS are used as hedging tools to support issuance of fixed rate bonds to fund floating rate purchases of mortgage loans. By entering into IRS, the Company is protected from adverse movements in interest rates since the Company pays the floating rate receipts from its floating rate purchases to and receives fixed rate payments from the swap counterparties. These fixed rate payments will then be utilised to pay interest on the fixed rate bonds issued.

The IRS are also used to hedge the Company's issuance of debt securities/Sukuk in a rising interest rate environment. In the first leg of the transaction, the Company pays fixed rate interest and receives floating rate payments from the swap counterparties. On issuance of the debt securities/Sukuk, the Company unwinds the IRS transaction by taking an opposite position for the same amounts as in the first leg of the transaction. The IRS protects the Company in a rising interest rate environment since the Company will be receiving higher fixed rate as compared to the higher fixed rate that the Company is required to pay to the bond holders/Sukuk holders.

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 FRS 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 Company has designated a number of IRS as cash flow hedges. The total fair value of derivatives included within cash flow hedges at 31 December 2011 was a credit of RM58.3 million (2010: RM44.0 million).

(b) Fair value hedges

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

(c) Net investment hedges

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

6 DERIVATIVE FINANCIAL INSTRUMENTS — (CONTINUED)

(c) Net investment hedges — (continued)

All derivatives financial instruments are held for economic hedging purposes, although not all derivatives are designated as hedge instruments under the terms of FRS 139. The analyses below split derivatives between those in accounting hedge relationships and those not in accounting hedge relationships.

	2011			2010		
	Contract/ notional amount	Fair value Assets	Fair value Liabilities	Contract/ notional amount	Fair value Assets	Fair value Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Derivatives in accounting hedge relationships						
Derivatives designated as cash flow hedges: IRS	435,000	—	(58,278)	570,000	—	(44,018)
Derivatives not in accounting hedge relationship						
IRS	—	—	—	320,000	2,848	(2,795)
Total recognised derivatives assets/ (liabilities)	435,000	—	(58,278)	890,000	2,848	(46,813)

The remaining terms and notional principal amounts of the outstanding IRS are as follows:

	2011	2010
	RM'000	RM'000
Maturing within one year	25,000	455,000
One year to three years	—	25,000
More than five years	410,000	410,000
	435,000	890,000

7 AVAILABLE-FOR-SALE ("AFS") INVESTMENT SECURITIES

	2011	2010
	RM'000	RM'000
At fair value:		
Private debt securities	96,564	137,700
Malaysian Government securities	173,614	97,040
Government issued instruments	144,016	10,183
Islamic debt securities	5,103	5,073
Negotiable instruments of deposits	177,302	100,387
	596,599	350,383

The maturity structure of AFS investment securities is as follows:

	2011	2010
	RM'000	RM'000
Maturing within one year	217,703	108,210
One year to three years	60,117	242,173
Three years to five years	91,951	—
More than five years	226,828	—
	596,599	350,383

8 AMOUNT DUE FROM COUNTERPARTIES

	2011	2010
	RM'000	RM'000
Relating to:		
Mortgage loans	3,156,863	3,887,937
Hire purchase and leasing debts	345,348	437,173
Personal loans	804,833	—
	4,307,044	4,325,110

8 AMOUNT DUE FROM COUNTERPARTIES — (CONTINUED)

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

	2011 RM'000	2010 RM'000
Maturing within one year	548,923	1,210,727
One year to three years	1,687,575	1,592,354
Three years to five years	1,070,544	1,522,029
More than five years	1,000,002	—
	4,307,044	4,325,110

9 ISLAMIC FINANCING DEBTS

	2011 RM'000	2010 RM'000
Relating to:		
Islamic house financing debts	525,417	553,644
Islamic hire purchase debts	3,217,740	2,587,283
Islamic personal financing	3,136,478	3,713,420
	6,879,635	6,854,347

The maturity structure of Islamic financing debts are as follows:

	2011 RM'000	2010 RM'000
Maturing within one year	1,038,705	702,765
One year to three years	3,199,533	1,284,009
Three years to five years	2,641,397	3,567,540
More than five years	—	1,300,033
	6,879,635	6,854,347

10 MORTGAGE ASSETS — CONVENTIONAL

	2011 RM'000	2010 RM'000
Purchase Without Recourse ("PWOR")	6,578,196	7,074,638

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

	2011 RM'000	2010 RM'000
Maturing within one year	1,130,210	1,087,207
One year to three years	1,291,603	1,312,196
Three years to five years	1,176,325	1,229,599
More than five years	4,429,549	5,037,653
	8,027,687	8,666,655
Less:		
Unaccreted discount	(1,409,109)	(1,551,635)
Allowance for impairment losses	(40,382)	(40,382)
	6,578,196	7,074,638

11 MORTGAGE ASSETS — ISLAMIC

	2011 RM'000	2010 RM'000
PWOR	3,918,909	3,992,999

11 MORTGAGE ASSETS — ISLAMIC — (CONTINUED)

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

	2011 RM'000	2010 RM'000
Maturing within one year	614,546	552,994
One year to three years	644,573	615,136
Three years to five years	636,396	637,204
More than five years	2,990,043	3,222,305
	4,885,558	5,027,639
Less:		
Unaccreted discount	(944,777)	(1,012,768)
Allowance for impairment losses	(21,872)	(21,872)
	3,918,909	3,992,999

12 HIRE PURCHASE ASSETS — CONVENTIONAL

	2011 RM'000	2010 RM'000
PWOR	52	761

The maturity structure of hire purchase assets — conventional are as follows:

	2011	2010
Maturing within one year	68	740
One year to three years	—	48
	68	788
Less:		
Unaccreted discount	—	(11)
Allowance for impairment losses	(16)	(16)
	52	761

13 HIRE PURCHASE ASSETS — ISLAMIC

	2011 RM'000	2010 RM'000
PWOR	21,221	25,463

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

	2011	2010
Maturing within one year	7,097	7,614
One year to three years	12,267	14,039
Three years to five years	2,914	5,068
More than five years	132	148
	22,410	26,869
Less:		
Unaccreted discount	(1,013)	(1,230)
Allowance for impairment losses	(176)	(176)
	21,221	25,463

14 OTHER ASSETS

	2011	2010
	RM'000	RM'000
Prepaid mortgage guarantee fee	16	16
Prepaid wakalah fee	103	30
Staff loans and financing	3,439	4,327
Deposits	746	737
Prepayments	931	1,024
Other receivables	411	241
	5,646	6,375

15 PROPERTY AND EQUIPMENT

	Office equipment	Furniture and fittings	Motor vehicles	Work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
As at 1 January 2011	4,362	4,551	617	—	9,530
Additions	70	4	—	—	74
Disposal	—	—	(100)	—	(100)
As at 31 December 2011	4,432	4,555	517	—	9,504
Accumulated depreciation					
As at 1 January 2011	(2,768)	(835)	(564)	—	(4,167)
Charge for the financial year	(619)	(457)	(50)	—	(1,126)
Disposal	—	—	100	—	100
As at 31 December 2011	(3,387)	(1,292)	(514)	—	(5,193)
Net book value					
As at 31 December 2011	1,045	3,263	3	—	4,311
Cost					
As at 1 January 2010	4,141	4,502	617	4	9,264
Additions	245	45	—	—	290
Disposals	(24)	—	—	—	(24)
Reclassification	—	4	—	(4)	—
As at 31 December 2010	4,362	4,551	617	—	9,530
Accumulated depreciation					
As at 1 January 2010	(2,153)	(385)	(473)	—	(3,011)
Charge for the financial year	(631)	(450)	(91)	—	(1,172)
Disposals	16	—	—	—	16
As at 31 December 2010	(2,768)	(835)	(564)	—	(4,167)
Net book value					
As at 31 December 2010	1,594	3,716	53	—	5,363

16 INTANGIBLE ASSETS

	Service rights	Computer software	Computer software licenses	Computer software under development	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
As at 1 January 2011	16,717	11,389	1,009	—	29,115
Additions	—	480	4	—	484
As at 31 December 2011	16,717	11,869	1,013	—	29,599
Accumulated amortisation					
As at 1 January 2011	(6,502)	(8,154)	(516)	—	(15,172)
Charge for the financial year	(1,204)	(1,058)	(369)	—	(2,631)
As at 31 December 2011	(7,706)	(9,212)	(885)	—	(17,803)
Net book value					
As at 31 December 2011	9,011	2,657	128	—	11,796
Cost					
As at 1 January 2010	16,717	10,433	967	297	28,414
Additions	—	659	42	—	701
Reclassification	—	297	—	(297)	—
As at 31 December 2010	16,717	11,389	1,009	—	29,115
Accumulated amortisation					
As at 1 January 2010	(5,298)	(7,186)	(324)	—	(12,808)
Charge for the financial year	(1,204)	(968)	(192)	—	(2,364)
As at 31 December 2010	(6,502)	(8,154)	(516)	—	(15,172)
Net book value					
As at 31 December 2010	10,215	3,235	493	—	13,943

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 3 to 16 years (2010: 4 to 17 years).

17 DEFERRED TAXATION

Deferred taxation 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:

	2011	2010
	RM'000	RM'000
Deferred taxation assets (before offsetting)	(13,567)	(9,965)
Deferred taxation liabilities (before offsetting)	4,373	4,795
Deferred taxation assets	(9,194)	(5,170)

The movements during the financial year relating to deferred taxation are as follows:

	2011	2010
Balance as at 1 January	(5,170)	(21,465)
(Credit)/debit to income statement (Note 29)	(784)	15,338
(Credit)/debit to other comprehensive income	(3,240)	957
Balance as at 31 December	(9,194)	(5,170)

17 DEFERRED TAXATION — (CONTINUED)

The movements in deferred taxation assets and liabilities during the financial year comprise the following:

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2011				
Deferred taxation assets				
Unrealised losses on revaluation of IRS under cash flow hedging accounting	(9,965)	—	(3,602)	(13,567)
Deferred taxation liabilities				
Accelerated tax depreciation	4,787	(784)	—	4,003
Revaluation of AFS investment securities	8	—	362	370
	4,795	(784)	362	4,373

	Balance as at 1 January	Recognised to income statement	Recognised to reserves	Balance as at 31 December
	RM'000	RM'000	RM'000	RM'000
2010				
Deferred taxation assets				
Allowance for impairment losses	(15,611)	15,611	—	—
Unamortised premium of AFS investment securities	(20)	20	—	—
Unrealised (losses)/gains on revaluation of IRS under cash flow hedging accounting	(11,968)	1,376	627	(9,965)
	(27,599)	17,007	627	(9,965)
Deferred taxation liabilities				
Accelerated tax depreciation	4,622	165	—	4,787
Unaccreted discount of AFS investment securities and mortgage assets	338	(338)	—	—
Revaluation of AFS investment securities	(322)	—	330	8
Unrealised gains/(losses) on revaluation of IRS	1,496	(1,496)	—	—
	6,134	(1,669)	330	4,795

18 UNSECURED BEARER BONDS AND NOTES

		2011		2010	
	Year of maturity	Amount outstanding	Effective interest rate	Amount outstanding	Effective interest rate
		RM'000	%	RM'000	%
(a) Fixed rate bonds	2011	—	—	480,000	3.912 – 4.350
Add: Interest payable		—		4,150	
		—		484,150	
(b) Floating rate notes	2011	—	—	135,000	2.370 – 2.990
	2012	25,000	3.060	25,000	3.060
	2013	180,000	3.410	180,000	3.410
		205,000		340,000	
Add: Interest payable		2,846		3,407	
		207,846		343,407	

18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)

	Year of maturity	2011 Amount outstanding	2011 Effective interest rate	2010 Amount outstanding	2010 Effective interest rate
		RM'000	%	RM'000	%
(c) Medium-term notes	2011	—	—	710,000	2.950 – 4.630
	2012	900,000	3.230 – 4.210	750,000	3.400 – 4.210
	2013	190,000	3.400 – 4.900	155,000	3.500 – 5.000
	2014	2,175,000	3.480 – 4.660	2,070,000	4.320 – 4.660
	2015	255,000	3.820 – 5.300	255,000	3.820 – 5.300
	2016	1,215,000	3.650 – 4.930	380,000	4.700 – 4.930
	2017	1,465,000	3.980 – 4.640	1,465,000	3.980 – 4.640
	2018	150,000	3.950 – 5.710	140,000	5.710
	2019	840,000	4.800 – 5.280	840,000	4.800 – 5.280
	2020	185,000	4.360 – 6.000	185,000	4.360 – 6.000
	2021	315,000	4.100 – 5.380	310,000	5.120 – 5.380
	2022	360,000	4.480 – 4.950	360,000	4.480 – 4.950
	2023	150,000	4.250 – 6.050	140,000	6.050
	2024	425,000	5.267 – 5.520	425,000	5.267 – 5.520
	2025	5,000	4.650	5,000	4.650
	2026	10,000	4.410	—	—
	2027	250,000	5.150	250,000	5.150
	2028	430,000	6.250 – 6.500	430,000	6.250 – 6.500
	2029	245,000	5.500 – 5.750	245,000	5.500 – 5.750
		9,565,000		9,115,000	
Add: Interest payable		95,175		96,933	
		9,660,175		9,211,933	
		9,868,021		10,039,490	

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

	2011	2010
	RM'000	RM'000
Maturing within one year	1,023,021	1,429,490
One year to three years	2,545,000	1,110,000
Three years to five years	1,470,000	2,325,000
More than five years	4,830,000	5,175,000
	9,868,021	10,039,490

(a) Fixed rate bonds

The fixed rate bonds were redeemable at par on the due dates, unless previously redeemed, together with the accrued interest where applicable.

(b) Floating rate notes

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

(c) 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.

19 SUKUK

	Year of maturity	2011 Amount outstanding	2011 Effective profit rate	2010 Amount outstanding	2010 Effective profit rate
		RM'000	%	RM'000	%
(a) Bithaman Ajil					
(i) Primary Sukuk	2011	—	—	240,000	4.050 – 4.160
	2012	240,000	4.150	240,000	4.150
		240,000		480,000	
(ii) Secondary Sukuk	2011	—	—	14,930	—
	2012	4,980	—	4,980	—
		4,980		19,910	
Less: Unamortised deferred expenses		(1,245)		(11,995)	
		243,735		487,915	
(b) Islamic commercial papers					
	2011	—	—	300,000	3.000
Add: Profit payable		—		4,932	
		—		304,932	

	Year of maturity	2011 Amount outstanding	2011 Effective profit rate	2010 Amount outstanding	2010 Effective profit rate
		RM'000	%	RM'000	%
(c) Islamic medium-term notes	2011	—	—	1,170,000	2.950 – 4.630
	2012	1,685,000	3.230 – 3.900	1,285,000	3.300 – 3.900
	2013	3,070,000	3.400 – 5.000	2,930,000	3.410 – 5.000
	2014	920,000	3.480 – 4.660	290,000	4.000 – 4.660
	2015	1,455,000	3.820 – 5.300	1,055,000	3.820 – 5.300
	2016	755,000	3.650 – 4.930	740,000	3.850 – 4.930
	2017	5,000	4.050	5,000	4.050
	2018	205,000	3.950 – 5.800	195,000	5.710 – 5.800
	2019	345,000	5.030 – 5.280	345,000	5.030 – 5.280
	2020	270,000	4.360 – 6.000	270,000	4.360 – 6.000
	2021	245,000	4.150 – 5.380	235,000	5.150 – 5.380
	2022	5,000	4.480	5,000	4.480
	2023	345,000	4.250 – 6.350	335,000	6.050 – 6.350
	2024	305,000	5.270 – 5.520	305,000	5.270 – 5.520
	2025	5,000	4.650	5,000	4.650
	2026	20,000	4.410 – 4.920	—	—
	2028	405,000	6.250 – 6.500	405,000	6.250 – 6.500
	2029	180,000	5.500 – 5.750	180,000	5.500 – 5.750
		10,220,000		9,755,000	
Add: Profit payable		121,732		103,482	
		10,341,732		9,858,482	
		10,585,467		10,651,329	

The maturity structure of Sukuk are as follows:

	2011	2010
	RM'000	RM'000
Maturing within one year	2,050,467	1,822,594
One year to three years	3,990,000	4,458,735
Three years to five years	2,210,000	1,345,000
More than five years	2,335,000	3,025,000
	10,585,467	10,651,329

(a) Bithaman Ajil

Bithaman Ajil are issued under the Islamic principle of Bai' Bithaman Ajil with non-detachable secondary Sukuk. The non-detachable secondary Sukuk are redeemable on the due dates.

19 SUKUK — (CONTINUED)

(b) Islamic commercial papers

Islamic commercial papers were issued by 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).

(c) Islamic medium-term notes

Islamic medium-term notes are long term papers issued by 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.

20 OTHER LIABILITIES

	2011	2010
	RM'000	RM'000
Provision for zakat	2,260	1,785
Other payables	11,088	11,567
Amount due to Government	50,115	—
	63,463	13,352

21 SHARE CAPITAL

	2011		2010	
	Amount	Number of shares	Amount	Number of shares
	RM'000	'000	RM'000	'000
Ordinary shares of RM1 each:				
Authorised:				
Balance as at 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
Balance as at 1 January/31 December	150,000	150,000	150,000	150,000

22 RESERVES

(a) AFS reserves

This amount represents the unrealised fair value gains or losses on AFS investment securities.

(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.

(c) Section 108 tax credit

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to pay dividends out of its entire retained profits as at 31 December 2011. The Company also has tax exempt income under Section 12 of Income Tax (Amendments) Act, 1999 which can be paid out as tax exempt dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

23 NET TANGIBLE ASSETS AND EARNINGS PER SHARE

The net tangible assets per share is calculated by dividing the net tangible assets of RM2,089,576,000 (2010: RM1,894,070,000) of the Company by 150,000,000 ordinary shares of the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM226,445,000 (2010: RM240,680,000) of the Company by 150,000,000 ordinary shares of 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.

24 INTEREST INCOME

	2011	2010
	RM'000	RM'000
Amount due from counterparties	181,728	206,127
Mortgage assets	318,322	347,293
Hire purchase assets	744	1,072
AFS investment securities	21,790	6,413
Deposits and placements with financial institutions	6,269	5,891
	528,853	566,796
Accretion of discount less amortisation of premium (net)	153,073	162,136
	681,926	728,932

25 INTEREST EXPENSE

	2011	2010
	RM'000	RM'000
Fixed-rate bonds	10,109	37,679
Medium-term notes	431,274	422,813
Floating rate notes	10,170	5,876
Short-term notes	—	4,406
Deposits and placements of financial institutions	2	1,050
	451,555	471,824

26 NON-INTEREST INCOME/(EXPENSE)

	2011	2010
	RM'000	RM'000
Net loss on derivatives	(11,055)	(15,919)
Other non-operating income	9,560	9,438
Gain on disposal of AFS investment securities	4,811	1,235
Gain on disposal of property and equipment	26	10
Realised loss on hedge IRS	—	(107)
	3,342	(5,343)

27 PROFIT BEFORE TAXATION AND ZAKAT

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

	2011 RM'000	2010 RM'000
Directors' remuneration (Note 28)	671	453
Rental of premises	2,234	2,234
Hire of equipment	230	181
Auditor's remuneration		
— Audit fees	141	130
Depreciation of property and equipment	1,126	1,172
Amortisation of intangible assets	2,631	2,364
Servicer fee	3,001	2,359
Repairs and maintenance	1,353	1,222
Donations and sponsorship	404	802
Corporate expenses	624	515
Travelling	274	385
Gain on disposal of property and equipment	(26)	(10)
Personnel costs:		
— Salary and allowances	10,755	10,615
— Bonus	2,790	4,784
— Overtime	55	53
— EPF & SOCSO	2,394	3,462
— Insurance	236	355

28 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 Yeoh Beow Tit	
Y.M. Tunku Afwida Tunku A. Malek	
Tang Wing Chew	
Dr. Roslan A. Ghaffar	
Dato' Md Agil bin Mohd Natt	(Appointed on 12.08.2011)
Philip Tan Puay Koon	(Appointed on 12.08.2011)
Dato' Mohd Razif Abd Kadir	(Deceased on 08.08.2011)
Tan Sri Dato' Sri Tay Ah Lek	(Resigned on 12.08.2011)
Yvonne Chia	(Resigned on 12.08.2011)
Cheah Tek Kuang	(Resigned on 12.08.2011)
Datuk George Ratilal	(Resigned on 12.08.2011)

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

	2011 RM'000	2010 RM'000
Fees	382	350
Other remuneration	289	103
	671	453

29 TAXATION

Tax charge for the financial year:

	2011	2010
	RM'000	RM'000
(a) Current tax	76,343	67,289
Deferred taxation (Note 17)	(784)	15,338
	75,559	82,627
Current taxation:		
Provision for current year	76,420	81,269
Over provision in prior years	(77)	(13,980)
Deferred taxation:		
Origination and reversal of temporary differences	(784)	15,338
	75,559	82,627

(b) Reconciliation of income tax expense

The tax on 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:

	2011	2010
	RM'000	RM'000
Profit before taxation	304,264	324,143
Taxation calculated at Malaysian tax rate of 25% (2010: 25%)	76,066	81,035
Expenses not deductible for tax purposes	198	965
Deduction arising from zakat contribution	(565)	(425)
Change in taxation basis	—	15,174
Expenses allowed for double deduction	(63)	(142)
Overprovision in prior years	(77)	(13,980)
	75,559	82,627

30 DIVIDENDS

Dividends paid, proposed and approved are as follows:

	2011		2010	
	Gross per share	Amount of dividend net of tax	Gross per share	Amount of dividend net of tax
	Sen	RM'000	Sen	RM'000
Interim dividend paid	5.00	5,625	5.00	5,625
Special dividend paid	—	—	88.89	100,000
Final dividend proposed/paid	15.00	16,875	15.00	16,875
	20.00	22,500	108.89	122,500

At the forthcoming Annual General Meeting, final gross dividend in respect of the financial year ended 31 December 2011 of 15 sen per share (2010: 15 sen per share), less income tax of 25% (2010: 25%) amounting to RM16,875,000 (2010: RM16,875,000) will be proposed for shareholders' approval.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related parties and relationships

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

Related parties	**Relationships**
Cagamas Holdings Berhad ("CHB")	Ultimate holding company
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Special purpose entity ("SPE") of ultimate holding company
Cagamas SME Berhad ("CSME")	SPE of ultimate holding company
Cagamas HKMC Berhad ("CHKMC")	Joint venture ("JV") of ultimate holding company
Cagamas SRP Berhad ("CSRP")	Related company
Bank Negara Malaysia ("BNM")	Other related party
Key management personnel	Other related party
Entities in which key management personnel have control	Other related party

BNM is regarded as a related party on the basis of having significant influence.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company 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 at arm's length with the shareholders of the ultimate holding company. These transactions were carried out on commercial terms (i.e. terms and conditions obtainable in transactions with unrelated parties) and at market rates unless otherwise stated. These transactions have been disclosed on the statement of financial position and income statement of the Company.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)

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

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

	Ultimate holding company	Related company	Wholly owned SPE of ultimate holding company	Joint venture	Other related party
	RM'000	RM'000	RM'000	RM'000	RM'000
2011					
Income					
Bank swap premium	—	—	—	—	541
Transaction administrator and administrator fees	—	8,540	160	—	93
Expenses					
FAST* and RENTAS** charges	—	—	—	—	59
Guarantee and wakalah fee	—	—	—	127	—
Amount due from					
Transaction administrator and administrator fees	—	910	36	—	—
Bank swap premium	—	—	—	—	133
BNM current accounts	—	—	—	—	30
Reimbursement of operating expenses	2	—	8	9	290

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS").

	Ultimate holding company	Related company	Wholly owned SPE of ultimate holding company	Joint venture	Other related party
	RM'000	RM'000	RM'000	RM'000	RM'000
2010					
Income					
Bank swap premium	—	—	—	—	160
Transaction administrator and administrator fees	—	9,277	160	—	186
Expenses					
FAST* and RENTAS** charges	—	—	—	—	89
Guarantee and wakalah fee	—	—	—	382	—
Amount due from					
Transaction administrator and administrator fees	—	997	36	—	—
Bank swap premium	—	—	—	—	132
BNM current accounts	—	—	—	—	26
Reimbursement of operating expenses	2	—	17	9	125
Amount due to					
Dividends	100,000	—	—	—	—

* Denotes Fully Automated System for Issuing and Tendering ("FAST").

** Denotes Real Time Electronic Transfer of Funds and Securities ("RENTAS").

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

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)

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

In addition, the Company's key management personnel received remuneration for services rendered during the financial year. The total compensation paid to the Company's key management personnel was RM5,102,167 (2010: RM6,634,986).

The total remuneration paid to the Directors is disclosed in Note 28 to the financial statements.

32 CAPITAL COMMITMENTS

	2011	2010
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	558	991
Authorised but not contracted for	4,306	2,092
	4,864	3,083
Analysed as follows:		
Equipment	454	806
Computer equipment	4,410	2,277
	4,864	3,083

33 LEASE COMMITMENTS

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

	2011	2010
	RM'000	RM'000
Maturing within one year	833	2,752
One year to three years	96	634
	929	3,386

34 MARKET RISK

34.1 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 rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest/profit rates. The Company takes on the exposure of the effects of fluctuations in the prevailing levels of market interest/profit rates on both its fair value and cash flow risks. Interest 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 Company's exposure to interest/profit rate risks. Included in the tables are 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 Company's exposure to interest rates movements, are included in "other assets" and "other liabilities" under the heading "non-interest bearing".

The tables also represents a static position which provides an indication of the potential impact on the Company's statement of financial position through gap analysis of the interest/profit rate sensitive assets, liabilities and off-balance sheet 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 Company's shareholders' funds, unsecured bearer bonds and notes/Sukuk or money market borrowings.

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

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

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011							
Assets							
Cash and short-term funds	2.98	304,542	—	—	—	50,757	355,299
AFS investment securities	3.47	217,703	60,117	91,951	226,828	—	596,599
Amount due from counterparties	4.62	548,923	1,687,575	1,070,544	1,000,002	—	4,307,044
Islamic financing debts	4.01	1,038,705	3,199,533	2,641,397	—	—	6,879,635
Mortgage assets:							
— Conventional	3.95	1,130,210	1,291,603	1,176,325	4,429,549	(1,449,491)	6,578,196^1
— Islamic	3.98	614,546	644,573	636,396	2,990,043	(966,649)	3,918,909^3
Hire purchase assets:							
— Conventional	4.00	68	—	—	—	(16)	52^2
— Islamic	4.00	7,097	12,267	2,914	132	(1,189)	21,221^4
Other assets	—	367	734	581	1,757	2,134	5,573
Total assets		3,862,161	6,896,402	5,620,108	8,648,311	(2,364,454)	22,662,528

^1 Includes impairment lossess on conventional mortgage assets of RM40,381,980.

^2 Includes impairment lossess on conventional hire purchase assets of RM16,129.

^3 Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

^4 Includes impairment lossess on Islamic hire purchase assets of RM176,055.

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011							
Liabilities							
Unsecured bearer bonds and notes	4.63	1,023,021	2,545,000	1,470,000	4,830,000	—	9,868,021
Sukuk	4.30	2,050,467	3,990,000	2,210,000	2,335,000	—	10,585,467
Amount due to ultimate holding company	—	—	—	—	—	—	—
Other liabilities	—	88	—	—	58,189	59,075	117,352
Total liabilities		3,073,576	6,535,000	3,680,000	7,223,189	59,075	20,570,840
Shareholder's funds		—	—	—	—	2,101,372	2,101,372
Total liabilities and shareholder's funds		3,073,576	6,535,000	3,680,000	7,223,189	2,160,447	22,672,212
Total liabilities/profit sensivity gap		788,585	361,402	1,940,108	1,425,122		
Cumulative gap		788,585	1,149,987	3,090,095	4,515,217		

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010							
Assets							
Cash and short-term funds	2.70	113,525	—	—	—	197	113,722
AFS investment securities	3.26	108,210	242,173	—	—	—	350,383
Amount due from counterparties	4.68	1,210,727	1,592,354	1,522,029	—	—	4,325,110
Islamic financing debts	4.03	702,765	1,284,009	3,567,540	1,300,033	—	6,854,347
Mortgage assets:							
— Conventional	4.14	1,087,207	1,312,196	1,229,599	5,037,653	(1,592,017)	7,074,638^1
— Islamic	4.18	552,994	615,136	637,204	3,222,305	(1,034,640)	3,992,999^3
Hire purchase assets:							
— Conventional	4.14	740	48	—	—	(27)	761^2
— Islamic	4.18	7,614	14,039	5,068	148	(1,406)	25,463^4
Other assets	—	3,031	52	393	3,043	2,695	9,214
Total assets		3,786,813	5,060,007	6,961,833	9,563,182	(2,625,198)	22,746,637

^1 Includes impairment lossess on conventional mortgage assets of RM40,381,980.

^2 Includes impairment lossess on conventional hire purchase assets of RM16,129.

^3 Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

^4 Includes impairment lossess on Islamic hire purchase assets of RM176,055.

	Effective interest rate	Within one year	One year to three years	Three years to five years	More than five years	Non-interest/ profit bearing	Total
	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010							
Liabilities							
Unsecured bearer bonds and notes	4.66	1,429,490	1,110,000	2,325,000	5,175,000	—	10,039,490
Sukuk	4.24	1,822,594	4,458,735	1,345,000	3,025,000	—	10,651,329
Amount due to ultimate holding company	—	—	—	—	—	100,000	100,000
Other liabilities	—	3,936	305	—	42,572	26,538	73,351
Total liabilities		3,256,020	5,569,040	3,670,000	8,242,572	126,538	20,864,170
Shareholder's funds		—	—	—	—	1,908,013	1,908,013
Total liabilities and shareholder's funds		3,256,020	5,569,040	3,670,000	8,242,572	2,034,551	22,772,183
Total liabilties/profit sensivity gap		530,793	(509,033)	3,291,833	1,320,610		
Cumulative gap		530,793	21,760	3,313,593	4,634,203		

34 MARKET RISK — (CONTINUED)

34.1 Interest/profit rate risk — (continued)

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

	-100 basis points	+100 basis points
	RM'000	RM'000
2011		
AFS reserve	(6,003)	5,707
IRS	31,206	(28,770)
Taxation effects on the above at tax rate of 25%	(6,301)	5,766
Effect on shareholder's funds	18,902	(17,297)
As percentage of shareholder's funds	0.9%	(0.8)%
2010		
AFS reserve	(2,709)	2,645
IRS	34,507	(31,650)
Taxation effects on the above at tax rate of 25%	(7,949)	7,252
Effect on shareholder's funds	23,849	(21,753)
As percentage of shareholder's funds	1.2%	(1.1)%

35 CREDIT RISK

The Company’s counterparties are mainly the Government of Malaysia, financial institutions and individuals in Malaysia. The financial institutions are governed by the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act, 1983 and are subject to periodic review by the BNM. The following tables summarise 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.

35.1 Credit risk concentrations

	Cash and short term funds	AFS investment securities	Amount due from counter parties	Islamic financing debts	Mortgage assets	Islamic mortgage assets	Hire purchase assets	Islamic hire purchase assets	Other assets	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
2011										
Government bodies	—	317,630	—	—	—	—	—	—	290	317,920
Financial institutions:										
— Commercial banks	355,299	192,625	3,883,385	6,879,635	—	—	—	—	133	11,311,077
— Investment banks	—	—	—	—	—	—	—	—	—	—
Communications, electricity, gas and water	—	—	82,702	—	—	—	—	—	—	82,702
Transportation	—	5,103		—	—	—	—	—	—	5,103
Leasing	—	—	340,957	—	—	—	—	—	—	340,957
Individuals	—	—	—	—	6,578,196	3,918,909	52	21,221	—	10,518,378
Others	—	81,241	—	—	—	—	—	—	6,201	87,442
Total	355,299	596,599	4,307,044	6,879,635	6,578,196	3,918,909	52	21,221	6,624	22,663,579
2010										
Government bodies	—	163,367	—	—	—	—	—	—	125	163,492
Financial institutions:										
— Commercial banks	59,264	100,388	3,838,439	6,854,347	—	—	—	—	2,980	10,855,418
— Investment banks	54,458	—	—	—	—	—	—	—	—	54,458
Communications, electricity, gas and water	—	—	100,116	—	—	—	—	—	—	100,116
Transportation	—	5,269	19,234	—	—	—	—	—	—	24,503
Leasing	—	—	367,321	—	—	—	—	—	—	367,321
Individuals	—	—	—	—	7,074,638	3,992,999	761	25,463	—	11,093,861
Others	—	81,359	—	—	—	—	—	—	7,168	88,527
Total	113,722	350,383	4,325,110	6,854,347	7,074,638	3,992,999	761	25,463	10,273	22,747,696

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debt, mortgage assets and hire purchase assets

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

	Neither past due nor impaired	Past due but not individually impaired	Total	Impairment allowance	Total carrying value	Credit risk loan	Coverage ratio
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011							
Amount due from counterparties	4,307,044	—	4,307,044	—	4,307,044	—	—
Islamic financing debts	6,879,635	—	6,879,635	—	6,879,635	—	—
Mortgage assets							
— Conventional	6,555,325	63,253	6,618,578	40,382	6,578,196	63,253	64%
— Islamic	3,908,320	32,461	3,940,781	21,872	3,918,909	32,461	67%
Hire purchase assets							
— Conventional	61	7	68	16	52	7	>100%
— Islamic	21,236	161	21,397	176	21,221	161	>100%
	21,671,621	95,882	21,767,503	62,446	21,705,057	95,882	
2010							
Amount due from counterparties	4,325,110	—	4,325,110	—	4,325,110	—	—
Islamic financing debts	6,854,347	—	6,854,347	—	6,854,347	—	—
Mortgage assets							
— Conventional	7,050,264	64,756	7,115,020	40,382	7,074,638	64,756	62%
— Islamic	3,990,102	24,769	4,014,871	21,872	3,992,999	24,769	88%
Hire purchase assets							
— Conventional	775	2	777	16	761	2	>100%
— Islamic	25,439	200	25,639	176	25,463	200	88%
	22,246,037	89,727	22,335,764	62,446	22,273,318	89,727	

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets — (continued)

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

	2011		2010	
	Strong	Total	Strong	Total
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	4,307,044	4,307,044	4,325,110	4,325,110
Islamic financing debts	6,879,635	6,879,635	6,854,347	6,854,347
Mortgage assets				
— Conventional	6,555,325	6,555,325	7,050,264	7,050,264
— Islamic	3,908,320	3,908,320	3,990,102	3,990,102
Hire purchase assets				
— Conventional	61	61	775	775
— Islamic	21,236	21,236	25,439	25,439
	21,671,621	21,671,621	22,246,037	22,246,037

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

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

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

	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2011					
Conventional:					
— mortgage assets	10,835	7,147	3,725	41,546	63,253
— hire purchase assets	—	—	4	3	7
Islamic:					
— mortgage assets	4,276	2,836	3,234	22,115	32,461
— hire purchase assets	35	28	—	98	161
	15,146	10,011	6,963	63,762	95,882

	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2010					
Conventional:					
— mortgage assets	14,062	8,891	4,440	37,363	64,756
— hire purchase assets	—	—	2	—	2
Islamic:					
— mortgage assets	4,417	2,473	4,085	13,794	24,769
— hire purchase assets	—	116	25	59	200
	18,479	11,480	8,552	51,216	89,727

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 PWOR 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.

35 CREDIT RISK — (CONTINUED)

35.2 Amount due from counterparties, Islamic financing debts, mortgage assets and hire purchase assets — (continued)

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

For the financial year ended 31 December 2011, the Company has deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets.

The movement in impairment allowance is as follows:

	2011 and 2010			
	As at 1 January	Provision made	Write back of provision	As at 31 December
	RM'000	RM'000	RM'000	RM'000
Conventional:				
— mortgage assets	40,382	—	—	40,382
— hire purchase assets	16	—	—	16
Islamic:				
— mortgage assets	21,872	—	—	21,872
— hire purchase assets	176	—	—	176
	62,446	—	—	62,446

35.3 AFS investment securities

AFS investment securities are measured on fair value basis. The Company mainly uses the ratings by external rating agencies, mainly Rating Services Berhad ("RAM") and Malaysian Rating Corporation Berhad ("MARC"). The table below presents an analysis of AFS investment securities external ratings designation:

	Investment Grade			
	GOM	AAA	AA1 to AA2	Total
	RM'000	RM'000	RM'000	RM'000
2011				
Private debt securities	—	81,241	15,322	96,563
Malaysian Government securities	173,614	—	—	173,614
Government issued instruments	144,016	—	—	144,016
Islamic debt securities	—	5,103	—	5,103
Negotiable instruments of deposits	—	100,685	76,618	177,303
	317,630	187,029	91,940	596,599
2010				
Private debt securities	—	137,700	—	137,700
Malaysian Government securities	97,040	—	—	97,040
Government issued instruments	10,183	—	—	10,183
Islamic debt securities	—	5,073	—	5,073
Negotiable instruments of deposits	—	50,014	50,373	100,387
	107,223	192,787	50,373	350,383

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

35.4 Amount due from related company, SPE and ultimate holding company

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

36 LIQUIDITY RISK

36.1 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.

36.2 Liquidity pool

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

	Cash and deposit in licensed financial institutions	Derivative financial instruments	AFS investment securities	Mortgage assets	Islamic mortgage assets	Other available liquidity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2011	355,299	—	596,599	6,578,196	3,918,909	11,213,525	22,662,528
As at 31 December 2010	113,722	2,848	350,383	7,074,638	3,992,999	11,212,047	22,746,637

36.3 Contractual maturity of financial liabilities

The table below presents the cash flows payable by the Company under non-derivative 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 Company managing the liquidity risk based on a different basis.

	Contractual maturity dates					
	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
2011						
Liabilities						
Unsecured bearer bonds and notes	14,564	219,569	1,135,574	5,420,955	6,151,098	12,941,760
Sukuk	29,190	624,444	1,688,105	6,958,692	3,270,651	12,571,082
Amount due to ultimate holding company	—	—	—	—	—	—
Other liabilities	5,291	—	—	—	51,524	56,815
Total liabilities	49,045	844,013	2,823,679	12,379,647	9,473,273	25,569,657
Assets held for managing liquidity risk	874,863	787,016	2,973,562	13,366,639	12,762,552	30,764,634
2010						
Liabilities						
Unsecured bearer bonds and notes	149	207,776	1,147,420	3,745,651	5,663,018	10,764,014
Sukuk	215,702	510,584	1,411,582	6,899,361	4,106,527	13,143,756
Amount due to ultimate holding company	100,000	—	—	—	—	100,000
Other liabilities	6,560	—	—	—	1,675	8,235
Total liabilities	322,411	718,360	2,559,002	10,645,012	9,771,220	24,016,005
Assets held for managing liquidity risk	811,384	1,129,464	2,638,221	12,733,154	13,753,152	31,065,375

36 LIQUIDITY RISK — (CONTINUED)

36.4 Derivatives liabilities

The Company's derivatives comprise interest rate swaps, for which net cash flows are exchanged, held for hedging purposes. The derivatives held by the Company is settled on a net basis.

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

	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
2011						
Derivatives held for hedging						
— IRS	—	(4,540)	(4,491)	(38,622)	(17,555)	(65,208)
2010						
Derivatives held for hedging						
— IRS	(3,200)	(5,536)	(4,621)	(30,892)	(6,715)	(50,964)

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arms length transaction. The information presented herein represents the estimates of fair values as at the date of the statement of financial position.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market values 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. In addition, fair value information for non-financial assets and liabilities such as property and equipment are excluded, as they do not fall within the scope of FRS 7, which requires the fair value information to be disclosed.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest 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.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

37.1 Fair value of financial instruments

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

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
Assets				
Amount due from counterparties	4,307,044	4,225,749	4,325,110	4,331,896
Islamic financing debts	6,879,635	6,933,983	6,854,347	6,883,641
Mortgage assets				
— Conventional	6,578,196	7,211,341	7,074,638	7,457,328
— Islamic	3,918,909	4,191,731	3,992,999	4,163,877
Hire purchase assets				
— Conventional	52	75	761	758
— Islamic	21,221	22,586	25,463	25,506
	21,705,057	22,585,465	22,273,318	22,863,006
Liabilities				
Unsecured bearer bonds and notes	9,868,021	9,877,465	10,039,490	10,439,339
Sukuk	10,585,467	10,742,244	10,651,329	10,792,463
	20,453,488	20,619,709	20,690,819	21,231,802

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*

The carrying amount of cash and short-term funds is used as reasonable estimate of fair values as the maturity is less than or equal to a month.

(b) *Amounts due from counterparties*

The fair value of the fixed rate assets portfolio 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. The fair value of the floating rate assets portfolio is based on their carrying amount as the repricing date of the floating rate assets portfolio is not greater than 6 months.

(c) *Mortgage assets and hire purchase assets*

The fair value of the mortgage assets and hire purchase assets are derived at using the present value of future cash flows discounted based on the mortgage assets market yield to maturity at the date of the statement of financial position.

(d) *AFS investment securities*

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

(e) *Islamic financing debts*

The fair value of the Islamic financing debts 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 date of the statement of financial position.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS — (CONTINUED)

37.1 Fair value of financial instruments — (continued)

(f) Other financial assets

Other financial assets include other debtors and deposits. The fair value of other financial assets is estimated at their carrying amount.

(g) Unsecured bearer bonds and notes and Sukuk

The estimated fair value of unsecured bearer bonds and Sukuk is based on the estimated future cash flows discounted using current yield curve derived based on the quoted market prices at the statement of financial position date. The fair value of notes is estimated at their carrying amount as notes have maturity of less than one year.

(h) Amount due from related company, SPE and ultimate holding company

The estimated fair value of amount due from related company, SPE and ultimate holding company approximate their book value due to short tenure of less than one year.

(i) Other financial liabilities

Other financial liabilities include creditors and accruals. The fair value of other financial liabilities is estimated at their carrying amount.

(j) Derivatives

The estimated fair value of the interest rate swaps is based on the estimated future cash flows discounted using the market interest rate at the statement of financial position date.

37.2 Fair value hierarchy

Comparative figures are not presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

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).

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2011				
Assets				
AFS investments securities	—	596,599	—	596,599
Liabilities				
Derivatives financial instruments	—	58,278	—	58,278

38 SEGMENT REPORTING

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

(a) PWR

The PWR scheme consists of purchase of mortgage loans, personal loans, hire purchase and leasing debts and Islamic financing facilities such as home financing, hire purchase financing and personal

38 SEGMENT REPORTING — (CONTINUED)

(a) PWR — (continued)

financing from the primary lenders approved by 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 criteria.

(b) PWOR

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

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

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

	Purchase with recourse	Purchase without recourse	Total
	RM'000	RM'000	RM'000
2011			
External revenue	486,469	751,806	1,238,275
External interest/profit expense	(369,891)	(530,527)	(900,418)
Profit from operations	90,473	213,791	304,264
Zakat	(1,084)	(1,176)	(2,260)
Taxation	(22,111)	(53,448)	(75,559)
Profit after taxation by segment	67,278	159,167	226,445
Segment assets	12,159,217	10,529,663	22,688,880
Segment liabilities	16,476,036	4,111,472	20,587,508
Other information:			
Capital expenditure	299	259	558
Depreciation and amortisation	2,014	1,743	3,757
2010			
External revenue	458,824	797,404	1,256,228
External interest/profit expense	(323,058)	(563,845)	(886,903)
Profit from operations	100,562	223,581	324,143
Zakat	(604)	(232)	(836)
Taxation	(26,732)	(55,895)	(82,627)
Profit after taxation by segment	73,226	167,454	240,680
Segment assets	11,667,020	11,105,163	22,772,183
Segment liabilities	9,958,596	10,905,574	20,864,170
Other information:			
Capital expenditure	508	483	991
Depreciation and amortisation	1,196	2,340	3,536

39 CAPITAL ADEQUACY

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 Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit to other stakeholders; and

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

The Company is not subject to the BNM 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 Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by BNM, for supervisory purposes.

The Company maintains a ratio of total regulatory capital to its risk-weighted assets which is computed in accordance with the BNM revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II).

The regulatory capital comprise of two tiers:

(a) Tier 1 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 2 capital: comprise collective impairment allowances on mortgage assets and hire purchase assets and unrealised gains arising from fair valuation of financial instruments held.

Core capital ratio refers to the ratio of Tier 1 capital to risk-weighted assets. Risk-weighted capital ratio is the ratio of total capital base to risk-weighted assets.

The capital adequacy ratios are as follows:

	2011	2010
	RM'000	RM'000
Tier I capital		
Paid up capital	150,000	150,000
Retained profits	1,990,962	1,787,017
	2,140,962	1,937,017
Deferred taxation assets	(9,194)	(5,170)
Total tier I capital	2,131,768	1,931,847
Tier II capital		
Allowance for impairment losses	62,446	62,446
Total tier II capital	62,446	62,446
Total capital base	2,194,214	1,994,293

39 CAPITAL ADEQUACY — (CONTINUED)

	2011 RM'000	2010 RM'000
Capital ratios:		
Core*	24.4%	20.1%
Risk-weighted*	25.1%	20.8%

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	2011 RM'000	2010 RM'000
Credit risk	8,069,591	—
Operational risk	667,489	—
Total risk-weighted assets*	8,737,080	—
0%	—	142,396
20%	—	10,989,785
50%	—	13,666,806
100%	—	567,362
	—	25,366,349
Total risk-weighted assets*	—	9,598,722

* Computation using Basel II (Pillar 1) for 2011 and Basel I for 2010.

40 ISLAMIC OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
ASSETS			
Cash and short-term funds	(a)	50,291	33,389
AFS investment securities	(b)	49,247	5,073
Financing debts	(c)	6,879,635	6,854,347
Mortgage assets	(d)	3,915,318	3,992,999
Hire purchase assets	(e)	9,930	6,689
Other assets and prepayments		289,582	289,206
TOTAL ASSETS		11,194,003	11,181,703
LIABILITIES			
Sukuk	(f)	10,585,467	10,651,329
Other liabilities	(g)	10,348	8,843
TOTAL LIABILITIES		10,595,815	10,660,172
ISLAMIC OPERATIONS' FUNDS		598,188	521,531
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS		11,194,003	11,181,703

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Total income attributable		556,349	527,296
Income attributable to the Sukuk holders	(h)	(448,863)	(415,079)
Total income attributable	(i)	107,486	112,217
Administration and general expenses		(2,266)	(2,430)
PROFIT BEFORE TAXATION AND ZAKAT		105,220	109,787
Taxation		(26,305)	(32,163)
Zakat		(2,260)	(836)
PROFIT FOR THE FINANCIAL YEAR		76,655	76,788

40 ISLAMIC OPERATIONS — (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 RM'000	2010 RM'000
Profit for the financial year		76,655	76,788
Other comprehensive income/(loss):			
AFS investment securities			
— Net gain/(loss) on fair value changes before taxation		2	(17)
— Deferred taxation		—	4
Other comprehensive gain/(loss) for the financial year, net of taxation		2	(13)
Total comprehensive income for the financial year		76,657	76,775

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Allocated capital funds RM'000	AFS reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2011	294,159	—	227,372	521,531
Profit for the financial year	—	—	76,655	76,655
Other comprehensive income	—	2	—	2
Total comprehensive income for the financial year	—	2	76,655	76,657
Balance as at 31 December 2011	294,159	2	304,027	598,188
Balance as at 1 January 2010	294,159	13	150,584	444,756
Profit for the financial year	—	—	76,788	76,788
Other comprehensive loss	—	(13)	—	(13)
Total comprehensive income/(loss) for the financial year	—	(13)	76,788	76,775
Balance as at 31 December 2010	294,159	—	227,372	521,531

40 ISLAMIC OPERATIONS — (CONTINUED)

STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	2011 RM'000	2010 RM'000
OPERATING ACTIVITIES		
Profit for the financial year	76,655	76,788
Adjustments for investment items and items not involving the movement of cash and cash equivalents:		
Accretion of discount on:		
— Mortgage assets	(87,330)	(89,818)
— Hire purchase assets	(2,249)	(354)
— Commercial papers	—	2,377
Amortisation of premium less accretion of discount on debt securities	(2,486)	(1,184)
Income from:		
— Debts securities	(828)	(175)
— Operations	(463,259)	(432,348)
Gain on disposal of AFS investment securities	(99)	—
Profit attributable to Sukuk holders	448,863	412,131
Wakalah fee expense	108	175
Taxation	26,305	32,163
Zakat	2,260	836
Operating (loss)/profit before working capital changes	(2,060)	591
Increase in financing debts	(18,730)	(2,275,815)
Decrease in mortgage assets	159,689	190,335
Increase in hire purchase assets	(594)	(6,335)
(Increase)/decrease in other assets and prepayments	(374)	7,424
(Decrease)/increase in Sukuk	(79,180)	1,470,505
Decrease in other liabilities	(674)	(7,823)
Cash generated/(utilised in) operating activities	58,077	(621,118)
Profit received from assets	461,624	425,120
Profit paid to Sukuk holders	(435,544)	(388,499)
Wakalah fee paid	(108)	—
Payment of taxation	(24,602)	(24,245)
Payment of zakat	(1,785)	(1,702)
Net cash generated from/(utilised in) operating activities	57,662	(610,444)
INVESTING ACTIVITIES		
Purchase of AFS investment securities	(635,747)	(156,711)
Sale of AFS investment securities	594,099	528,871
Income received from debt securities	888	175
Net cash (utilised in)/generated from investing activities	(40,760)	372,335
Net increase/(decrease) in cash and cash equivalents	16,902	(238,109)
Cash and cash equivalents as at 1 January	33,389	271,498
Cash and cash equivalents as at 31 December	50,291	33,389
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds	50,291	33,389

40 ISLAMIC OPERATIONS — (CONTINUED)

(a) Cash and short-term funds

	2011 RM'000	2010 RM'000
Cash and bank balances with banks and other financial institutions	73	14
Mudharabah money at call and deposit placements maturing within one month	50,218	33,375
	50,291	33,389

(b) AFS investment securities

	2011 RM'000	2010 RM'000
At fair value:		
Debt securities	—	5,073
Negotiable instruments of deposits	49,247	—
	49,247	5,073
The maturity structure of AFS investment securities is as follows:		
Maturing within one year	49,247	5,073

(c) Financing debts

	2011 RM'000	2010 RM'000
Housing financing debts	525,417	553,644
Hire purchase debts	3,217,740	2,587,283
Personal financing	3,136,478	3,713,420
	6,879,635	6,854,347
The maturity structure of financing debts are as follows:		
Maturing within one year	1,038,705	702,765
One year to three years	3,199,533	1,284,009
Three years to five years	2,641,397	3,567,540
More than five years	—	1,300,033
	6,879,635	6,854,347

(d) Mortgage assets

	2011 RM'000	2010 RM'000
PWOR	3,915,318	3,992,999
The maturity structure of mortgage assets are as follows:		
Maturing within one year	613,926	552,994
One year to three years	643,619	615,136
Three years to five years	635,561	637,204
More than five years	2,988,861	3,222,305
	4,881,967	5,027,639
Less:		
Unaccreted discount	(944,777)	(1,012,768)
Allowance for impairment losses	(21,872)	(21,872)
	3,915,318	3,992,999

40 ISLAMIC OPERATIONS — (CONTINUED)

(e) Hire purchase assets

	2011 RM'000	2010 RM'000
PWOR	9,930	6,689

The maturity structure of hire purchase assets are as follows:

	2011 RM'000	2010 RM'000
Maturing within one year	2,737	1,842
One year to three years	4,904	3,136
Three years to five years	2,695	2,034
More than five years	132	148
	10,468	7,160
Less:		
Unaccreted discount	(538)	(365)
Allowance for impairment losses	—	(106)
	9,930	6,689

(f) Sukuk

	2011 RM'000	2010 RM'000
Bithaman Ajil	243,735	487,915
Commercial papers	—	304,932
Medium-term notes	10,341,732	9,858,482
	10,585,467	10,651,329

The maturity structure of Sukuk are as follows:

	2011 RM'000	2010 RM'000
Maturing within one year	2,050,467	1,822,594
One year to three years	3,990,000	4,458,735
Three years to five years	2,210,000	1,345,000
More than five years	2,335,000	3,025,000
	10,585,467	10,651,329

(g) Other liabilities

	2011 RM'000	2010 RM'000
Zakat	2,260	1,785
Other payables	8,088	7,058
	10,348	8,843

(h) Income attributable to the Sukuk holders

	2011 RM'000	2010 RM'000
Mortgage assets	200,061	203,268
Hire purchase assets	293	63
Financing debts	248,442	211,177
Deposits and placements of financial institutions	67	571
	448,863	415,079

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

	2011 RM'000	2010 RM'000
Bai AI-Dayn	448,796	414,508
Mudharabah	67	571
	448,863	415,079

40 ISLAMIC OPERATIONS — (CONTINUED)

(i) Total net income

	2011 RM'000	2010 RM'000
Income from:		
Mortgage assets	78,157	84,870
Hire purchase assets	199	50
Financing debts	22,865	23,092
AFS investment securities	3,511	1,551
Deposits and placements with financial institutions	2,754	2,654
	107,486	112,217

Total net income analysed by concept are as follows:

	2011 RM'000	2010 RM'000
Bai AI-Dayn	101,221	108,013
Mudharabah	4,935	3,447
Bai Bithaman Ajil	524	—
Murabahah	149	464
Musyarakah	366	108
Bai Al-lnah	280	157
Ijarah	11	28
	107,486	112,217

(j) Capital adequacy

	2011 RM'000	2010 RM'000
Tier I capital		
Allocated capital funds	294,159	294,159
Other reserves	304,027	227,372
Total tier I capital	598,186	521,531
Tier II capital		
Allowance for impairment losses	21,872	21,872
Total tier II capital	21,872	21,872
Total capital base	620,058	543,403
Capital ratios:		
Core*	16.2%	13.4%
Risk-weighted*	16.8%	14.0%

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	2011 RM'000	2010 RM'000
Credit risk	3,491,176	—
Operational risk	207,233	—
Total risk-weighted assets*	3,698,409	—
0%	—	289,063
20%	—	6,892,795
50%	—	5,005,766
100%	—	7,212
	—	12,194,836
Total risk-weighted assets*	—	3,888,655

* Computation using Basel II (Pillar 1) for 2011 and Basel I for 2010.

40 ISLAMIC OPERATIONS — (CONTINUED)

(k) Shariah advisors

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

41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no significant events during the financial year ended 31 December 2011.

42 APPROVAL OF FINANCIAL STATEMENTS

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

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

We, Dato' Ooi Sang Kuang and Y.M. Tunku Afwida Tunku A. Malek, being two of the Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 5 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the results and cash flows of the Company for the financial year ended on that date in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

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

DATO OOI SANG KUANG
CHAIRMAN

Y.M. TUNKU AFWIDA TUNKU A. MALEK
DIRECTOR

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

I, Choy Khai Choon, being the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 75 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.

CHOY KHAI CHOON

Subscribed and solemnly declared by the above named Choy Khai Choon at Kuala Lumpur in Malaysia on 16 MAR 2012

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 378
K NERMALA
No. 50-10-1, Tingkat 10,
Wisma UOA Damansara
No 50, Jalan Dungun
Bukit Damansara
50490 Kuala Lumpur
76
MALAYSIA

INDEPENDENT AUDITORS' 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 5 to 75, which comprise the statements of financial position as at 31 December 2011 of the Company, and the statements of income, comprehensive income, changes in equity and cash flows 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 42.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards 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.

Auditors' 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 Company's preparation of 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 Company'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
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' 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 have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

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

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
16 March 2012

ISSUER

Cagamas Global P.L.C.
Level 15(A2), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan FT
Malaysia

GUARANTOR

Cagamas Berhad
Level 32, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

FISCAL AGENT, REGISTRAR, PAYING AGENTS, TRANSFER AGENTS AND CALCULATION AGENT

Fiscal Agent and Paying Agent (in respect of Notes other than CMU Notes and CDP Notes) and Calculation Agent

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL

Registrar and Transfer Agent (in respect of Notes other than CMU notes and CDP notes)

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

CMU Lodging and Paying Agent, Transfer Agent and Registrar in respect of CMU Notes

The Bank of New York Mellon, Hong Kong Branch
Level 24
Three Pacific Place
1 Queen's Road East
Hong Kong

CDP Lodging and Paying Agent, Transfer Agent and Registrar (in respect of CDP Notes)

The Bank of New York Mellon, Singapore Branch
One Temasek Avenue
#03-01 Millenia Tower
Singapore 039192

LEGAL ADVISERS

To the Issuer and Guarantor as to Malaysian law

Christopher & Lee Ong
Level 22, Quill 7
No. 9, Jalan Stesen Sentral
5, Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

To the Issuer and the Guarantor as to English law

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

To the Dealers as to Malaysian law

Zaid Ibrahim & Co
Level 19, Menara Milenium
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia

To the Dealers as to English law

Clifford Chance Pte Ltd
12 Marina Boulevard 25th Floor
Marina Bay Financial Centre Tower 3
Singapore 018982

AUDITOR TO THE GUARANTOR

PricewaterhouseCoopers
Level 10, 1 Sentral, Jalan Travers,
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

R R DONNELLEY
779464