

## IMPORTANT NOTICE

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

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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 REGULATIONS UNDER THE SECURITIES ACT (“**REGULATION S**”). ANY OFFERING PURSUANT HERETO IS MADE SOLELY TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATIONS 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 Trustee (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 Trustee, Cagamas (each as defined in this Offering Circular), CIMB Bank (L) Limited, HSBC Amanah Malaysia Berhad, 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 (other than HSBC Amanah Malaysia Berhad), the “**Dealers**”), any person who controls the Arrangers or Dealers, any director, officer, employee or agent of the Trustee, Cagamas, 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.

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**CAGAMAS GLOBAL SUKUK BERHAD**

(Company No.: 1092135-D)

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

**U.S.\$2,500,000,000 Multicurrency Sukuk Issuance Programme**

Under the U.S.\$2,500,000,000 multicurrency sukuk issuance programme described in this Offering Circular (the “**Programme**”), Cagamas Global Sukuk Berhad (in its capacities as issuer and as trustee, the “**Trustee**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Sukuk**”), each of which shall represent an undivided beneficial ownership interest in the relevant Trust Assets (as defined herein), denominated in any currency (other than Ringgit) agreed between the Trustee, Cagamas Berhad (the “**Obligor**” or “**Cagamas**”) and the Relevant Dealer(s) (as defined below).

The Sukuk may only be issued in registered form. The maximum aggregate face amount of all Sukuk from time to time outstanding under the Programme will not at any time exceed U.S.\$2,500,000,000 (or its equivalent in other currencies), subject to increase as described in the Dealer Agreement (as defined herein).

Each Series (as defined herein) of Sukuk issued under the Programme will be constituted by a master trust deed dated 28 November 2014 entered into between the Trustee, Cagamas and The Hongkong and Shanghai Banking Corporation Limited as delegate of the Trustee (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Sukuk (the “**Issue Date**”) in respect of the relevant Series (the “**Supplemental Trust Deed**”) and, together with the Master Trust Deed, the “**Trust Deed**”). Sukuk of each Series confer on the holders thereof from time to time (the “**Sukukholders**”) the right to receive certain payments (as more particularly described herein) arising from the relevant Trust Assets. The Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each Sukukholder.

The Sukuk 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 Trustee (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 Sukuk being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Sukuk.

Approval-in-principle has been obtained from the Labuan International Financial Exchange Inc. (the “**LFX**”) for the listing of the Sukuk 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 Sukuk 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 Sukuk 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 Sukuk to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk. 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 face amount of the Sukuk, periodic distribution amounts (if any) payable in respect of the Sukuk, the issue price of the Sukuk and any other terms and conditions not contained herein which are applicable to each Series of Sukuk will be set out in a pricing supplement (the “**Pricing Supplement**”) which, with respect to Sukuk to be listed on the SGX-ST, will be delivered to the SGX-ST before the listing of the Sukuk of such Series.

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

The Programme provides that Sukuk 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 Trustee, Cagamas and the Relevant Dealer(s). The applicable Pricing Supplement in respect of the issue of any Sukuk will specify whether or not such Sukuk will be listed on the SGX-ST or any other stock exchange. The Trustee may also issue unlisted Sukuk.

The Sukuk of each Series will be represented on issue by a global certificate in registered form (each a “**Global Certificate**”). Global Certificates may be deposited on the relevant Issue Date with a common depository 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 Money Markets Unit Service (the “**CMU Service**”) operated by the Hong Kong Monetary Authority (the “**HKMA**”) or with such other clearing system (including, without limitation, RENTAS (as defined in the Conditions)) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate. The provisions governing the exchange of interests in Global Certificates for Sukuk in definitive form are described in “*Summary of Provisions Relating to the Sukuk while in Global Form*”.

**The Sukuk 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 may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable security laws of any state of the United States. For a description of certain restrictions on offers, sales and transfers of Sukuk and on the distribution of this Offering Circular, see “*Subscription and Sale*”.**

The Trustee and Cagamas may agree with any Dealer that Sukuk may be issued in a form not contemplated by the terms and conditions of the Sukuk set out herein under “*Terms and Conditions of the Sukuk*” (each term therein a “**Condition**”), 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 Sukuk.

The submission to the Securities Commission Malaysia (“**SC**”) in respect of the Programme was made by CIMB Investment Bank Berhad and HSBC Amanah Malaysia Berhad as joint principal advisers (“**Joint Principal Advisers**”). The approval and authorisation of the SC for the Programme was obtained on 20 November 2014. The approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk under the Programme.

The Programme has been assigned a rating of A3 and  $A_2(s)$  by Moody’s Investors Service Singapore Pte. Ltd (“**Moody’s**”) and RAM Rating Services Berhad (“**RAM Rating**”), respectively. Series of Sukuk to be issued under the Programme will be rated or unrated. Where a Series of Sukuk is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or other Series of Sukuk. Where a Series of Sukuk is rated, the applicable rating(s) will be specified in the applicable 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.

**The Sukuk will be limited recourse obligations of the Trustee. No payment of any amount whatsoever shall be made in respect of the Sukuk except to the extent that funds for that purpose are available from the relevant Trust Assets. Sukukholders will otherwise have no recourse to any assets of the Trustee in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished. Investing in Sukuk 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 Sukuk 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 Sukuk. Investors should not purchase Sukuk unless they understand and are able to bear risks associated with Sukuk. The principal risk factors that may affect the abilities of the Trustee and Cagamas to fulfil their respective obligations in respect of the Sukuk are discussed under “*Risk Factors*” below.**

The transaction structure relating to the Sukuk (as described in this Offering Circular) has been approved by CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad and Cagamas’ internal *Shariah* adviser, Amanie Advisors Sdn Bhd (together, the “**Joint Shariah Advisers**”). Prospective Sukukholders should not rely on such approval in deciding whether to make an investment in the Sukuk and should consult their own *Shariah* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shariah* principles.

**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**

## IMPORTANT NOTICES

Each of the Trustee and Cagamas, 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 Trustee, Cagamas and Cagamas' subsidiaries (Cagamas and its subsidiaries, collectively, the "**Group**"), and to the Sukuk (including all information which, according to the particular nature of the Trustee, Cagamas, the Group and of the Sukuk, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and Cagamas and of the rights attaching to the Sukuk); (ii) all statements of fact relating to the Trustee, Cagamas, the Group and to the Sukuk 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 Trustee, Cagamas, the Group and to the Sukuk the omission of which would in the context of the issue of the Sukuk 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 Trustee, Cagamas 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 Trustee and Cagamas to ascertain such facts and to verify the accuracy of all such statements. The Trustee and Cagamas accept full responsibility for the accuracy of the information contained in this Offering Circular.

Each Series (as defined herein) of Sukuk will be issued on the terms and conditions set out herein under "*Terms and Conditions of the Sukuk*" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Series. 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 Series of Sukuk, must be read and construed together with the applicable Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Sukuk in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, Cagamas, the Delegate, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Trustee, Cagamas, the Delegate, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Sukuk 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 Trustee, Cagamas, the Delegate, the Arrangers or the Dealers which would permit a public offering of any Sukuk or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Sukuk 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 Trustee in such jurisdiction.

There are restrictions on the offer and sale of the Sukuk 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, Japan, Malaysia, the Republic of Singapore, Hong Kong, the People's Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar 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 Sukuk on the LFX and/or the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Group or the Sukuk. In making an investment decision, investors must rely on their own examination of the Trustee, Cagamas, 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 Sukuk.

No person has been authorised by the Trustee or Cagamas 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 Sukuk and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, Cagamas, the Delegate, the Arrangers or any Dealer.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Sukuk 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 Trustee or Cagamas 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 Sukuk and should not be considered as a recommendation by the Trustee, Cagamas, the Delegate, 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 Sukuk. 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 Trustee and Cagamas.

The maximum aggregate face amount of Sukuk outstanding at any one time under the Programme will not exceed U.S.\$2,500,000,000 (and for this purpose, any Sukuk denominated in another currency shall be translated into United States Dollars at the date of the agreement to issue such Sukuk calculated in accordance with the provisions of the Dealer Agreement as defined under “*Subscription and Sale*”). The maximum aggregate face amount of Sukuk which may be outstanding 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 Series of Sukuk, 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 Sukuk or effect transactions with a view to supporting the market price of the Sukuk 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 Series of Sukuk 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 Series of Sukuk and 60 days after the date of the allotment of the relevant Series of Sukuk. 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 Delegate, 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 of the Delegate, 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 of the Delegate, 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 Delegate, the Arrangers, the Dealers, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Trustee, Cagamas, the Group or the issue and offering of the Sukuk. Each of the Delegate, the Arrangers 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 Sukuk of a particular issue. Each potential purchaser of Sukuk should refer to and consider carefully the applicable Pricing Supplement for each particular issue of Sukuk, which may describe additional risks and investment considerations associated with such Sukuk. 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, tax and *Shariah* advisers as to the risks and investment considerations arising from an investment in an issue of Sukuk and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

The Joint *Shariah* Advisers have confirmed that the Transaction Documents (as defined herein) are, in their opinion, *Shariah*-compliant. However, there can be no assurance that the Transaction Documents or any issue and trading of a Series of Sukuk will be deemed to be *Shariah*-compliant by any other *Shariah* board or *Shariah* scholars. None of the Trustee, Cagamas, the Delegate, the Arrangers or any of the Dealers makes any representation as to the *Shariah* compliance of any Series of Sukuk and potential investors are reminded that, as with any *Shariah* views, differences in opinion are possible. Potential investors should obtain their own independent *Shariah* advice as to the compliance of the Transaction Documents and the issue and trading of a Series of Sukuk with their individual standards of compliance with *Shariah* principles. Questions as to the *Shariah* permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk. See "*Risk Factors – Investors must make their own determination as to Shariah compliance*".

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 Trustee, Cagamas, the Delegate, 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 Sukuk. Each potential purchaser of Sukuk should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee, Cagamas and the Group. Each potential purchaser of Sukuk should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Sukuk 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 Trustee, Cagamas or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Sukuk 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 Trustee, Cagamas, the Delegate, the Arrangers, the Dealers or by their respective directors and advisers, and none of the Trustee, Cagamas, the Delegate, 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 Trustee's financial statements (if any) 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.

Cagamas' 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 Trustee*", "*Description of Cagamas*" 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 Trustee and Cagamas 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 Trustee's, Cagamas' 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 Trustee's or Cagamas' expectations. All subsequent written and forward-looking statements attributable to the Trustee or Cagamas or persons acting on behalf of the Trustee or Cagamas 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 Trustee's and Cagamas' 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 = U.S.\$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 Sukuk in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including, without limitation, the applicable approval and authorisation from the SC. The Programme is approved and authorised by the SC pursuant to sections 212(4) and 212(5) of the CMSA, under the SC’s deemed approval process. Please note that the approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Sukuk. The SC shall not be liable for any non-disclosure on the part of the Trustee and/or Cagamas 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 applicable 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 Trustee and Cagamas 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 normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the Specified Offices of the Paying Agents and the Specified Office of the Principal Paying 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.



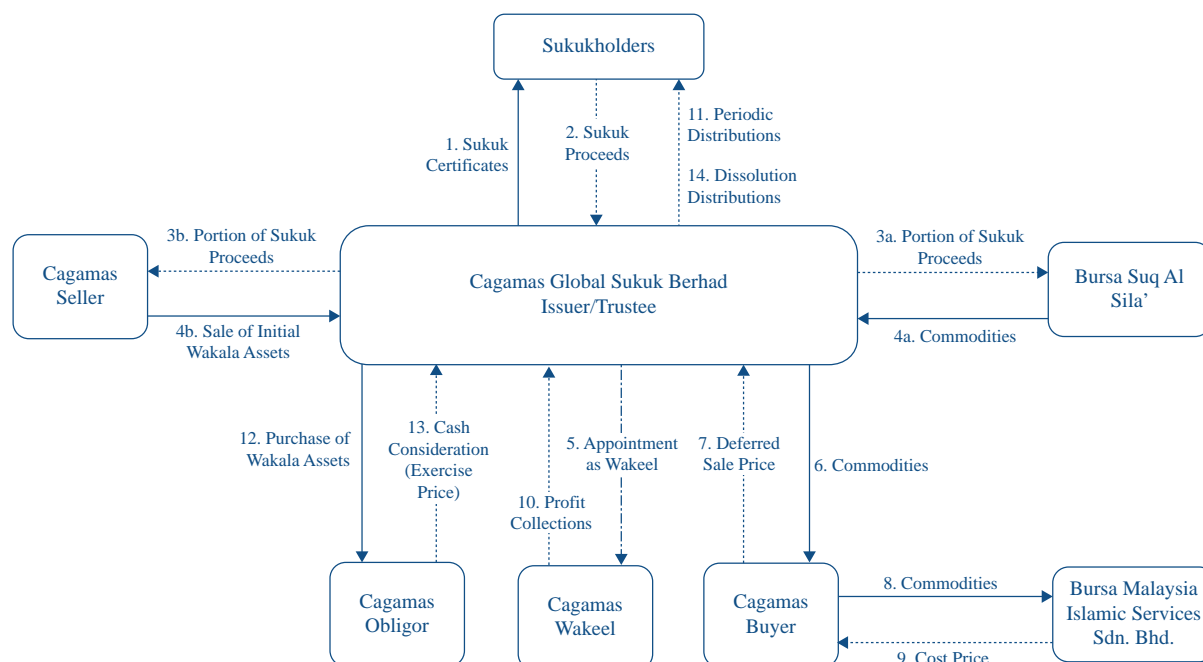
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## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series issued. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



### Payments by the Sukukholders and the Trustee

On the issue date of a Series (the “**Issue Date**”), the Sukukholders will pay the issue price in respect of the Sukuk (the “**Issue Price**”) to the Trustee.

The Trustee will use the Issue Price of each Series as follows:

- (a) no more than 66 per cent. of the Issue Price of that Series, as specified in the applicable Pricing Supplement (the “**Murabaha Investment Amount**”), will be used to purchase *Shariah*-compliant commodities (the “**Commodities**”) from Bursa Suq Al-Sila’ (through Cagamas as the commodity trading participant) and to sell such Commodities to the Obligor (in its capacity as buyer, the “**Buyer**”) on a deferred payment basis for a sale price specified in a letter of offer and acceptance (the “**Deferred Sale Price**”) pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shariah*-compliant commodities by the Trustee to the Obligor and all of the Trustee’s rights and entitlements against the Obligor (in its capacity as buyer) in connection therewith being the “**Commodity Murabaha Investment**”); and
- (b) the remaining portion of the Issue Price, as specified in the applicable Pricing Supplement (the “**Purchase Price**”), will be used to purchase and accept the transfer and conveyance from the Obligor (in its capacity as seller, the “**Seller**”) of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under certain Eligible Wakala Assets specified in the relevant Supplemental Purchase Agreement (the “**Initial Wakala Assets**”) pursuant to a Supplemental Purchase Agreement provided that the Purchase Price paid for the Eligible Wakala Assets is at least equal to 34 per cent. of the Issue Price.

The:

- (a) Initial Wakala Assets (as may be substituted from time to time) and any additional Eligible Wakala Assets acquired from time to time in accordance with the Transaction Documents, all revenues from them which comprise amounts in the nature of sale, capital or principal payments (including, without limitation, any total loss and expropriation related insurance proceeds and any indemnity payments) and including any amounts payable by the Wakeel under certain provisions of the Wakala Agreement and any amounts in respect of an Impaired Wakala Asset Exercise Price (as defined in the summary of the Principal Transaction Documents) (the “**Principal Revenues**”) and any investment deposit made with any *Shariah*-compliant financial institution (the “**Shariah-Compliant Investments**”) in accordance with the Wakala Agreement (together, the “**Wakala Assets**”); and
- (b) (if applicable) the Commodity Murabaha Investment,

shall together constitute the assets of the Sukuk in respect of the relevant Series (the “**Sukuk Assets**”).

The Trustee has, pursuant to the terms of the Wakala Agreement, appointed the Obligor as its agent (in such capacity the “**Wakeel**”) to perform certain services set out in the Wakala Agreement (the “**Wakala Services**”) in respect of the Wakala Assets of each Series.

### **Periodic Distribution Payments**

The Wakeel will record: (i) all Principal Revenues from the Wakala Assets of each Series in a book-entry ledger account (the “**Principal Collection Account**”); and (ii) all revenues from the Wakala Assets of each Series that are not Principal Revenues (the “**Income Revenues**”) in a book-entry ledger account (the “**Income Collection Account**”). On the business day prior to each Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the Income Collection Account to pay to the Transaction Account an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Sukuk of the relevant Series on the Periodic Distribution Date falling one business day after such date (the “**Required Amount**”) and any such amount paid into the Transaction Account shall be applied by the Trustee for that purpose.

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Income Collection Account are greater than the relevant Required Amount, such excess returns shall, after payment of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee (the “**Wakeel Liabilities Amount**”) in providing the Wakala Services and repayment of any Liquidity Facility (as defined below), be credited by the Wakeel to a separate book-entry ledger account (such account, the “**Reserve Account**”).

If on the business day prior to a Periodic Distribution Date the amounts standing to the credit of the Income Collection Account are less than the relevant Required Amount, the Wakeel shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall and, if such amounts standing to the credit of the Reserve Account are insufficient for such purpose, the Wakeel may provide to the Trustee *Shariah*-compliant funding in an amount equal to the remaining shortfall (a “**Liquidity Facility**”).

### **Dissolution Payments**

On the business day prior to the relevant Scheduled Dissolution Date in relation to each Series:

- (a) the outstanding Deferred Sale Price shall be due and payable; and
- (b) the Trustee will have the right under the Purchase Undertaking to require the Obligor to purchase all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets in consideration for payment by the Obligor of the Exercise Price.

The outstanding Deferred Sale Price payable by the Obligor under the Master Murabaha Agreement and the Exercise Price payable by the Obligor under the Purchase Undertaking, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Sukuk.

The Sukuk in relation to any Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) redemption following a Dissolution Event; and
- (b) an early redemption for tax reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Sukuk in relation to any Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) if so specified in the applicable Pricing Supplement, at the option of the Sukukholders;
- (b) if so specified in the applicable Pricing Supplement, following a Change of Shareholding; and
- (c) if so specified in the applicable Pricing Supplement, at the option of the Obligor.

Upon the exercise of such right, the Trustee shall redeem the relevant Sukuk for an amount equal to the sum of the face amounts of such Sukuk and the Periodic Distribution Amounts on such Sukuk (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Pricing Supplement. Such redemption of the Sukuk will be funded in a similar manner to that described above for the payment of Periodic Distribution Amounts and the Dissolution Distribution Amount through: (i) a proportionate amount of the outstanding Deferred Sale Price becoming immediately due and payable; and (ii) the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportionate amount of the Wakala Assets being sold by the Trustee to the Obligor pursuant to the Purchase Undertaking or the Sale Undertaking at a purchase price such that the aggregate amounts received by the Trustee are sufficient to pay the amount payable in respect of the Sukuk being redeemed.

Following the redemption of the Sukuk in full, the Wakeel shall be entitled to retain any amounts standing to the credit of the Reserve Account for its own account as an incentive fee for acting as Wakeel.

## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Sukuk 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 Sukuk” below or elsewhere in this Offering Circular have the same meanings in this summary.*

Certain Transaction Documents are described in more detail in “*Summary of the Principal Transaction Documents*” below.

**Trustee and Purchaser:** . . . . . Cagamas Global Sukuk Berhad, which has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.

**Seller, Obligor, Buyer and Wakeel:** . . . . . Cagamas Berhad

**Ownership of the Trustee:** . . . . . The authorised share capital of the Trustee is RM 100,000.00 divided into 100,000 ordinary shares of a face value of RM 1.00 each. The Trustee’s entire issued share capital is held by Cagamas.

**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 Trustee and Cagamas 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 Sukuk issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Trustee and Cagamas to fulfil their respective obligations in respect of the Sukuk are discussed under the section “*Risk Factors*” below.

**Joint Principal Advisers:** . . . . . CIMB Investment Bank Berhad (“**CIMB**”) and HSBC Amanah Malaysia Berhad (“**HSBC**”).

**Joint Shariah Advisers:** . . . . . CIMB Islamic Bank Berhad (“**CIMB Islamic**”), HSBC and Cagamas’ internal *Shariah* adviser, Amanie Advisors Sdn Bhd (“**Amanie Advisors**”).

**Arrangers:** . . . . . CIMB Bank (L) Limited (“**CIMB (L)**”), HSBC, 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 any other Dealer appointed from time to time by the Trustee and Cagamas either generally in respect of the Programme or in relation to a particular Series of Sukuk.



**Delegate:** . . . . . The Hongkong and Shanghai Banking Corporation Limited. Pursuant to the Master Trust Deed, the Trustee shall delegate to the Delegate all of the present and future duties, powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Trustee and the Obligor following a Dissolution Event.

**Principal Paying Agents, Paying Agents, Calculation Agents, Transfer Agents, Registrars:** . . . The Hongkong and Shanghai Banking Corporation Limited (in respect of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk), the CMU Lodging and Paying Agent (in respect of CMU Sukuk) and the CDP Lodging and Paying Agent (in respect of CDP Sukuk) and/or such other agent(s) as may be appointed from time to time and specified in the applicable Pricing Supplement.

**CMU Lodging and Paying Agent:** . . . . . The Hongkong and Shanghai Banking Corporation Limited.

**CDP Lodging and Paying Agent:** . . . . . The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch.

**Method of Issue:** . . . . . The Sukuk will be issued on a syndicated or non-syndicated basis. The Sukuk will be issued in series (each a “**Series**”) and the Sukuk of each Series will comprise one tranche that have identical terms on issue and are expressed to have the same series number. The specific terms of each Series will be completed in the applicable 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 Series, such other clearing system (including, without limitation, RENTAS (as defined in the Conditions)) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate.

**Form of Sukuk:** . . . . . Sukuk will be issued in registered form as described in “*Form of the Sukuk*”.

**Currencies:** . . . . . Sukuk may be denominated in any currency or currencies (other than Ringgit) as may be agreed between the Trustee, Cagamas and the Relevant Dealer, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Sukuk:** . . . . . The Sukuk represent an undivided beneficial ownership interest in the relevant Trust Assets (as defined below) and are direct, unsubordinated, unsecured and limited recourse obligations of the Trustee. Each Sukuk shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Sukuk of the relevant Series. The payment obligations of the Obligor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future.

In respect of each Series, the Trustee shall hold the relevant Trust Assets for such Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder of the relevant Series of Sukuk. The “**Trust Assets**” of the relevant Series will comprise: (i) the interests rights, title, benefits and entitlements, present and future of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time); (ii) the interest, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 16.1 of the Master Trust Deed); (iii) all moneys standing to the credit of the Transaction Account from time to time; (iv) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement; and (v) all proceeds of the foregoing.

**Limited Recourse:** . . . . . The Sukuk represent limited recourse obligations of the Trustee. No payment of any amount whatsoever shall be made in respect of the Sukuk except to the extent that funds are available therefor from the relevant Trust Assets. Sukukholders will otherwise have no recourse to any assets of the Trustee or Cagamas in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent that the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished. See Condition 4.2 (*Limited Recourse*).

**Negative Pledge:** . . . . . The Sukuk will have the benefit of a negative pledge granted by Cagamas, as described in Condition 6.2 (*Negative Pledge*).

**Issue Price:** . . . . . The Sukuk may be issued on a fully-paid basis and at an issue price as specified in the applicable Pricing Supplement.

**Maturities:** . . . . . Any maturity as may be agreed between the Trustee, Cagamas 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.

**Scheduled Dissolution:** . . . . . Unless the Sukuk are previously redeemed or purchased and cancelled in full, each Sukuk shall be finally redeemed at its Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Pricing Supplement.

**Dissolution Events:** . . . . . Upon the occurrence of any Dissolution Event and following delivery of a Dissolution Notice in accordance with Condition 12 (*Dissolution Events*), the Sukuk shall be redeemed in full at the Dissolution Distribution Amount and the Trust in relation to the relevant Series shall be dissolved by the Trustee on the Dissolution Event Redemption Date. See Condition 12 (*Dissolution Events*).

**Early Dissolution for Tax**

**Reasons:** . . . . . Where the Trustee has or will become obliged to pay any additional amounts in respect of the Sukuk pursuant to Condition 10 (*Taxation*) or the Obligor has or will become obliged to pay any additional amounts pursuant to a Transaction Document, in each 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series of Sukuk, and such obligation cannot be avoided by the Trustee or the Obligor (as the case may be) taking reasonable measures available to it, the Trustee shall, following receipt of a duly completed Exercise Notice from the Obligor pursuant to the Sale Undertaking and on giving not less than 30 nor more than 60 days' notice to Sukukholders (which notice shall be irrevocable), redeem the Sukuk in whole but not in part at an amount equal to the relevant Dissolution Distribution Amount on the Early Tax Dissolution Date subject to and in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*), and if the Sukuk to be redeemed are Floating Rate Sukuk, the Early Tax Dissolution Date must be a Periodic Distribution Date.

**Dissolution at the Option of the Obligor (Optional Dissolution Right):** . . . . .

If so specified in the applicable Pricing Supplement, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Sukukholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so provided, some of the Sukuk on any Optional Dissolution Date subject to and in accordance with Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*). Any such redemption of Sukuk shall be at their Dissolution Distribution Amount.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

**Dissolution at the Option of the Sukukholders (Sukukholder Put Right): . . . . .**

If so specified in the applicable Pricing Supplement, the Trustee shall, at the option of the holder of any Sukuk, upon the holder of such Sukuk giving not less than 30 nor more than 60 days’ notice to the Trustee (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Sukuk on the Sukukholder Put Right Date(s) at its Dissolution Distribution Amount subject to and in accordance with Condition 8.4 (*Dissolution at the Option of the Sukukholders (Sukukholder Put Right)*).

For *Shariah* reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.

**Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right): . . . . .**

If a Change of Shareholding occurs, and provided that Sukukholders elect to redeem all, but not some only, of their Sukuk in accordance with Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*), the Trustee shall redeem such Sukuk on the Change of Shareholding Put Right Date at the Dissolution Distribution Amount.

“**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 Cagamas’ issued share capital.

**Periodic Distributions: . . . . .**

Sukukholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Pricing Supplement.

**Denominations: . . . . .**

Sukuk will be issued in such denominations as may be agreed between the Trustee, Cagamas and the Relevant Dealer(s) and specified in the applicable Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Sukuk 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 (“**FSMA**”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Sukuk are denominated in a currency other than sterling, the equivalent amount in such currency). See “*Subscription and Sale*”.

**Cross Default: . . . . .**

The Sukuk will contain a cross default provision as further described in Condition 12 (*Dissolution Events*).

**Purchase and Cancellation:** . . . . . Pursuant to Condition 8.7 (*Purchases*), each of the Obligor and the Obligor's Subsidiaries may at any time purchase Sukuk in the open market or otherwise at any price and such Sukuk may be held, resold or, at the option of the Obligor, surrendered to the Registrar for cancellation. Pursuant to Condition 8.8 (*Cancellation*), Sukuk purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may be surrendered for cancellation in accordance with the terms of the Transaction Documents and the Conditions. Any Sukuk so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Sukuk shall be discharged.

**Wakala Asset Substitution:** . . . . . Cagamas may substitute Wakala Assets in accordance with the relevant provisions of the Substitution Undertaking, and the Trustee may substitute Wakala Assets in accordance with the relevant provisions of the Purchase Undertaking, in each case provided that the aggregate value of any new assets is equal to or greater than the aggregate value of the substituted assets.

**Trustee Covenants:** . . . . . The Trustee has agreed to certain restrictive covenants as set out in Condition 6.1 (*Trustee Covenants*).

**Withholding Tax:** . . . . . All payments by or on behalf of the Trustee in respect of the Sukuk shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments, fees or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Sukukholders of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in Condition 10 (*Taxation*).

The Obligor has undertaken in the Wakala Agreement to pay to the Trustee such additional amounts so that the full amount that would otherwise have been due and payable under the Sukuk is received by the Trustee. All payments by the Obligor (in any capacity) under the Purchase Undertaking, the Sale Undertaking, the Wakala Agreement and the Master Murabaha Agreement shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or within Malaysia or any authority therein or thereof having power to tax unless such withholding or deduction is required by law. In that event, the Obligor has agreed to pay such additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.



**Listing and Trading:** . . . . . Approval-in-principle has been obtained from the LFX for the listing of the Sukuk 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 Sukuk 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 Sukuk to, the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk. For so long as any Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, such Sukuk 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 Sukuk and Sukuk 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 applicable Pricing Supplement in respect of the issue of any Sukuk will specify whether or not such Sukuk 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 Sukuk are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Rating:** . . . . . The Sukuk 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.

**Transaction Documents:** . . . . . The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement, the Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Sale Undertaking), the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking), the Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Substitution Undertaking), the Wakala Agreement and, if applicable to a Series, the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series) (each a “**Transaction Document**” and, together, the “**Transaction Documents**”).

**Governing Law:** . . . . . The Sukuk and any non-contractual obligations arising out of or in connection with the Sukuk are governed by, and construed in accordance with, English law.

The Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, the Wakala Agreement and the Master Murabaha Agreement are governed by, and construed in accordance with, English law.

The Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement to be entered into pursuant to the Purchase Undertaking, the Sale Undertaking and/or the Substitution Undertaking, as applicable, are governed by Malaysian law.

**Selling Restrictions:** . . . . . For a description of certain restrictions on offers, sales and deliveries of Sukuk and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Japan, Malaysia, the Republic of Singapore, Hong Kong, the People’s Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of a particular Series of Sukuk, see “*Subscription and Sale*”.

**United States Selling Restrictions:** . . . . . Regulation S, Category 2

**Initial Delivery of Sukuk:** . . . . . On or before the Issue Date for each Series, the Global Certificate representing the Sukuk 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 (including, without limitation, RENTAS) or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Trustee, Cagamas, the Registrar and the Relevant Dealers. Sukuk 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 CAGAMAS

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			
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b> . . . . .	<b>22,688,880</b>	<b>23,284,607</b>	<b>27,595,029</b>	<b>27,003,779</b>

	As at 31 December			As at 30 June
	2011	2012	2013	2014
	(audited)	(audited)	(audited)	(unaudited)
	RM'000			
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b> . . . . .	<b>20,587,508</b>	<b>21,060,221</b>	<b>25,067,887</b>	<b>24,372,466</b>
Share capital . . . . .	150,000	150,000	150,000	150,000
Reserves . . . . .	1,951,372	2,074,386	2,377,142	2,481,313
<b>SHAREHOLDER'S FUNDS</b> . . . . .	<b>2,101,372</b>	<b>2,224,386</b>	<b>2,527,142</b>	<b>2,631,313</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b> . . . . .	<b>22,688,880</b>	<b>23,284,607</b>	<b>27,595,029</b>	<b>27,003,779</b>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b> . . . . .	<b>13.93</b>	<b>14.77</b>	<b>16.78</b>	<b>17.48</b>

### 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)
Administration and general expenses . . . . .	341,199	326,258	472,291	160,542	192,037
Personnel costs . . . . .	(18,915)	(19,965)	(20,135)	(10,599)	(12,907)
Write-back of (allowance) for impairment losses . . . . .	—	5,127	(6,536)	—	—
<b>PROFIT BEFORE TAXATION AND ZAKAT</b> . . . . .	<b>304,264</b>	<b>293,044</b>	<b>424,781</b>	<b>140,392</b>	<b>168,545</b>
Taxation . . . . .	(75,559)	(72,963)	(104,180)	(35,098)	(42,136)
Zakat . . . . .	(2,260)	(1,118)	(2,028)	—	—
<b>PROFIT FOR THE FINANCIAL YEAR/PERIOD</b> . . . . .	<b>226,445</b>	<b>218,963</b>	<b>318,573</b>	<b>105,294</b>	<b>126,409</b>
<b>EARNINGS PER SHARE (SEN)</b> . . . . .	<b>150.96</b>	<b>145.98</b>	<b>212.38</b>	<b>140.39</b>	<b>168.54</b>
<b>DIVIDEND PER SHARE (SEN)</b> . . . . .	<b>20.00</b>	<b>88.00</b>	<b>20.00</b>	<b>15.00</b>	<b>15.00</b>

## 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):					
<b>Items that may be subsequently reclassified to profit or loss</b>					
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
<b>Total comprehensive income for the financial year/period . . . . .</b>	<b>215,859</b>	<b>222,014</b>	<b>325,256</b>	<b>107,592</b>	<b>126,671</b>



## **RISK FACTORS**

*Each of the Trustee and Cagamas believes that the following factors may affect its ability to fulfil its obligations in respect of the Sukuk issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Trustee nor Cagamas is in a position to express a view on the likelihood of any such contingency occurring. References herein to the “Trustee” shall mean Cagamas Global Sukuk Berhad acting in any capacity, except where the context does not permit.*

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

*Each of the Trustee and Cagamas believes that the factors described below represent all the principal risks inherent in investing in the Sukuk issued under the Programme, but the inability of the Trustee or Cagamas to pay periodic distribution amounts, face or other amounts on or in connection with any Sukuk may occur for other reasons which may not be considered significant risks by the Trustee and Cagamas 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 TRUSTEE**

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

At the date of this Offering Circular, the Trustee is a newly established limited liability company incorporated in Malaysia on 5 May 2014 pursuant to the Malaysian Companies Act, 1965 and has conducted limited activities since its incorporation.

The Trustee will not engage in any business activity other than the issuance of Sukuk under the Programme, the issuance of shares in its capital and the other activities described herein or incidental or related to the foregoing as required under the Transaction Documents.

The ability of the Trustee to pay amounts due on any Sukuk will be dependent upon receipt by it from Cagamas of all amounts due under the Transaction Documents to which it is a party which, in the aggregate, may not be sufficient to meet all claims under the relevant Sukuk and the Transaction Documents. As a result, the Trustee is subject to all the risks to which Cagamas is subject, to the extent such risks could limit Cagamas’ ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents to which it is a party. See “– Risks relating to the operations of Cagamas and its business” below for a further description of these risks.

### **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 Trustee to satisfy in full and on a timely basis its obligations in respect of a Series of Sukuk. 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 Cagamas – 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 Trustee being unable to meet their obligations in relation to the Sukuk 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 and/or profit 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 Sukuk 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 U.S.\$1.00. 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 Sukuk and profit and principal paid on the Sukuk 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 Trustee 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 Trustee 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 Trustee 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.

### **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.

## **CONSIDERATIONS RELATING TO THE SUKUK**

### **The Sukuk are limited recourse obligations**

The Sukuk are not debt obligations of the Trustee. Instead, each Sukuk represents solely an undivided beneficial ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Sukuk of that Series. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12 (*Dissolution Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Sukukholders), will be (subject to Condition 13 (*Realisation of Trust Assets*)) against Cagamas to perform its obligations under the Transaction Documents to which it is a party.

No Sukukholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Sukukholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the relevant Trust Assets in respect of the Sukuk of the relevant Series to the Sukukholders in accordance with the Conditions and the Master Trust Deed, the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, Sukukholders may not take any action against the Trustee, the Delegate or any other person (including the Obligor) to recover any such sum in respect of the Sukuk or the relevant Trust Assets.

After enforcing the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Sukuk shall be satisfied and no Sukukholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. In particular, no Sukukholder shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

### **No third-party guarantees**

Investors should be aware that no guarantee is or will be given in relation to the Sukuk by the Obligor or any other person.



### **Ability of defined majorities to bind all Sukukholders**

The Master Trust Deed contains provisions for calling meetings of Sukukholders of a Series to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Sukukholders of such a Series including Sukukholders who did not attend and vote at the relevant meeting and Sukukholders who voted in a manner contrary to the majority.

### **The Conditions, the Trust Deed and other Transaction Documents may be modified without notice to Sukukholders**

The Master Trust Deed provides that the Delegate may, without the consent of the Sukukholders (i) agree to any modification of any of the provisions of the Trust Deed or the Transaction Documents that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Sukukholders, or (ii)(A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event shall not be treated as such, provided that such waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Sukukholders and is other than in respect of a Reserved Matter (as defined in the Conditions) and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of a Series of Sukuk.

### **The Delegate may request the Sukukholders to provide an indemnity and/or security and/or prefunding to its satisfaction**

In certain circumstances, including without limitation the giving of a notice pursuant to Condition 12 (*Dissolution Events*) of the Conditions and the taking of action to enforce or realise any relevant Trust Assets or steps against the Trustee or the Obligor under the relevant Transaction Documents pursuant to Condition 13 (*Realisation of Trust Assets*) of the Conditions, the Delegate may (at its sole discretion) request the holders of the relevant Sukuk to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of such Sukuk. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Delegate may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms and conditions governing the relevant Sukuk or the relevant Transaction Documents and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the relevant Sukuk to take such actions directly.

### **The Sukuk may not be a suitable investment for all investors**

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Sukuk, the merits and risks of investing in the Sukuk and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Sukuk and the impact the Sukuk will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Sukuk, including where the currency for the face amount or any periodic distribution payments is different from the potential investor's currency;

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

Some Sukuk 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 the Sukuk which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Sukuk will perform under changing conditions, the resulting effects on the value of the Sukuk and the impact this investment will have on the potential investor's overall investment portfolio.

**The Sukuk are unsecured obligations, the payment of which may be jeopardised in certain circumstances**

Because the Sukuk and Cagamas' payment obligations under the Transaction Documents are unsecured obligations, their payment may be compromised if:

- (a) Cagamas enters into bankruptcy, liquidation, reorganisation or other winding-up procedures;
- (b) there is a default in payment under Cagamas' future secured indebtedness or other unsecured indebtedness; or
- (c) there is an acceleration of any of Cagamas' indebtedness.

If any of these events occurs, Cagamas' assets may not be sufficient to pay amounts due under the Transaction Documents which in turn may result in the Trustee having insufficient funds to pay amounts due in respect of any of the Sukuk.

**The Sukuk may be subject to early dissolution by the Trustee**

In certain circumstances, the Sukuk may be subject to early dissolution by the Trustee. If the Trustee has or will become liable to pay additional amounts in respect of the Sukuk and/or Cagamas is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in Malaysia or any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Sukuk upon giving notice in accordance with the Conditions.

If the Optional Dissolution Right is specified in the applicable Pricing Supplement, Cagamas may exercise its option under the Sale Undertaking to procure the Trustee to redeem the Sukuk in whole or in part on the relevant Optional Dissolution Date at the relevant Optional Dissolution Amount as specified in the applicable Pricing Supplement.

In each case, dissolution will take place in accordance with the Conditions. An early dissolution feature of any Sukuk is likely to limit its market value. During any period when Cagamas may require the Trustee to redeem any Sukuk, the market value of those Sukuk generally may not rise substantially above the dissolution amount payable.

**Investors must make their own determination as to Shariah compliance**

The Joint Shariah Advisers have confirmed that, in their opinion, the Sukuk and the Transaction Documents are in compliance with *Shariah* principles. However, there can be no assurance as to the *Shariah* permissibility of the Transaction Documents or any issue and the trading of a Series of Sukuk will be deemed to be *Shariah*-compliant by any other *Shariah* board or *Shariah* scholars. None of the Trustee, Cagamas, the Delegate, the Agents, the Arrangers and the Dealers makes any representation as to the *Shariah* compliance of any Series of Sukuk. Investors are reminded that, as with any *Shariah* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shariah* advice as to whether the structure and the Transaction Documents meet their individual standards of compliance

and make their own determination as to the future tradeability of the Sukuk on any secondary market. Questions as to the *Shariah* permissibility of the structure or the issue and the trading of the Sukuk may limit the liquidity and adversely affect the market value of the Sukuk.

#### **Shariah requirements in relation to interest awarded by a court**

In accordance with applicable *Shariah* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Sukuk and any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Obligor, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Sukukholders will not be entitled to receive any part of such interest.

#### **The Sukuk may be represented by Global Certificates and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System(s)**

Sukuk issued under the Programme may be represented by one or more Global Certificates. Such Global Certificates will be deposited with CDP, a sub-custodian for the CMU or a common depository for Euroclear and Clearstream, Luxembourg, or with such other clearing system (including, without limitation, RENTAS) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate (each such clearing system, a “**Clearing System**”). Except in the circumstances described in the relevant Global Certificate, investors will not be entitled to receive Sukuk in definitive form. The relevant Clearing System(s) will maintain records of their direct account holders in relation to the Global Certificates. While the Sukuk are represented by one or more Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System(s) and their participants.

While the Sukuk are represented by one or more Global Certificates, the Trustee or, as the case may be, Cagamas, will discharge its payment obligations under the Sukuk 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 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 Certificate must rely on the procedures of the relevant Clearing System(s) and its participants to receive payments under the relevant Sukuk.

Neither the Trustee nor Cagamas has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates. Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the relevant Sukuk. 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 Trustee or, as the case may be, Cagamas to make payments in respect of the Sukuk may depend upon the due performance by the other parties to the transaction documents of the obligations thereunder including the performance by the Principal Paying 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 Trustee, or as the case may be, Cagamas, of its obligations to make payments in respect of the Sukuk, the Trustee, or as the case may be, Cagamas, may not, in such circumstances, be able to fulfil its obligations to the Sukukholders.

#### **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 Trustee nor any Paying Agent (as defined in the Conditions of the Sukuk) nor any other person would be obliged to pay additional amounts with respect to any Sukuk as a result of the imposition of such withholding tax. The Trustee 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. The Delegate and the Paying Agent shall be entitled to make withholdings or deductions pursuant to FATCA and shall have no obligation to gross up any payment or to pay any additional amount as a result of such withholding or deduction. Whilst the Sukuk 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 Trustee’s obligations under the Sukuk are discharged once it has paid the common depository for the clearing systems (as bearer or registered holder of the Sukuk) and the Trustee has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

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

The conditions of the Sukuk 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 Sukuk affected by it.

## **RISKS RELATED TO THE MARKET GENERALLY**

### **Limited liquidity in the secondary market**

The Sukuk 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 Sukuk 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 Sukuk 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 Sukuk generally would have a more limited secondary market and more price volatility than conventional debt securities.

### **Exchange rate risks and exchange controls**

The Trustee will pay principal and profit on the Sukuk and Cagamas will make any payments under the Transaction Documents 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 Sukuk; (ii) the Investor's Currency-equivalent value of the principal payable on the Sukuk; and (iii) the Investor's Currency-equivalent market value of the Sukuk.

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 Trustee or Cagamas to make payments in respect of the Sukuk. As a result, investors may receive less profit or principal than expected, or no profit or principal.

### **The value of fixed rate Sukuk may be adversely affected by movements in market interest rates**

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

### **Credit ratings assigned to the Trustee, Cagamas or any Sukuk may not reflect all the risks associated with an investment in those Sukuk**

One or more independent credit rating agencies may assign credit ratings to the Trustee, Cagamas or the Sukuk. Credit 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 Sukuk. 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 Sukuk may fluctuate**

Trading prices of the Sukuk 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**

Sukukholders may suffer erosion on the return of their investments due to inflation. Sukukholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Sukuk. 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) Sukuk are legal investments for it; (ii) Sukuk can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Sukuk. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Sukuk under any applicable risk-based capital or similar rules.

## **CONSIDERATIONS RELATING TO THE WAKALA ASSETS**

### **Ownership of the Wakala Assets**

In order to comply with the requirements of *Shariah*, an interest in the Wakala Assets of each Series will pass to the Trustee under the relevant Master Purchase Agreement, as supplemented by the Supplemental Purchase Agreement. The Trustee will declare a trust in respect of its ownership interest in such Wakala Assets and the other relevant Trust Assets in favour of the Sukukholders of the relevant Series pursuant to the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed. Accordingly, Sukukholders will have beneficial ownership interests in the relevant Wakala Assets unless transfer of the Wakala Assets is prohibited by, or ineffective under, any applicable law (see “*Transfer of the Wakala Assets*” below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Wakala Assets. Only limited representations will be obtained from the Obligor in respect of the Wakala Assets of a Series. In particular, the precise terms of such Wakala Assets or the nature of the assets sold or held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by the Obligor to give effect to the transfer of the ownership interest in the Wakala Assets). No steps will be taken to perfect the legal transfer of any ownership interest in any Wakala Assets or otherwise give notice to any obligor in respect thereof. The obligors in respect of such Wakala Assets may have rights of set off or counterclaim against the Obligor in respect of such Wakala Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any relevant Sukukholders on the basis of legal or beneficial ownership of any Wakala Assets, the Obligor has agreed in the Trust Deed to indemnify the Trustee, the Delegate and the Sukukholders against any such liabilities. If the Obligor is unable to meet any such claims then the relevant Sukukholders may suffer losses in excess of the original face amount invested.

### **Transfer of the Wakala Assets**

No investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if any Supplemental Purchase Agreement will have the effect of transferring an ownership interest in the relevant Wakala Assets. The Master Purchase Agreement is, and each Supplemental Purchase Agreement will be, governed by Malaysian law and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular assets such as *ijara* or receivables under *murabaha* contracts) can be effectively transferred without notice of the transfer being given to the relevant obligor. Accordingly, no assurance is given that any ownership interest in any Wakala Assets will be transferred to the Trustee.

The Obligor has agreed in the Purchase Undertaking to indemnify the Trustee for the purposes of redemption in full of the outstanding Sukuk in the event that any transfer of an ownership interest in any Wakala Assets is found to be ineffective. In addition, the Obligor has agreed in the Purchase Undertaking that, to the extent that the sale and purchase or transfer of any ownership interest in any Wakala Assets is not (or is alleged not to be) effective in any jurisdiction for any reason, it will make payment of an amount equal to the relevant exercise price.



In the event that the Wakala Assets of any Series are not purchased by the Obligor for any reason, the Delegate will seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an English judgment in its favour, it may seek to enforce that judgment or award in a Malaysian court.

## **RISKS RELATING TO SUKUK DENOMINATED IN RENMINBI**

Sukuk denominated in Renminbi (“**RMB Sukuk**”) may be issued under the Programme. RMB Sukuk 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 Sukuk**

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 Trustee to source Renminbi to finance its obligations under RMB Sukuk.

Holders of beneficial interests in the RMB Sukuk 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 Sukuk and the Trustee's ability to source Renminbi outside the PRC to service such RMB Sukuk**

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 RMB Sukuk. To the extent the Trustee is required to source Renminbi outside the PRC to service the RMB Sukuk, there is no assurance that the Trustee will be able to source such Renminbi on satisfactory terms, if at all.

### **Investment in RMB Sukuk 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 Trustee is to make all payments/repayments of interest/profit and principal with respect to RMB Sukuk in Renminbi, in the event access to Renminbi deliverable in the Renminbi Settlement Centre becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (each as defined in the Conditions) the Trustee is not able to satisfy payments/repayments of principal or interest/profit (in whole or in part) in respect of the RMB Sukuk when due in Renminbi, the terms of the RMB Sukuk allow the Trustee to make payment in U.S. dollars at the prevailing rate of exchange, all as provided in more detail in Condition 9.6 (*Payment of U.S. Dollar Equivalent*). 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 Sukuk is subject to interest/profit rate risk**

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

### **Payments in respect of RMB Sukuk will only be made to investors in the manner specified in the terms and conditions of the relevant Sukuk**

All Renminbi payments to investors in respect of the RMB Sukuk will be made solely: (i) for so long as the RMB Sukuk are represented by Global Certificates held with CDP, a sub-custodian for the CMU or a common depository for Euroclear and Clearstream, Luxembourg, or with such other clearing system (including, without limitation, RENTAS) (or a depository, custodian or nominee thereof) specified in the applicable Pricing Supplement, 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 procedures of the relevant clearing system; or (ii) when the RMB Sukuk 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 Trustee 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 of each Series of Sukuk issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to acquire: (a) Eligible Wakala Assets from Cagamas; and/or (b) acquire Commodities to be sold to Cagamas, in each case as specified in the applicable Pricing Supplement for the relevant Series, such assets to form part of the Trust Assets for the relevant Series.

The proceeds of each Series of Sukuk subsequently received by Cagamas in consideration for the transactions entered into with the Trustee as set out above, as applicable, including with respect to (b) the proceeds received from the on-sale of the Commodities by Cagamas, will be applied by Cagamas for its *Shariah*-compliant working capital, general corporate purposes and general financing and refinancing requirements.

## FORM OF THE SUKUK

### Initial Issue of Sukuk

Each Series of Sukuk will initially be represented by a global certificate in registered form (each a “**Global Certificate**”). Global Certificates will be delivered on or prior to the issue date of the Series to a common depository (a “**Common Depository**”) 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**”) or with such other clearing system (including, without limitation, RENTAS) (an “**Alternative Clearing System**”) (or a depository or nominee thereof) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate.

Upon the initial deposit of a Global Certificate with a Common Depository or with CDP or with a sub-custodian for the CMU Service or registration of the Sukuk in the name of (i) any nominee for a Common Depository, (ii) CDP, (iii) the HKMA as operator of the CMU Service or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System and delivery of the relevant Global Certificate to the Common Depository, CDP, the sub-custodian for the CMU Service or Alternative Clearing System (or a depository or nominee thereof) (as the case may be), Euroclear or Clearstream, Luxembourg, CDP, the CMU Service or the relevant Alternative Clearing System (as the case may be) will credit each subscriber with a face amount of Sukuk equal to the face amount thereof for which it has subscribed and paid.

Sukuk that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Sukuk that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### Exchange

The following will apply in respect of transfers of Sukuk held in Euroclear, Clearstream, Luxembourg, CDP, the CMU Service or any Alternative Clearing System. These provisions will not prevent the trading of interests in the Sukuk within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Sukuk may be withdrawn from the relevant clearing system.

Each Global Certificate will be exchangeable in whole (but not in part) for duly authenticated and completed Sukuk in definitive registered form (“**Individual Certificates**”) in accordance with the Trust Deed in the following limited circumstances:

- (a) if the Sukuk represented by a Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg, CDP, the CMU Service, an Alternative Clearing System or any other relevant clearing system (a “**Back-Up Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays (statutory or otherwise)) or announces an intention permanently to cease business or does in fact do so or, as the case may be, Euroclear, Clearstream, Luxembourg, CDP, the relevant account holder in the CMU Service or the relevant Alternative Clearing System has notified the Trustee that it is unable or unwilling to act as depository for the Sukuk and to continue performing its duties as set out in its terms and conditions for the provision of depository services, supplements thereto and/or restatements thereof from time to time, and no successor or Back-Up Clearing System satisfactory to the Trustee is available; or
- (b) if a Dissolution Event has occurred and (in the case of a Global Certificate held on behalf of CDP) is continuing.

### *Terms and Conditions applicable to the Sukuk*

The Global Certificates contain provisions that apply to the Sukuk that they represent, some of which modify the effect of the Conditions set out in this Offering Circular to the extent described under “*Summary of Provisions Relating to the Sukuk while in Global Form*” below.

## TERMS AND CONDITIONS OF THE SUKUK

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will apply to each Global Certificate and shall be applicable to the Sukuk in definitive form (if any) issued in exchange for the Global Certificate representing each Series.*

*Either (i) the full text of these terms and conditions together with the relevant provisions of the applicable Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Sukuk in definitive form. References in these terms and conditions to “Sukuk” are to the Sukuk of one Series only, not to all Sukuk that may be issued under the Programme.*

### 1. Introduction

- 1.1 **Programme:** Cagamas Global Sukuk Berhad (in its capacities as issuer and as trustee, the “**Trustee**”) and Cagamas Berhad (in its capacity as obligor, the “**Obligor**”) has established a multicurrency sukuk issuance programme (the “**Programme**”) for the issuance of trust certificates (the “**Sukuk**”) in a maximum aggregate face amount of U.S.\$2,500,000,000 (or the equivalent in other currencies calculated as described in the dealer agreement between the Trustee, the Obligor and the Dealers (as defined and named therein) dated 28 November 2014 (the “**Dealer Agreement**”), or such other maximum aggregate face amount as increased in accordance with the terms of the Dealer Agreement.
- 1.2 **Pricing Supplement:** Sukuk issued under the Programme are issued in Series (as defined below). Each Series 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 Series of Sukuk are these Conditions as supplemented, amended and/or replaced by the applicable Pricing Supplement. In the event of any inconsistency between these Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement shall prevail.
- 1.3 **Trust Deed:** The Sukuk are constituted by a master trust deed dated 28 November 2014 between the Trustee, the Obligor, and The Hongkong and Shanghai Banking Corporation Limited in its capacity as donee of certain powers and as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Sukuk (the “**Issue Date**”) in respect of the relevant Series (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”).
- 1.4 **Agency Agreement:** An agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 28 November 2014 has been entered into in relation to the Programme between the Trustee, the Obligor, the Delegate, The Hongkong and Shanghai Banking Corporation Limited as initial principal paying agent, paying agent and calculation agent, registrar and transfer agent (in the case of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk (each as defined below)), The Hongkong and Shanghai Banking Corporation Limited as initial CMU lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CMU Sukuk), The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch as initial CDP lodging and paying agent, calculation agent, registrar and transfer agent (in the case of CDP Sukuk) and the other agents named in it.
- 1.5 **Other Transaction Documents:** These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the remaining Transaction Documents (as defined below). The Sukukholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection, on prior notice, during normal business hours at the Specified Office of the Principal Paying Agent, the CMU Lodging and Paying Agent and the CDP Lodging and Paying Agent.



- 1.6 **Authorisation:** Each initial Sukukholder, by its acquisition and holding of its interest in a Sukuk, shall be deemed to authorise and direct the Trustee, on behalf of the Sukukholders: (i) to apply the proceeds of the issue of the Sukuk towards the purchase of Eligible Wakala Assets (as defined below) and/or the entry into of a Commodity Murabaha Investment (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Transaction Documents); and (ii) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

## 2. Definitions and Interpretation

- 2.1 **Definitions:** Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“**ACS Agents**” means, in respect of each Series of ACS Sukuk, the ACS Lodging Agent, the ACS Paying Agent, the ACS Calculation Agent, the ACS Registrar and the ACS Transfer Agent or any of them (as applicable);

“**ACS Calculation Agent**” means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be HSBC Bank Malaysia Berhad (including its successors in title and assigns and any successors acting in such capacity);

“**ACS Form**” means any application form, agreement, deed or other document (including, but not limited to, securities lodgement forms (including any RENTAS Securities Lodgement Form)), required to be entered into by the Trustee for the purposes of the acceptance for clearing and settlement of a Series of ACS Sukuk by the relevant Alternative Clearing System;

“**ACS Lodging Agent**” means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be HSBC Bank Malaysia Berhad (including its successors in title and assigns and any successors acting in such capacity);

“**ACS Paying Agent**” means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent;

“**ACS Registrar**” means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be HSBC Bank Malaysia Berhad (including its successors in title and assigns and any successors acting in such capacity);

“**ACS Sukuk**” means any Sukuk which are cleared through an Alternative Clearing System including, without limitation, RENTAS Sukuk;

“**ACS Transfer Agent**” means the institution specified as such in the applicable Pricing Supplement which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be HSBC Bank Malaysia Berhad (including its successors in title and assigns and any successors acting in such capacity);

“**Additional Business Centre(s)**” means the city or cities specified as such in the applicable Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the applicable Pricing Supplement;

“**Agents**” means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, the other Paying Agents, the Calculation Agents, the Registrars and the Transfer Agents, any ACS Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

**“Alternative Clearing System”** means any additional or alternative clearing system (other than Euroclear, Clearstream, Luxembourg, CDP and the CMU Service) specified in the applicable Pricing Supplement or as may otherwise be approved by the Trustee, the Obligor, the Principal Paying Agent and the Delegate including, without limitation, RENTAS;

**“BCH System”** means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

**“BMIS”** means Bursa Malaysia Islamic Services Sdn Bhd (formerly known as BMIS Sdn Bhd) (Company No. 853675-M), a company established under the Malaysian Companies Act 1965, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

**“BNM”** means Bank Negara Malaysia, a body corporate established under the Central Bank of Malaysia Act, 2009, of Jalan Dato’ Onn, 50480 Kuala Lumpur;

**“Broken Amount”** has the meaning given in the applicable 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”** has the meaning given to it in Condition 7.7 (*Business Day Convention*);

**“Calculation Agent”** means, in relation to any Series of Sukuk, the institution appointed as calculation agent for the purposes of such Sukuk and named as such in the applicable Pricing Supplement, in the case of the Principal Paying Agent, the CMU Lodging and Paying Agent or the CDP Lodging and Paying Agent, pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Dealer Agreement and, in the case of any other institution (including any relevant ACS Calculation Agent) pursuant to a letter of appointment in, or substantially in, the form set out in Schedule 4 of the Agency Agreement and/or any relevant ACS Forms (as applicable) and, in any case, any successor to such institution in its capacity as such;

**“Calculation Amount”** has the meaning given in the applicable Pricing Supplement;

**“Cancellation Notice”** means a cancellation notice given pursuant to the terms of the Sale Undertaking;

**“CDP”** means The Central Depository (Pte) Limited;

**“CDP Lodging and Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch or any successor appointed as CDP lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with CDP for each Series of CDP Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

“**CDP Sukuk**” means any Sukuk which are cleared through CDP;

“**Change of Shareholding**” has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

“**Change of Shareholding Exercise Notice**” has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

“**Change of Shareholding Notice**” has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

“**Change of Shareholding Put Period**” has the meaning given to it in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

“**Change of Shareholding Put Right**” means the right specified in Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*);

“**Change of Shareholding Put Right Date**” shall be the fourteenth day after the expiry of the Change of Shareholding Put Period;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

“**CMU Lodging and Paying Agent**” means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as CMU lodging and paying agent under the Programme pursuant to the Agency Agreement collectively in its capacities as: (i) the agent appointed by the Trustee for lodgement services with the CMU Service for each Series of CMU Sukuk; and (ii) the account bank with which the Transaction Account for each such Series is established;

“**CMU Service**” means the Central Moneymarkets Unit Service operated by the HKMA;

“**CMU Sukuk**” means any Sukuk which are cleared through the CMU Service;

“**Commodities**” means any *Shariah*-compliant commodities that are traded on the Market (excluding gold and silver);

“**Commodity Murabaha Investment**” means, in relation to a Series, the sale of certain Commodities by the Trustee to the Obligor (in its capacity as the Buyer (as defined in the Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Sukuk, pursuant to the Master Murabaha Agreement;

“**CSDPAR**” means the Central Securities Depository and Paying Agency Rules, a uniform set of rules and procedures which govern the depository and paying agency services provided by MyClear as agent for BNM in relation to the securities deposited in RENTAS;

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Sukuk for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the applicable Pricing Supplement and:

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

(i) where the Calculation Period is equal to or shorter than the Determination 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 Determination Period; and (2) the number of Determination Periods in any year; and

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

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

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

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

- (b) 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);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” 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<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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<sub>2</sub>** will be 30; and

- (g) 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” 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<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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 Scheduled Dissolution Date or (B) such number would be 31, in which case **D<sub>2</sub>** 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;

“**Deferred Sale Price**” means the deferred sale price payable by the Obligor to the Trustee in respect of the Commodity Murabaha Investment, if applicable to a Series;

“**Delegation**” has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

“**Dissolution Date**” means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Sukukholder Put Right Date;
- (e) any Change of Shareholding Put Right Date;
- (f) any Dissolution Event Redemption Date; or
- (g) such other date as specified in the applicable Pricing Supplement for the redemption of Sukuk and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

“**Dissolution Distribution Amount**” means, in relation to a particular Series:

- (a) the sum of:
  - (i) the outstanding face amount of such Series; and
  - (ii) any due and unpaid Periodic Distribution Amounts for such Series; or

- (b) such other amount specified in the applicable Pricing Supplement as being payable upon any Dissolution Date;
- “**Dissolution Event**” means a Trustee Event or an Obligor Event;
- “**Dissolution Event Redemption Date**” has the meaning given to it in Condition 12.1 (*Dissolution Event*);
- “**Dissolution Notice**” has the meaning given to it in Condition 12.1 (*Dissolution Event*);
- “**Early Tax Dissolution Date**” has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);
- “**Eligible Wakala Assets**” has the meaning given to it in the Master Purchase Agreement;
- “**Euroclear**” means Euroclear Bank S.A./N.V.;
- “**Exercise Notice**” means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale Undertaking (as the case may be);
- “**Expected Income Revenues Amount**” has the meaning given to it in the Wakala Agreement;
- “**Extraordinary Resolution**” has the meaning given to it in the Trust Deed;
- “**Fixed Amount**” means the amount specified as such in the applicable Pricing Supplement;
- “**Fixed Rate Sukuk**” means a Series in respect of which Fixed Periodic Distribution Amounts are specified as applicable in the applicable Pricing Supplement;
- “**Floating Rate Sukuk**” means a Series in respect of which Floating Periodic Distribution Amounts are specified as applicable in the applicable Pricing Supplement;
- “**Global Certificate**” means a certificate in global form representing Sukuk of the same Series that are registered in the name of: (i) a nominee for a common depository for Euroclear and/or Clearstream, Luxembourg; (ii) CDP; (iii) the HKMA as operator of the CMU Service and lodged with a sub-custodian for the CMU Service; and/or (iv) any relevant Alternative Clearing System or a central securities depository (or a nominee for such central securities depository) for such Alternative Clearing System which, for the avoidance of doubt, may be the RENTAS Depository;
- “**HKMA**” means the Hong Kong Monetary Authority;
- “**Holder**” has the meaning given in Condition 3.2 (*Title to Sukuk*);
- “**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;
- “**Individual Certificate**” means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Master Trust Deed in exchange for a Global Certificate;



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

“**Liability**” means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to “**Liabilities**” shall mean all of these;

“**Local Banking Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

“**Margin**” has the meaning given in the applicable Pricing Supplement;

“**Market**” means the commodity market operated by BMIS for the trading of commodities;

“**Master Murabaha Agreement**” means the master murabaha agreement dated 28 November 2014 and made between the Trustee, Cagamas Berhad (as buyer) and Cagamas Berhad (as commodity trading participant);

“**Master Purchase Agreement**” means the master purchase agreement dated 28 November 2014 between the Trustee (as purchaser) and the Obligor (as seller);

“**Maximum Optional Dissolution Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**Minimum Optional Dissolution Amount**” means the amount specified as such in the applicable Pricing Supplement;

“**MyClear**” means the Malaysian Electronic Clearing Corporation Sdn. Bhd. (Company No. 836743-D), a wholly-owned subsidiary of BNM;

“**Obligor Event**” means any of the following events:

- (a) **Non-payment**: the Obligor (acting in any capacity) fails to pay any amount in the nature of principal or profit payable by it pursuant to any Transaction Document to which it is a party on the due date for payment thereof; or
- (b) **Breach of other obligations**: the Obligor (acting in any capacity) defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Obligor by the Trustee or the Delegate, has been delivered to the Obligor; or
- (c) **Cross-default**:
  - (i) any Indebtedness or Sukuk Obligation of the Obligor 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 Obligor 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 Obligor or (as the case may be) the relevant Principal Subsidiary or any person entitled to such Indebtedness or Sukuk Obligation; or
  - (iii) the Obligor 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 Obligor 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 Obligor 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 Obligor or any Principal Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Obligor or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is appointed; or (iii) the Obligor 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 Obligations 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 Obligor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary (but not including the Trustee 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 Sukukholders) or the Obligor 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 Trustee 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 Sukukholders); 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 paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; 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 Obligor lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legal, valid, binding and enforceable and; (iii) to make the Sukuk and the Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or
- (j) **Unlawfulness:** it is or will become unlawful for the Obligor to perform or comply with any of its obligations under or in respect of the Sukuk and the Transaction Documents to which it is a party; or
- (k) **Government intervention:** (i) all or any substantial part of the undertaking, assets and revenues of the Obligor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national government; or (ii) the Obligor 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.

References in this definition to “Indebtedness”, “indebtedness” and “debts” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shariah*, whether entered into directly or indirectly by the Obligor or any of its Principal Subsidiaries, as the case may be;

“**Optional Dissolution Date**” means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if this Sukuk is a Floating Rate Sukuk) be a Periodic Distribution Date;

“**Optional Dissolution Right**” means the right specified in Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);

“**outstanding**” shall have the meaning given to it in the Trust Deed;

“**Paying Agents**” means the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent, any relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent) and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement and/or any relevant ACS Forms (as applicable);

“**Payment Business Day**” means:

- (a) if the currency of payment is euro, any day which is:
  - (i) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of 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) in the case where presentation and/or surrender of an Individual Certificate is required before payment can be made, a day on which banks in the relevant place of presentation and/or surrender are open for presentation and payment of 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 Sukuk 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;

“**Periodic Distribution Amount**” has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

“**Periodic Distribution Date**” means the date or dates specified as such in the applicable Pricing Supplement;

“**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 Paying Agent”** means The Hongkong and Shanghai Banking Corporation Limited or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk collectively in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established. All references in these Conditions to the **“Principal Paying Agent”** shall be deemed to be references to: (i) with respect to CMU Sukuk, the CMU Lodging and Paying Agent; (ii) with respect to CDP Sukuk, the CDP Lodging and Paying Agent; and (iii) if applicable, with respect to ACS Sukuk, the relevant ACS Paying Agent (which, for the avoidance of doubt, may, in respect of each Series of RENTAS Sukuk, be the RENTAS Paying Agent), and (unless the context requires otherwise) all such references shall be construed accordingly;

**“Principal Subsidiary”** means Cagamas Global P.L.C. and any Subsidiary of the Obligor 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 Obligor have been prepared, are at least 10 per cent. of the consolidated total assets of the Obligor 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 Obligor (the **“transferee”**) then:

- (a) 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 Trustee) shall thereupon become a Principal Subsidiary; and
- (b) 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 Trustee) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Obligor 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 Obligor, as shown by such audited consolidated accounts;

**“Proceedings”** has the meaning given to it in Condition 21.4 (*Rights of the Delegate and the Sukukholders to take proceedings outside England*);

**“Profit Commencement Date”** means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

**“Profit Period Date”** means each Periodic Distribution Date unless otherwise specified in the applicable Pricing Supplement;

**“Profit Rate”** means the profit rate payable from time to time in respect of the Sukuk and that is either specified in the applicable Pricing Supplement or calculated or determined in accordance with the provisions hereof;

**“Profit Rate Determination Date”** means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Return Accumulation Period if the Specified Currency is Sterling or Hong Kong Dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is

neither Sterling nor euro nor Hong Kong Dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

“**Purchase Undertaking**” means the purchase undertaking dated 28 November 2014 and granted by the Obligor for the benefit of the Trustee and the Delegate;

“**Record Date**” has the meaning given to it in Condition 9.4 (*Record Date*);

“**Reference Banks**” has the meaning given in the applicable 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 applicable Pricing Supplement;

“**Reference Rate**” means the rate specified as such in the applicable Pricing Supplement;

“**Register**” has the meaning given to it in Condition 3.3 (*Ownership*);

“**Registrar**” means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited or, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Registrar (if applicable));

“**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 Principal Paying 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 Sukukholders;

“**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 Powers**” has the meaning given to it in Condition 17.1 (*Delegation of Powers*);

“**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 applicable 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 applicable 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 applicable Pricing Supplement;

“**RENTAS**” means the scripless book-entry securities settlement and funds transfer system known as Real Time Electronic Transfer of Funds and Securities operated and managed by MyClear on behalf of BNM as varied, upgraded or substituted from time to time;



“**RENTAS Depository**” means BNM in its capacity as the depository and custodian of any RENTAS Sukuk who, for the purposes of carrying out its functions, duties and obligations under the CSDPAR as a central securities depository, may appoint MyClear to act as its agent, and includes its successors in title and assigns and any successors appointed in such capacity;

“**RENTAS Depository Procedures**” means the procedures of the RENTAS Depository for transactions in the RENTAS Sukuk and for settlement of all payments to Holders of RENTAS Sukuk as provided in the CSDPAR, the Participation and Operation Rules for Payments and Securities Services, the Operational Procedures for Foreign Currency Settlement in RENTAS and the Operational Procedures for Securities Services, all issued by MyClear and as modified or revised or substituted from time to time by MyClear, and any other relevant rules, guidelines, codes and directives issued by BNM and/or MyClear from time to time;

“**RENTAS Paying Agent**” means BNM (who, for the purposes of carrying out its functions, duties and obligations under the CSDPAR as a paying agent, may be represented by MyClear who may act for and on behalf of BNM as its agent) in its capacity as the paying agent for any RENTAS Sukuk and includes its successors in title and assigns and any successors acting in such capacity;

“**RENTAS Securities Lodgement Form**” means, in respect of each Series of RENTAS Sukuk, the securities lodgement form entered into by, *inter alios*, the Trustee, signifying the parties’ agreement for the depository and payment arrangement for such RENTAS Sukuk to be made pursuant to the RENTAS Depository Procedures and confirming that the parties thereto and the RENTAS Paying Agent shall have the duties as agreed therein;

“**RENTAS Sukuk**” means any Sukuk which are cleared through RENTAS;

“**Reserved Matter**” has the meaning given to it in Condition 16.1 (*Meetings of Sukukholders*);

“**Return Accumulation Period**” means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Profit Period Date and each successive period beginning on (and including) a Profit Period Date and ending on (but excluding) the next succeeding Profit Period Date;

“**Sale Undertaking**” means the sale undertaking dated 28 November 2014 and granted by the Trustee for the benefit of the Obligor;

“**Scheduled Dissolution Date**” means the date specified as such in the applicable Pricing Supplement;

“**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;

“**Series**” means a series of Sukuk comprising one tranche that have identical terms on issue and are expressed to have the same series number;

“**Specified Currency**” means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Sukuk are denominated;

“**Specified Denominations**” means the amount(s) specified as such in the applicable Pricing Supplement;

“**Specified Office**” has the meaning given in the Agency Agreement and/or any relevant ACS Forms (as applicable);

“**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;

“**Substitution Undertaking**” means the substitution undertaking dated 28 November 2014 and granted by the Trustee for the benefit of the Obligor;



“**Sukuk Assets**” means the Wakala Assets and the Commodity Murabaha Investment (if any) in respect of a Series;

“**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 *Shariah*, 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;

“**Sukukholder**” has the meaning given in Condition 3.2 (*Title to Sukuk*);

“**Sukukholder Put Exercise Notice**” has the meaning given to it in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

“**Sukukholder Put Right**” means the right specified in Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);

“**Sukukholder Put Right Date**” means, in relation to any exercise of the Sukukholder Put Right, the date(s) specified as such in the applicable Pricing Supplement and which must (if this Sukuk is a Floating Rate Sukuk) be a Periodic Distribution Date;

“**Supplemental Purchase Agreement**” means the supplemental purchase agreement to be dated the Issue Date of the relevant Series between the Trustee and the Obligor for the purchase of certain Eligible Wakala Assets;

“**TARGET Business Day**” means a day on which TARGET2 is operating;

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

“**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 or any successor thereto;

“**Transaction Account**” means, in relation to a particular Series, the non-interest bearing transaction account established by the Trustee and held with The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited (in the case of any transaction account in relation to a Series of CMU Sukuk) or, as applicable, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (in the case of any transaction account in relation to a Series of CDP Sukuk) or, as applicable, the relevant ACS Agent (in the case of any transaction account in relation to a Series of ACS Sukuk and, in the case of any transaction account in relation to a Series of RENTAS Sukuk, such ACS Agent may be the RENTAS Paying Agent) denominated in the Specified Currency, details of which are set out in the applicable Pricing Supplement into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

“**Transaction Documents**” means, in relation to each Series:

- (a) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;
- (b) the Agency Agreement;
- (c) the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement;
- (d) the Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Sale Undertaking);
- (e) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking);
- (f) the Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Substitution Undertaking);

- (g) the Wakala Agreement; and
- (h) if applicable to a Series, the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series);

“**Transfer Agent**” means, in respect of each Series of Sukuk other than CMU Sukuk, CDP Sukuk and, as the case may be, ACS Sukuk, The Hongkong and Shanghai Banking Corporation Limited, in respect of each Series of CMU Sukuk, The Hongkong and Shanghai Banking Corporation Limited and, in respect of each Series of CDP Sukuk, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series, including, with respect to ACS Sukuk, the relevant ACS Transfer Agent (if applicable));

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trust Assets**” has the meaning given to it in Condition 5.1 (*Trust Assets*);

“**Trustee Event**” means any of the following events:

- (a) **Non-payment**: the Trustee fails to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or profit or otherwise) in respect of the Sukuk on the due date for payment thereof; or
- (b) **Breach of other obligations**: the Trustee defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Transaction Documents to which it is a party and, provided such default is, in the sole opinion of the Delegate, capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Trustee by the Delegate, has been delivered to the Trustee; or
- (c) **Unsatisfied judgment**: one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Trustee 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
- (d) **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 Trustee and such possession or appointment continues for a period of 60 days after the date thereof; or
- (e) **Insolvency etc.**: (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator of the Trustee or the whole or a substantial part of the undertaking, assets and revenues of the Trustee is appointed; or (iii) the Trustee 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 Obligations or any guarantee of any Indebtedness or Sukuk Obligation given by it; or
- (f) **Winding up etc.**: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee or the Trustee ceases to carry on all or the substantial part of its business (otherwise than as approved by an Extraordinary Resolution of the Sukukholders); or
- (g) **Analogous event**: any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (c) (*Unsatisfied judgment*) to (f) (*Winding up, etc.*) above; or
- (h) **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 Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legal, valid, binding

and enforceable and; (iii) to make the Sukuk and the Transaction Documents to which it is a party admissible in evidence in the courts of Malaysia and England is not taken, fulfilled or done; or

- (i) **Unlawfulness:** it is or will become unlawful for the Trustee to perform or comply with any of its obligations under or in respect of the Sukuk and the Transaction Documents to which it is a party; or
- (j) **Government intervention:** (i) all or any substantial part of the undertaking, assets and revenues of the Trustee is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government; or (ii) the Trustee is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or
- (k) **Controlling shareholder:** the Trustee ceases to be a Subsidiary which is wholly-owned and controlled, directly or indirectly, by the Obligor.

For the purpose of paragraph (a) (*Non-payment*) above of this definition, all amounts payable in respect of the Sukuk shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5.2 (*Application of Proceeds from Trust Assets*) or otherwise) subject always to Condition 4.2 (*Limited Recourse*);

“**Wakala Agreement**” means the wakala agreement dated 28 November 2014 between the Trustee and the Obligor;

“**Wakala Asset Obligor**” has the meaning given to it in the Wakala Agreement;

“**Wakala Assets**” has the meaning given to it in the Wakala Agreement;

“**Wakala Asset Revenues**” has the meaning given to it in the Wakala Agreement; and

“**Wakeel**” means the Obligor acting in its capacity as wakeel under the Wakala Agreement.

## 2.2 **Interpretation:** In these Conditions:

- (a) all references to the “face amount” of a Sukuk shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) all references to “Periodic Distribution Amounts” shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) all references to “ISDA” and related terms are only included for the purposes of benchmarking;
- (d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Pricing Supplement, but the applicable Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Sukuk; and
- (e) any reference to any Transaction Document shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Sukuk.

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

- 3.1 **Sukuk:** The Sukuk are issued in registered form in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Pricing Supplement and higher integral multiples of a smaller amount specified in the applicable Pricing Supplement, and, in the case of Sukuk in definitive form, are serially numbered.

These Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Sukuk. In the case of Sukuk in definitive form, an Individual Certificate will be issued to each Sukukholder in respect of its registered holding of Sukuk.

- 3.2 ***Title to Sukuk:*** Upon issue, the Sukuk will be represented by a Global Certificate which will be deposited with, and registered in the name of: (i) a nominee for a common depository for Euroclear and Clearstream, Luxembourg; (ii) a central securities depository (or a nominee for such central securities depository, as appropriate) for any relevant Alternative Clearing System (which, for the avoidance of doubt, may be the RENTAS Depository); (iii) CDP; or (iv) the HKMA in its capacity as operator of the CMU Service and lodged with a sub-custodian for the CMU Service, as the case may be. For so long as any of the Sukuk is represented by a Global Certificate held on behalf of Euroclear, Clearstream, Luxembourg, the relevant Alternative Clearing System, CDP and/or the CMU Service, ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg, the relevant Alternative Clearing System, CDP and/or the CMU Service (as applicable) and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Sukuk (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Sukuk standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Obligor, the Delegate and the Agents as the holder of such face amount of such Sukuk for all purposes other than with respect to payment in respect of such Sukuk, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Obligor, the Delegate and any Agent as the holder of such face amount of such Sukuk in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Holder**” and “**Sukukholder**” in relation to any Sukuk and related expressions shall be construed accordingly.
- 3.3 ***Ownership:*** The Registrar will maintain a register of Sukukholders outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). The Trustee, the Obligor, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Sukuk is for the time being registered (as set out in the Register) as the Holder of such Sukuk or of a particular face amount of the Sukuk for all purposes (whether or not such Sukuk or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Obligor, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Sukuk or face amount.

No person shall have any right to enforce any term or condition of any Sukuk under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Sukuk will be recognised by the Trustee as entitled to his Sukuk free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Sukuk.

3.4 ***Transfers of Sukuk:***

Subject to Conditions 3.7 (*Closed periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

- (a) ***Transfers of beneficial interests in the Global Certificate:*** Transfers of beneficial interests in the Global Certificate will be effected by Euroclear, Clearstream, Luxembourg, any relevant Alternative Clearing System, CDP and/or the CMU Service, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Sukuk in definitive form only in the Specified Denomination or integral multiples thereof

and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg, the relevant Alternative Clearing System, CDP and/or the CMU Service, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

- (b) **Transfers of Sukuk in definitive form:** Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Sukuk in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, the Obligor, the Delegate and the Registrar may from time to time prescribe.

Subject as provided above, the Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within five business days (being for this purpose 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) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the Trustee, deliver at its Specified Office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Sukuk (or the relevant part of the Sukuk) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Sukuk not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

- 3.5 **Exercise of Options or Partial Dissolution in Respect of Sukuk:** In the case of an exercise of the Obligor's or a Sukukholder's option in respect of, or a partial redemption of, a holding of Sukuk, the Registrar will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar or any Transfer Agent. In respect of any Series of RENTAS Sukuk, this Condition 3.5 shall at all times be subject to, and the obligations set out in this Condition 3.5 shall be performed in compliance with, the RENTAS Depository Procedures.
- 3.6 **No Charge:** The transfer of a Sukuk, exercise of an option or partial dissolution will be effected without charge by or on behalf of the Trustee 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. Sukukholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).
- 3.7 **Closed Periods:** Sukukholders may not require transfers to be registered:
- (a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or any other date on which any payment of the face amount in respect of the relevant Sukuk falls due;



- (b) during the period of 15 days ending on (and including) any date on which the relevant Sukuk may be called for redemption by the Trustee or the Obligor at its option pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*) or Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);
- (c) after a Sukukholder Put Exercise Notice has been delivered in respect of the relevant Sukuk(s) in accordance with Condition 8.4 (*Dissolution at the Option of Sukukholders (Sukukholder Put Right)*);
- (d) after a Change of Shareholding Exercise Notice has been delivered in respect of the relevant Sukuk in accordance with Condition 8.5 (*Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)*); or
- (e) during the period of seven days ending on (and including) any Record Date.

3.8 **Regulations Concerning Transfers and Registration:** All transfers of Sukuk and entries on the Register are subject to the detailed regulations concerning the transfer of Sukuk scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, **provided that** any such change is not materially prejudicial to the interests of the Sukukholders. A copy of the current regulations will be mailed (free of charge to the Sukukholder by uninsured first class mail (airmail if overseas)) by the Registrar to any Sukukholder who requests in writing a copy of such regulations.

#### 4. **Status and Limited Recourse**

4.1 **Status of the Sukuk:** The Sukuk represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsecured and limited recourse obligations of the Trustee. Each Sukuk shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Sukuk of the relevant Series. The payment obligations of the Obligor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future.

4.2 **Limited Recourse:** Save as provided in this Condition 4.2, the Sukuk do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Sukuk of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Sukuk. Subject to Condition 12 (*Dissolution Events*), Sukukholders, by subscribing for or acquiring the Sukuk, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) the Trustee may not sell, transfer, assign or otherwise dispose of the Sukuk Assets or any part thereof (save as permitted pursuant to the Sale Undertaking, the Purchase Undertaking and the Substitution Undertaking) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Sukuk Assets in the manner expressly provided in the Transaction Documents;



- (c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Sukuk, Sukukholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise;
- (d) no Sukukholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or Delegate and any and all personal liability of every such shareholder, officer, employee, agent or director in their capacity as such for any breaches by the Trustee or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents or directors of the Trustee or the Delegate (in their capacity as such), save in the case of their gross negligence, wilful default or fraud. Reference in these Conditions to gross negligence, wilful default or fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party;
- (f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Sukuk. No collateral is or will be given for the payment obligations under the Sukuk (without prejudice to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)); and
- (g) the Wakala Agreement provides that the Expected Income Revenues Amount is an indicative amount only, and that neither the Wakeel nor any other party gives any guarantee of (a) any payment by a Wakala Asset Obligor or (b) the Wakala Asset Revenues that will be received in respect of the Wakala Assets, save that it is also acknowledged that if there is a shortfall between the Wakala Asset Revenues and the Periodic Distribution Amount payable on the immediately following Periodic Distribution Date, the Wakeel shall use amounts standing to the credit of the reserve account established pursuant to the Wakala Agreement, and the Wakeel may provide *Shariah*-compliant funding in an amount equal to the shortfall to the Trustee pursuant to the Wakala Agreement to fund any further shortfall.

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.2. Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)) constitute an unsecured claim against the Obligor. None of the Sukukholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5. The Trust

5.1 **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Sukukholders of such Series *pro rata* according to the face amount of Sukuk held by each holder. The term “**Trust Assets**” in respect of each Series means the following:

- (a) the cash proceeds of the issue of the Sukuk, pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (excluding any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time);
- (c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to Clause 16.1 of the Master Trust Deed);
- (d) all moneys standing to the credit of the Transaction Account from time to time;
- (e) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under any other assets, rights, cash or investments as may be specified in the applicable Pricing Supplement; and
- (f) all proceeds of the foregoing.

5.2 **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) **first**, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;
- (b) **second**, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all properly incurred and documented (each in the sole opinion of the Delegate) amounts payable to it under the Transaction Documents in its capacity as Trustee; and (ii) each Agent in respect of all amounts payable to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (c) **third**, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (d) **fourth**, only if such payment is due on a Dissolution Date, to the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
- (e) **fifth**, only on the Scheduled Dissolution Date (or any earlier date on which the Sukuk are redeemed in full) and **provided that** all amounts required to be paid on the Sukuk hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Wakeel as an incentive fee for its performance under the Wakala Agreement.

5.3 **Transaction Account:** The Trustee will establish a Transaction Account in respect of each Series by no later than the fifth Local Banking Day following the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Sukukholders into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

## 6. Covenants

6.1 **Trustee Covenants:** The Trustee covenants that for so long as any Sukuk are outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any Indebtedness (including any Sukuk Obligation) in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shariah* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 16 (*Meetings of Sukukholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Sukukholders;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Sukuk for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

6.2 **Negative Pledge:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall not, and shall procure that none of its 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

to secure any guarantee or indemnity in respect of any Relevant Indebtedness or Sukuk Obligation, without: (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is party (in whatever capacity); or (b) providing such other security or other arrangement for those obligations as may be approved by an Extraordinary Resolution of the Sukukholders, **save that** the Obligor, or any of its 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 any person 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 Obligor or any of its 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 Obligor or any of its Subsidiaries existing as of the date of establishment of the Programme.

6.3 **Use of Proceeds:** The Obligor also undertakes that it will only use the proceeds of issue of the Sukuk for *Shariah*-compliant purposes.

6.4 **Information Covenant:** So long as any Sukuk remains outstanding (as defined in the Master Trust Deed), the Obligor shall make available to the Sukukholders for inspection at the Specified Office of the Principal Paying Agent, within nine months of the expiration of each financial year (ending on 31 December of each year), the annual audited accounts of the Obligor for that financial year.

## 7. Periodic Distribution Amounts

### 7.1 Fixed Rate Sukuk Provisions

- (a) **Application:** This Condition 7.1 is applicable to the Sukuk only if the Fixed Rate Sukuk Provisions are specified in the applicable Pricing Supplement as being applicable.
- (b) **Periodic Distribution Dates:** Each Fixed Rate Sukuk bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a “**Periodic Distribution Amount**”. Periodic Distribution Amounts shall be distributed to Sukukholders by the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

### 7.2 Floating Rate Sukuk Provisions

- (a) **Application:** This Condition 7.2 is applicable to the Sukuk only if the Floating Rate Sukuk Provisions are specified in the applicable Pricing Supplement as being applicable.
- (b) **Periodic Distribution Dates:** Each Floating Rate Sukuk bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date.

The amount of profit payable shall be an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a “**Periodic Distribution Amount**”. Such Periodic Distribution Date(s) is/are either shown in the applicable Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Pricing Supplement, Periodic Distribution Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Return Accumulation Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Sukukholders by the Principal Paying Agent, the CMU Lodging and Paying Agent, the CDP Lodging and Paying Agent or the relevant ACS Agent, as the case may be, on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

- (c) **Profit Rate for Floating Rate Sukuk:** The Profit Rate in respect of Floating Rate Sukuk for each Return Accumulation Period shall be determined in the manner specified in the applicable Pricing Supplement as being applicable and the provisions herein relating to either Screen Rate Determination or ISDA Determination shall apply (depending upon which is specified in the applicable Pricing Supplement as being applicable).
- (d) **Screen Rate Determination:** If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Sukuk for each Return Accumulation 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 Profit Rate 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 Profit Rate 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 Profit Rate 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 (as defined below)) 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 Return Accumulation Period for loans in the Specified Currency for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Profit Rate for such Return Accumulation 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 Return Accumulation Period, the Profit Rate applicable to the Sukuk during such Return Accumulation 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 Sukuk in respect of a preceding Return Accumulation Period.

- (e) **ISDA Determination:** If ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Sukuk for each Return Accumulation Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Return Accumulation Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under a Swap Transaction (as defined in the ISDA Definitions) if the Calculation Agent were acting as Calculation Agent for that 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 applicable Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable 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 Return Accumulation Period; or (B) in any other case, as specified in the applicable Pricing Supplement.
- (f) **Maximum or Minimum Profit Rate:** If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Pricing Supplement, then the Profit Rate shall in no event be greater than the maximum or be less than the minimum so specified.

7.3 **Calculation of Periodic Distribution Amount:** The Periodic Distribution Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation 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 Sukuk 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.

7.4 **Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Sukukholders, any other Calculation Agent appointed in respect of the Sukuk that is to make a further calculation upon receipt of such information and, if the Sukuk are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination **but in no event later than** (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.7 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended



(or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Sukuk become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Sukuk shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- 7.5 **Determination or Calculation by the Delegate:** Subject to Condition 7.8 (*Calculation Agent*), if the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Periodic Distribution Amount or Dissolution Distribution Amount, the Delegate shall do so or shall appoint an agent on behalf of the Trustee to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- 7.6 **Cessation of Entitlement to Profit:** Profit shall cease to accumulate in respect of each Sukuk on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.
- 7.7 **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Pricing Supplement is:
- (a) the “**Following Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day;
  - (b) the “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**”, 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) the “**Preceding Business Day Convention**”, the relevant date shall be brought forward to the first preceding day that is a Business Day;
  - (d) the “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**”, 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 applicable Pricing Supplement as the Return Accumulation 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**”, the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.8 **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Sukuk is outstanding. Where more than one Calculation Agent is appointed in respect of the Sukuk, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 8. **Redemption and Dissolution of the Trust**

8.1 **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Sukuk shall be finally redeemed at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Scheduled Dissolution Date specified in the applicable Pricing Supplement following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking.

8.2 **Early Dissolution for Taxation Reasons:** The Sukuk shall be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (if the Sukuk are Floating Rate Sukuk) or at any time (if the Sukuk are Fixed Rate Sukuk) (such dissolution date being an “**Early Tax Dissolution Date**”), on giving not less than 30 nor more than 60 days’ notice to the Sukukholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

(a) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*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 relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document 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 relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

**provided, however, that** no such notice of dissolution shall be given to Sukukholders:

(A) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor pursuant to the Sale Undertaking; and

- (B) where the Sukuk may be redeemed at any time, earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Sukuk (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due; or
- (C) where the Sukuk may be redeemed only on a Periodic Distribution Date, earlier than 60 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Sukuk (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

- (1) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or the Obligor (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) 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 Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Sukukholders.

Upon expiry of any such notice given in accordance with this Condition 8.2, payment in full of the Dissolution Distribution Amount to Sukukholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trustee shall be bound to dissolve the Trust.

- 8.3 ***Dissolution at the Option of the Obligor (Optional Dissolution Right)***: If the Optional Dissolution Right is specified in the applicable Pricing Supplement, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days' irrevocable notice to the Sukukholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem all or, if so specified in the relevant Exercise Notice, some of the Sukuk on any Optional Dissolution Date. Any such redemption of Sukuk shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Sukuk of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Sukuk in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Sukuk are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3, upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trustee shall be bound to dissolve the Trust.

In the case of a partial redemption, the notice to Sukukholders shall also specify the face amount of Sukuk drawn and the holder(s) of such Sukuk to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If the Sukuk are to be redeemed in part only on any date in accordance with this Condition 8.3, each Sukuk shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Sukuk to be redeemed on the relevant Optional Dissolution Date bears to the aggregate principal amount of outstanding Sukuk on such date.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.4 ***Dissolution at the Option of Sukukholders (Sukukholder Put Right)***: If the Sukukholder Put Right is specified in the applicable Pricing Supplement, the Trustee shall, at the option of the Holder of any Sukuk, upon the Holder of such Sukuk giving not less than 30 nor more than 60 days' notice to the Trustee (or such other notice period as may be specified in the applicable Pricing Supplement), redeem such Sukuk on the Sukukholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Sukuk are to be redeemed on any Sukukholder Put Right Date in accordance with this Condition 8.4, upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.4 the relevant Holder must, within the notice period, give notice to the Principal Paying Agent of such exercise (a "**Sukukholder Put Exercise Notice**") in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU Service and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures) in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Sukukholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Sukukholder Put Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU Service and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.4.

*For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series.*

- 8.5 ***Dissolution at the Option of the Sukukholders (Change of Shareholding Put Right)***: The Obligor has agreed in the Purchase Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Shareholding and to provide a description of the Change of Shareholding. The Trustee, upon receipt of such notice from the Obligor or otherwise by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Shareholding, shall give notice (a "**Change of Shareholding Notice**") of the occurrence of a Change of Shareholding to the Sukukholders in accordance with these Conditions. The Change of Shareholding Notice shall provide a description of the Change of Shareholding, and specify the procedure for exercise by the Sukukholders of their rights to require redemption of the Sukuk pursuant to this Condition 8.5, and shall require Sukukholders to elect within 30 days of the date on which the Change of Shareholding Notice is given (the "**Change of Shareholding Put Period**") if they wish all, but not some only, of their Sukuk to be redeemed.

If a Change of Shareholding occurs, and **provided that** Sukukholders elect to redeem their Sukuk in accordance with this Condition 8.5, the Trustee shall redeem such Sukuk on the Change of Shareholding Put Right Date at the Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Sukuk are to be redeemed on any Change of Shareholding Put Right Date in accordance with this Condition 8.5, upon payment in full of the Dissolution Distribution Amount to all Sukukholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust.

To exercise the option in this Condition 8.5 the relevant Holder must, within the Change of Shareholding Put Period, give notice to the Principal Paying Agent of such exercise (a "**Change of Shareholding Exercise Notice**") in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU Service and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures)

in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Sukukholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Change of Shareholding Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU Service and/or any relevant Alternative Clearing System by a Holder of any Sukuk pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Sukuk due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 8.5.

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 Obligor’s issued share capital.

- 8.6 ***Dissolution following a Dissolution Event***: Upon the occurrence of a Dissolution Event, the Sukuk may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date and the Trustee may be required to dissolve the Trust, in each case as more particularly described in Condition 12 (*Dissolution Events*).
- 8.7 ***Purchases***: Each of the Obligor and the Obligor’s Subsidiaries may at any time purchase Sukuk in the open market or otherwise and at any price and such Sukuk may be held, resold or, at the option of the Obligor, surrendered to the Registrar for cancellation.
- 8.8 ***Cancellation***: Subject to and in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, CDP, the CMU Service and/or the relevant Alternative Clearing System (which, in respect of any Series of RENTAS Sukuk, shall be the RENTAS Depository Procedures), as applicable, all Sukuk which are redeemed will forthwith be cancelled. All Sukuk purchased and surrendered for cancellation by or on behalf of the Obligor or any of the Obligor’s Subsidiaries shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Sukuk to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. If all (and not some only) of the Sukuk are cancelled in accordance with this Condition 8.8, and upon execution of a sale agreement pursuant to the Sale Undertaking, the Trustee shall be bound to dissolve the Trust. All Sukuk cancelled pursuant to this Condition 8.8 shall be forwarded to the Registrar and cannot be reissued or resold.
- 8.9 ***No other Dissolution***: The Trustee shall not be entitled to redeem the Sukuk or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Sukuk of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## 9. **Payments**

- 9.1 ***Method of Payment***: Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Sukuk at the specified office of any of the Paying Agents. Each Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date:
- (a) in the case of Sukuk other than RENTAS Sukuk denominated in a currency other than Renminbi, by cheque drawn in the currency in which the payment is due, or, upon application by the Holder of such Sukuk to the Specified Office of the Registrar, the other Transfer Agents or any Paying Agent before the Record Date, 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);



- (b) in the case of Sukuk other than RENTAS Sukuk denominated in 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
- (c) in the case of any RENTAS Sukuk denominated in any currency, 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.

9.2 **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 (by uninsured first class mail (airmail if overseas)):

- (a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Sukuk is surrendered (or, in the case of part payment only, presented and endorsed) at the Specified Office of a Paying Agent; and
- (b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Sukuk shall not be entitled to any additional distributions 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 9.2 arriving after the due date for payment or being lost in the mail.

9.3 **Partial Payments:** If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9.4 **Record Date:** Each payment in respect of Sukuk will be made:

- (a) where the Sukuk is represented by a Global Certificate, 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, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business; or
- (b) where the Sukuk is in definitive form, 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 Sukuk denominated in a Specified Currency other than Renminbi) on the fifteenth day before the due date for such payment or (in the case of Sukuk denominated in Renminbi) on the fifth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the “**Record Date**”). Where payment in respect of Sukuk 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.

9.5 **Payments subject to Laws:** All payments in respect of the Sukuk 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 10 (*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 10 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Sukukholders in respect of such payments.

9.6 **Payment of U.S. Dollar Equivalent:** Notwithstanding anything in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Trustee is not able to satisfy payments of any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk when due in Renminbi in the relevant



Renminbi Settlement Centre, the Trustee may, on giving not less than five nor more than 30 calendar days' irrevocable notice to the Sukukholders prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) in respect of the Sukuk shall be made by a U.S. dollar denominated cheque drawn on a bank in New York City and mailed (by uninsured first class mail (airmail if overseas)) to the holder (or to the first named of joint holders) of the Sukuk at its address appearing in the Register, or, upon application by the holder of the Sukuk to the Specified Office of the Registrar or any Transfer Agent before the Record Date, by transfer to a U.S. dollar denominated account maintained by the payee with a bank in New York City.

In this Condition 9.6:

**“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 Trustee cannot obtain sufficient Renminbi in order to satisfy its obligation to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or otherwise) (in whole or in part) in respect of the Sukuk as determined by the Trustee 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 Trustee to convert any amount due in respect of the Sukuk 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 Trustee 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 Sukuk and it is impossible for the Trustee, 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 Trustee 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 Trustee 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 Sukuk and it is impossible for the Trustee, 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;

**“Spot Rate”** means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. 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 Obligor 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/U.S. 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 9.6 by the Calculation Agent, will (in the absence of wilful default or fraud) be binding on the Trustee, the Obligor, the Paying Agents and all Sukukholders; and

“**U.S. Dollar Equivalent**” means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date.

#### 10. **Taxation**

All payments in respect of the Sukuk by or on behalf of the Trustee 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 Trustee shall pay such additional amounts as will result in receipt by the Sukukholders 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 Sukuk:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Sukuk 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 Sukuk; or
- (b) 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
- (c) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Sukuk to another Paying Agent in a Member State of the European Union; or
- (d) where the relevant Sukuk is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Sukuk would have been entitled to such additional amounts on presenting or surrendering such Sukuk for payment on the last day of such period of 30 days.

If the Trustee 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 Trustee (or any successor of the Trustee) 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.

*The Transaction Documents each provide that payments thereunder by the Obligor 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 Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.*

*Further, the Obligor has undertaken in the Wakala Agreement to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Sukuk to the Sukukholders is received by the Trustee for the purposes of payment to the Sukukholders in accordance with and subject to the provisions of this Condition 10.*

## 11. **Prescription**

Claims against the Trustee for payment in respect of the Sukuk shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12. **Dissolution Events**

### 12.1 **Dissolution Event:** Upon the occurrence of a Dissolution Event:

- (a) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise upon becoming actually aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Sukukholders in accordance with Condition 18 (*Notices*) with a request to Sukukholders to indicate to the Trustee and the Delegate if they wish the Sukuk to be redeemed and the Trust to be dissolved; and
- (b) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Sukuk outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Sukukholders in accordance with Condition 18 (*Notices*) that the Sukuk are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Sukukholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate) shall (x) deliver an Exercise Notice to the Obligor under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Wakala Assets and (y) if applicable to a Series, notify the Obligor that the outstanding Deferred Sale Price is immediately due and payable under the terms of the Master Murabaha Agreement. The Trustee (failing which the Delegate) shall use the proceeds thereof to redeem the Sukuk at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Sukuk has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Sukuk shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 12.2 **Enforcement and Exercise of Rights:** Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Sukuk of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 12.1 (*Dissolution Event*)), the Delegate may (acting for the benefit of the Sukukholders), and shall if so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk or if so directed by an

Extraordinary Resolution (and, in each case, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, render itself liable or which it may in its opinion incur by so doing), take one or more of the following steps:

- (a) enforce the provisions of the Purchase Undertaking and, if applicable to a Series, the Master Murabaha Agreement against the Obligor; and/or
- (b) start or join in legal proceedings against the Obligor or the Trustee to recover from the Obligor or the Trustee any amounts owed to the Sukukholders; and/or
- (c) start or join in any other legal proceedings or take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders.

### **13. Realisation of Trust Assets**

13.1 The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Sukuk and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

13.2 No Sukukholder shall be entitled to proceed directly against the Trustee or the Obligor under any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Sukukholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Sukukholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

13.3 Conditions 12.2, 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Sukuk of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Trust Deed, the obligations of the Trustee and the Delegate in respect of the Sukuk of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Sukukholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including the Obligor (to the extent that it fulfils all of its obligations under the Transaction Documents)) to recover any further sums in respect of the Sukuk of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Sukukholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

### **14. Replacement of Sukuk**

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Sukuk 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 Trustee may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

## 15. Agents

In acting under the Agency Agreement and/or any relevant ACS Forms (as applicable) and in connection with the Sukuk, the Agents act solely as agents of the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Sukukholders.

The Agents and their Specified Offices are set out in the Agency Agreement and/or any relevant ACS Forms (as applicable). In respect of each Series of Sukuk, the relevant Agents are specified in the applicable Pricing Supplement. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; **provided, however, that:**

- (a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;
- (b) the Trustee 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 applicable Pricing Supplement, the Trustee shall at all times maintain a Calculation Agent;
- (d) the Trustee shall at all times maintain a CMU Lodging and Paying Agent in respect of CMU Sukuk;
- (e) the Trustee shall at all times maintain a CDP Lodging and Paying Agent in respect of CDP Sukuk;
- (f) the Trustee shall, so long as any ACS Sukuk are outstanding, maintain the relevant ACS Agents in relation to such ACS Sukuk; and
- (g) if and for so long as the Sukuk 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 Trustee 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 Sukukholders.

## 16. Meetings of Sukukholders, Modification and Waiver

16.1 **Meetings of Sukukholders:** The Trust Deed contains provisions for convening meetings of Sukukholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Obligor or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Sukukholders holding not less than 10 per cent. in aggregate face amount of the Sukuk of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Sukuk for the time being outstanding, or at any adjourned meeting two or more Persons being or representing Sukukholders whatever the aggregate face amount of the Sukuk held or represented, unless the business of such meeting includes consideration of proposals to (each a “**Reserved Matter**”):

- (a) amend any Dissolution Date in respect of the Sukuk or any date for payment of Periodic Distribution Amounts on the Sukuk;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Sukuk;
- (c) to reduce the rate or rates of profit in respect of the Sukuk or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Sukuk;



- (d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Pricing Supplement, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;
- (e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;
- (f) vary the currency of payment or denomination of the Sukuk;
- (g) modify the provisions concerning the quorum required at any meeting of Sukukholders or the majority required to pass an Extraordinary Resolution;
- (h) modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Sukuk (as the case may be);
- (i) amend any of the Obligor's covenants included in the Purchase Undertaking;
- (j) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or
- (k) amend this definition,

in which case the necessary quorum shall be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate face amount of the Sukuk for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Sukukholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Sukuk outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Sukukholders duly convened and held. 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 Sukukholders.

16.2 **Modification:** The Delegate may (but shall not be obliged to), without the consent of the Sukukholders: (i) agree to any modification of any of the provisions of the Trust Deed or the Transaction Documents that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Sukukholders; or (ii) (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Sukukholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. Any such modification, authorisation, determination or waiver shall be binding on all Sukukholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee to the Sukukholders in accordance with Condition 18 (*Notices*) as soon as practicable.

16.3 **Entitlement of the Delegate:** In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the general interests of the Sukukholders as a class and shall not have regard to the consequences of such exercise for individual Sukukholders and the Delegate shall not be entitled to require, nor shall any Sukukholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Sukukholders.

## 17. Delegate

17.1 **Delegation of powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Sukukholders and the power to make any determinations to be made



under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Sukukholders and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation and **provided further that** in no circumstances will such Delegation result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Sukukholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

- 17.2 **Indemnification:** The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Conditions 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.
- 17.3 **No liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Sukukholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.
- 17.4 **Reliance on certificates and/or reports:** The Delegate may rely, without liability to any Sukukholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Trust Deed or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- 17.5 **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Trust Deed and to the Relevant Powers delegated

to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Trust Deed.

17.6 **Notice of events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event or Change of Shareholding has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Sukukholders or any other person for so doing).

## 18. Notices

18.1 **Notices to the Holders:** Notices to the Holders of Sukuk shall be sent to them by uninsured 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 (being a day other than a Saturday or a Sunday) after the date of mailing.

18.2 **Listing authorities and clearing systems:** The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Sukuk are for the time being listed.

So long as the Sukuk are held by: (i) Euroclear or Clearstream, Luxembourg, notices to the Holders of Sukuk 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 mailing or publication as required by the Conditions; (ii) the CMU Service, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU Service) issued by the HKMA on the business day preceding the date of despatch of such notice as holding interests in the relevant Sukuk; (iii) CDP, notices to the Holders of Sukuk 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 as holding interests in the relevant Sukuk; and (iv) any relevant Alternative Clearing System, notices to the Holders of Sukuk of that Series may be given in accordance with the rules and regulations of such Alternative Clearing System.

## 19. Currency Indemnity

If any sum due from the Trustee in respect of the Sukuk 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 Trustee; (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 Sukuk, the Trustee shall indemnify each Sukukholder, on the written demand of such Sukukholder addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying 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 Sukukholder 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 Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 19.

## 20. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable 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.

## 21. **Governing Law and Jurisdiction**

21.1 **Governing law:** The Trust Deed, the Agency Agreement and the Sukuk (including these Conditions) and any non-contractual obligations arising out of or in connection with the same are governed by English law.

21.2 **English courts:** The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Agency Agreement and the Sukuk (including these Conditions) (including a dispute relating to the existence, validity or termination of the Sukuk or any non-contractual obligation arising out of or in connection with them) or the consequences of their nullity (a “**Dispute**”).

21.3 **Appropriate forum:** The Trustee 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.

21.4 **Rights of the Delegate and the Sukukholders to take proceedings outside England:** Condition 21.2 (*English courts*) is for the benefit of the Delegate and the Sukukholders only. As a result, nothing in this Condition 21 prevents the Delegate or any Sukukholder (only where permitted so to do in accordance with the terms of the Master Trust Deed) from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and/or the Sukukholders may take concurrent Proceedings in any number of jurisdictions.

21.5 **Process agent:** The Trustee 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 Trustee, the Trustee shall, on the written demand of the Delegate or any Sukukholder addressed and delivered to the Trustee or to the Specified Office of the Principal Paying Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Delegate or any Sukukholder shall be entitled to appoint such a person by written notice addressed to the Trustee and delivered to the Trustee or to the Specified Office of the Principal Paying Agent. Nothing in this Condition 21.5 shall affect the right of the Delegate or any Sukukholder to serve process in any other manner permitted by law.

21.6 **Waiver of immunity:** To the extent that the Trustee 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 Trustee 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 Trust Deed, the Agency Agreement or the Sukuk.

### 21.7 **Waiver of Interest:**

(a) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection therewith and if it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.

- (b) For the avoidance of doubt, nothing in this Condition 21.7 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts payable under the Sukuk, Deferred Sale Price payable under the Master Murabaha Agreement (if applicable to a Series), Wakala Asset Revenues, exercise prices (howsoever defined) payable under the Purchase Undertaking or Sale Undertaking or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court.

## FORM OF PRICING SUPPLEMENT

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

### Pricing Supplement dated [●]

**Cagamas Global Sukuk Berhad**  
**Issue of [●] [Title of Sukuk]**  
**under the U.S.\$2,500,000,000 Multicurrency Sukuk Issuance Programme**

This document constitutes the Pricing Supplement relating to the issue of Sukuk 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 Sukuk 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) Trustee and Purchaser:                      | Cagamas Global Sukuk Berhad                           |
|    | (ii) Seller, Obligor, Buyer and Wakeel:         | Cagamas Berhad  |
|    | (ii) Delegate:                                  | The Hongkong and Shanghai Banking Corporation Limited |
|    | (iii) Principal Paying Agent:                   | [●]   |
|    | (iv) Transfer Agent:                            | [●]   |
|    | (v) Registrar:                                  | [●]   |
| 2. | Series Number:                                  | [●]   |
| 3. | Specified Currency or Currencies <sup>1</sup> : | [●]   |
| 4. | Aggregate Face Amount:                          | [●]   |
| 5. | (i) Issue Price:                                | 100 per cent. of the Aggregate Face Amount            |
|    | (ii) Murabaha Investment Amount:                | [●]/[Not Applicable]                                  |
|    | (iii) Purchase Price for Initial Wakala Assets: | [●]   |
| 6. | (i) Specified Denominations <sup>2, 3</sup> :   | [●]   |
|    | (ii) Calculation Amount:                        | [●]   |
| 7. | (i) Issue Date:                                 | [●]   |
|    | (ii) Profit Commencement Date:                  | [Specify/Issue Date/Not Applicable]                   |

<sup>1</sup> This currency excludes Ringgit.

<sup>2</sup> Sukuk (including Sukuk denominated in sterling) in respect of which the issue proceeds are to be accepted by the Trustee 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).

<sup>3</sup> 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 Sukuk in definitive form will be issued with a denomination above €199,000.

- [(iii) Profit Period Dates: [Each Periodic Distribution Date]/[●]]
8. Scheduled Dissolution Date: [*Specify date or (for Floating Rate Sukuk) Periodic Distribution Date falling in or nearest to the relevant month and year*]<sup>4</sup>
9. Periodic Distribution Amount Basis: [[●] per cent. Fixed Periodic Distribution Amount]  
[[*Specify reference rate*] +/-[●] per cent. Floating Periodic Distribution Amount]  
(further particulars specified below)
10. Dissolution Basis: Dissolution at par
11. Change of Periodic Distribution Basis: [*Specify details of any provision for convertibility of Sukuk into another periodic distribution basis*]
12. Put/Call Options: [Not Applicable] [Optional Dissolution Right]  
[Sukukholder Put Right]  
  
Change of Shareholding Put Right  
  
*(For Shariah reasons, the Optional Dissolution Right and the Sukukholder Put Right cannot both be specified as applicable in the applicable Pricing Supplement in respect of any single Series)*  
  
[(further particulars specified below)]
13. Status of the Sukuk: Senior
14. Listing: [Labuan International Financial Exchange Inc./Singapore Exchange Securities Trading Limited/Other (specify)/None] (For Sukuk to be listed on the [*Singapore Exchange Securities Trading Limited*], insert the expected effective listing date of the Sukuk)

#### **Provisions Relating to Periodic Distribution Amounts Payable**

15. Fixed Rate Sukuk Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Profit Rate: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/  
other (*specify*)] in arrear]
- (ii) Periodic Distribution 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]

<sup>4</sup> Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Sukuk where Periodic Distribution Dates are subject to modification it will be necessary to use the second option here.



- (iii) Fixed Amount[(s)]: [●] per Calculation Amount<sup>5</sup>
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]]/[Not Applicable]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Profit Rate Determination Dates: [●] in each year  
*(insert regular periodic distribution dates, ignoring issue date or scheduled dissolution date in the case of a long or short first or last Return Accumulation Period)*  
*(N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal duration. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating Periodic Distribution Amounts for Fixed Rate Sukuk: [Not Applicable/give details]
16. Floating Rate Sukuk Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Return Accumulation Period: [●]/[Not Applicable]  
*(Return Accumulation Period and Specified Periodic Distribution Dates are alternatives. A Return Accumulation Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (ii) Specified Periodic Distribution Dates: [●]/[Not Applicable]  
*(Return Accumulation Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

<sup>5</sup> For Renminbi or Hong Kong dollar denominated Fixed Rate Sukuk where the Periodic Distribution Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Amount shall be calculated by multiplying the product of the Profit Rate and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Sukuk, to the nearest CNY0.01, CNY0.005 being rounded upwards, or, in the case of Hong Kong dollar denominated Fixed Rate Sukuk, to the nearest HK\$0.01, HK\$0.005 being rounded upwards."

- (iv) Additional Business Centre(s): [Not Applicable/give details]
- (v) Manner in which the Profit Rate(s) is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (vi) Calculation Agent (party responsible for calculating the Profit Rate(s) and/or Periodic Distribution Amount(s)): [*Name*]
- (vii) Screen Rate Determination:
- Reference Rate: [●] (*For example, LIBOR or EURIBOR*)
  - Profit Rate 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*)
  - Renminbi Settlement Centre: [●]/[Not Applicable]
- (viii) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (ix) Margin(s): [+/-][●] per cent. per annum
- (x) Minimum Profit Rate: [●] per cent. per annum
- (xi) Maximum Profit Rate: [●] per cent. per annum
- (xii) Day Count Fraction: [●]
- (xiii) Fall-back provisions, rounding provisions, denominator and any other terms relating to the method of calculating profit on Floating Rate Sukuk, if different from those set out in the Conditions: [●]

### **Provision Relating to Dissolution**

17. Optional Dissolution right [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Dissolution Date(s): [●]/[Any Periodic Distribution Date]
- (ii) Dissolution Distribution Amount(s) of each Sukuk and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (Note: This must be no less than par)*
- (iii) If redeemable in part:
- (a) Minimum Optional Dissolution Amount: [●] per Calculation Amount

- (b) Maximum Optional  
Dissolution Amount [●] per Calculation Amount
- (iv) Notice period: [●]
18. Sukukholder Put Right [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Sukukholder Put Right Date(s): [●]
- (ii) Dissolution Distribution Amount(s) of each Sukuk and method, if any, of calculation of such amount(s): [●] per Calculation Amount  
*(Note: This must be no less than par)*
- (iii) Notice period: [●]
19. Change of Shareholding Put Right
- (i) Dissolution Distribution Amount(s) of each Sukuk and method, if any, of calculation of such amount(s): [●] per Calculation Amount  
*(Note: This must be no less than par)*
- (ii) Any other provisions relating to the Change of Shareholding Put Right: [Not Applicable/give details]
- (iii) Notice period: [●]
20. Dissolution Distribution Amount on Scheduled Dissolution Date: [●] per Calculation Amount  
*(Note: This must be no less than par)*
21. Dissolution Distribution Amount of each Sukuk payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●] per Calculation Amount  
*(Note: This must be no less than par)*

**General Provisions Applicable to the Sukuk**

22. Form of Sukuk: Global Certificate exchangeable for Individual Certificates in the limited circumstances specified in the Global Certificate
23. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details]  
*(Note that this paragraph relates to the date and place of payment)*
24. Other terms or special conditions: [Not Applicable/give details]

**Provisions in respect of the Trust Assets**

25. Sukuk Assets on the Issue Date: The Initial Wakala Assets as set out in the Supplemental Purchase Agreement specified below, a copy of which is set out in Annex 1 hereto, [and a Commodity Murabaha Investment with a Deferred Sale Price of [●]]

26. Trust Assets on the Issue Date: [Condition 5.1 (*Trust Assets*) applies] [*specify other*]
27. Other Transaction Document information:
- (i) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between (among others) the Trustee, Cagamas and the Delegate
- (ii) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee (as Purchaser) and Cagamas (as Seller), a copy of which is appended as Annex 1

### **Distribution**

28. Method of distribution: [Syndicated/Non-syndicated]
29. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
30. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
31. Total commission and concession: [●] per cent. of the Aggregate Face Amount
32. U.S. Selling Restrictions: Reg. S Category 2  
TEFRA not applicable
33. Additional selling restrictions: [Not Applicable/*give details*]

### **Operational Information**

34. ISIN Code: [●]
35. Common Code: [●]
36. Clearing System: [Euroclear/Clearstream, Luxembourg] [CMU Service] [CDP] [Alternative Clearing System]
37. Alternative Clearing System (any clearing system(s) other than Euroclear/Clearstream, Luxembourg, the CMU Service and CDP and the relevant identification number(s)):
- (i) ACS Lodging Agent: [●]
- (i) ACS Paying Agent: [●]
- (i) ACS Calculation Agent: [●]
- (i) ACS Transfer Agent: [●]
- (i) ACS Registrar: [●]
38. CMU Service Instrument Number: [●] [Not Applicable]
39. Delivery: Delivery [against/free of] payment
40. Additional Paying Agent(s) (if any): [Not Applicable/*give name and address*]

## General

41. [Ratings:

The Sukuk to be issued have been rated:

[S&P: [●]]

[Moody's: [●]]

[RAM Rating: [●]]

[Other: [●]]

*(The above disclosure should reflect the rating allocated to Sukuk of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

## Use of Proceeds

*[Please specify]*

### **[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 Sukuk or effect transactions with a view to supporting the market price of the Sukuk 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 Sukuk 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 Sukuk and 60 days after the date of the allotment of the Sukuk. 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 Sukuk described herein pursuant to the U.S.\$2,500,000,000 Multicurrency Sukuk Issuance 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 Sukuk to the LFX is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.]

[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 Sukuk to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk.]

The Trustee and Cagamas accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Cagamas Global Sukuk Berhad

By: \_\_\_\_\_  
Duly authorised

Signed on behalf of Cagamas Berhad

By: \_\_\_\_\_  
Duly authorised

**ANNEX 1**

**SUPPLEMENTAL PURCHASE AGREEMENT**

*[To be inserted upon completion of Pricing Supplement]*



## SUMMARY OF PROVISIONS RELATING TO THE SUKUK WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Series of Sukuk represented by a Global Certificate, references in the Conditions to “**Sukukholder**” are references to the person in whose name such Global Certificate is for the time being registered in the Register which, for so long as the Global Certificate is held by or on behalf of CDP or a common depository (a “**Common Depository**”) for Euroclear, Clearstream, Luxembourg, a sub-custodian for the CMU Service operated by the HKMA and/or any relevant Alternative Clearing System, will be CDP or its nominee or a Common Depository, or a nominee for such Common Depository, the relevant sub-custodian or a central securities depository (or a nominee for such central securities depository) for the relevant Alternative Clearing System, as the case may be.

Each of the persons shown in the records of CDP, Euroclear, Clearstream, Luxembourg or any relevant Alternative Clearing System as the holder of the Sukuk represented by a Global Certificate must look solely to CDP, Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the bearer of such Global Certificate or the holder of the underlying Sukuk, as the case may be, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of CDP, Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Sukuk for so long as the Sukuk are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the holder of the underlying Sukuk, as the case may be, in respect of each amount so paid.

If a Global Certificate is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Certificate are credited as being held in the CMU Service in accordance with the rules of the CMU Service as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report (as defined in the rules of the CMU Service) 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 to receive payments in respect of Sukuk represented by such Global Certificate and the Trustee will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Certificate 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 holder of a particular face amount of Sukuk represented by such Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Trustee in respect of such Global Certificate, and the obligations of the Trustee to make each such payment will be discharged upon payment of the same by the CMU Lodging and Paying Agent to each such holder.

### Conditions applicable to Global Certificates

Each Global Certificate contains provisions that apply to the Sukuk that they represent, some of which modify the effect of the terms and conditions of the Sukuk set out in this Offering Circular. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of Sukuk represented by a Global Certificate (except with respect to a Global Certificate held through the CMU Service) will be made against presentation and, if no further payment falls to be made in respect of the Sukuk, surrender of that Global Certificate to or to the order of the Registrar or such other Paying Agent as shall have been notified to the Sukukholders for such purpose. All payments in respect of Sukuk represented by a Global Certificate (except with respect to a Global Certificate held through the CMU Service) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Record Date, which shall be the Clearing System Business Day immediately prior to the due date for payment, where “**Clearing System Business Day**” means any weekday (Monday to Friday inclusive) within any given calendar year, except 25 December and 1 January.

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Sukuk.

**Prescription:** Claims against the Trustee for payment in respect of the Sukuk shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date (as defined in the Conditions) in respect of them.

**Meetings:** The holder of Sukuk represented by a Global Certificate shall (unless such Global Certificate represents only one Sukuk) be treated as being two persons for the purposes of any quorum requirements of a meeting of Sukukholders. All holders of Sukuk are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Sukuk comprising such Sukukholder's holding, whether or not represented by a Global Certificate.

**Cancellation:** Cancellation of any Sukuk represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption) will be effected by reduction in the aggregate face amount of the relevant Series of Sukuk in the Register.

**Optional Dissolution:** In the event that any early dissolution right of the Trustee is exercised in respect of some but not all of the Sukuk of any Series, the rights of accountholders with a clearing system in respect of the Sukuk will be governed by the standard procedures of CDP, Euroclear, Clearstream, Luxembourg, the CMU Service or any relevant Alternative Clearing System (as the case may be).

**Sukukholders' Dissolution Right:** Any early dissolution right of the Sukukholders provided for in the Conditions of any Sukuk while such Sukuk are represented by a Global Certificate may be exercised by the holder of the Sukuk in accordance with the standard procedures of CDP, Euroclear, Clearstream, Luxembourg, CMU Service or any relevant Alternative Clearing System (as the case may be).

**Notices:** So long as the Sukuk are represented by a Global Certificate and such Global Certificate is held by: (i) Euroclear or Clearstream, Luxembourg, notices to the Holders of Sukuk 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 mailing or publication as required by the Conditions; (ii) the CMU Service, notices to the Holders of Sukuk of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report (as defined in the rules of the CMU Service) issued by the HKMA on the business day preceding the date of despatch of such notice as holding interests in the relevant Global Certificate; (iii) CDP, notices to the Holders of Sukuk 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 as holding interests in the relevant Global Certificate; and (iv) any relevant Alternative Clearing System, notices to the Holders of Sukuk of that Series may be given in accordance with the rules and regulations of such Alternative Clearing System.

## CAPITALISATION AND INDEBTEDNESS

As at 30 September 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	U.S.\$ million*
<b>Indebtedness</b>		
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
<b>Total indebtedness.</b> . . . . .	<b>24,372.5</b>	<b>7,592.7</b>
<b>Capitalisation</b>		
Share capital . . . . .	150.0	46.7
Other reserves . . . . .	2,481.3	773.0
<b>Total capitalisation</b> . . . . .	<b>2,631.3</b>	<b>819.7</b>
<b>Total capitalisation and indebtedness</b> . . . . .	<b>27,003.8</b>	<b>8,412.4</b>

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

(Source: Bloomberg)

*Note:*

Save as disclosed under the section "*Description of Cagamas – Recent Developments*", there has been no material change in the capitalisation and indebtedness of Cagamas since 30 June 2014.

## DESCRIPTION OF THE TRUSTEE

Cagamas Global Sukuk Berhad (Company No. 1092135-D) was incorporated on 5 May 2014 in Malaysia under the Companies Act, 1965 of Malaysia with its registered office at Level 32, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia. The Trustee 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 Trustee is RM 2.00 and is held by Cagamas. The directors of the Trustee and their designations 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 – 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-Senior Management of Cagamas – Mr. Azizi Ali – Senior Vice President, Islamic Business*”.

The Trustee 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 Sukuk and the matters contemplated in this Offering Circular and the Transaction Documents.

## DESCRIPTION OF CAGAMAS

### 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 Cagamas – Business Overview – Cagamas Berhad*” 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 the 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”.

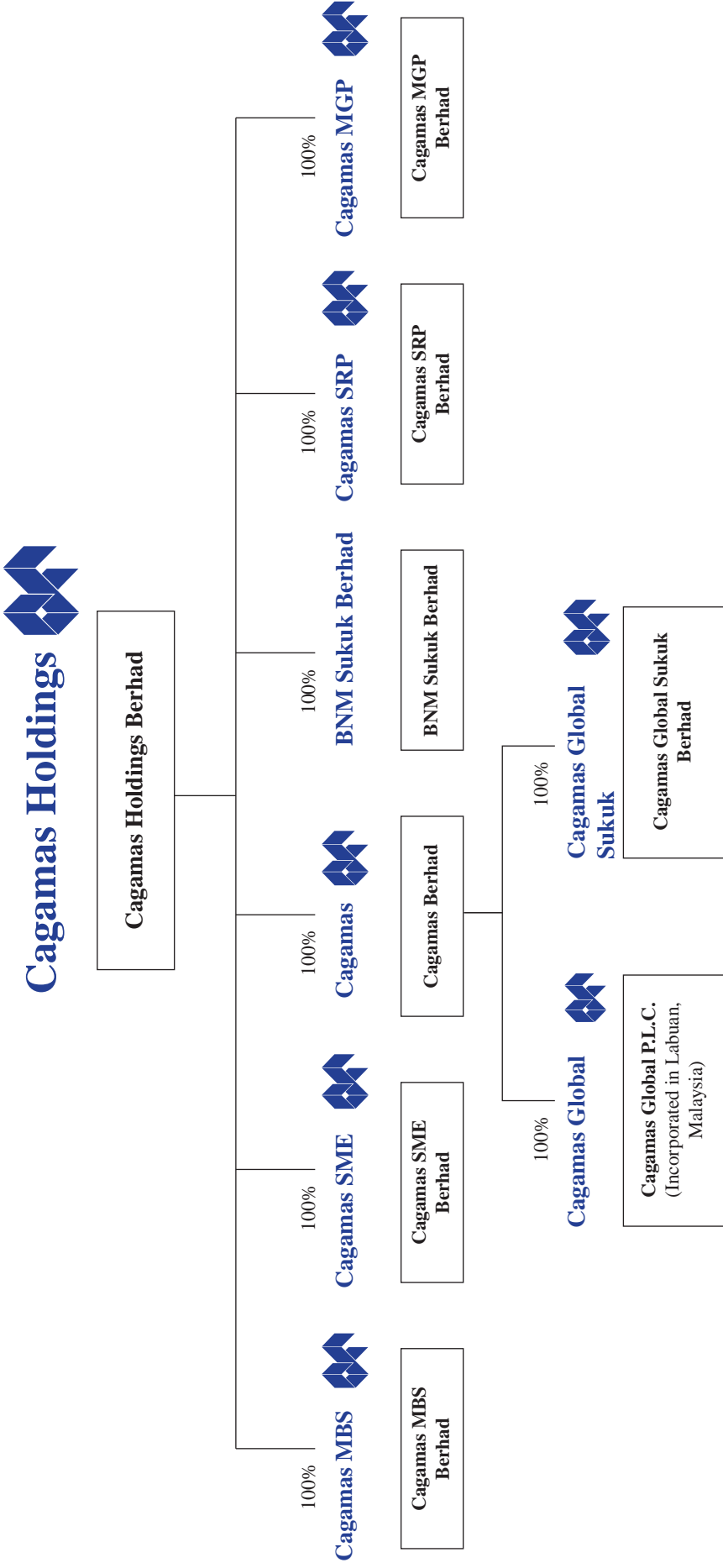
Since its incorporation in 1986 up to 30 September 2014, Cagamas has issued, in aggregate, RM 267.7 billion of conventional debt securities and Sukuk out of a total of RM 277.9 billion of conventional debt securities and Sukuk issued by the Cagamas Group since its incorporation up to 30 September 2014. 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 September 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:





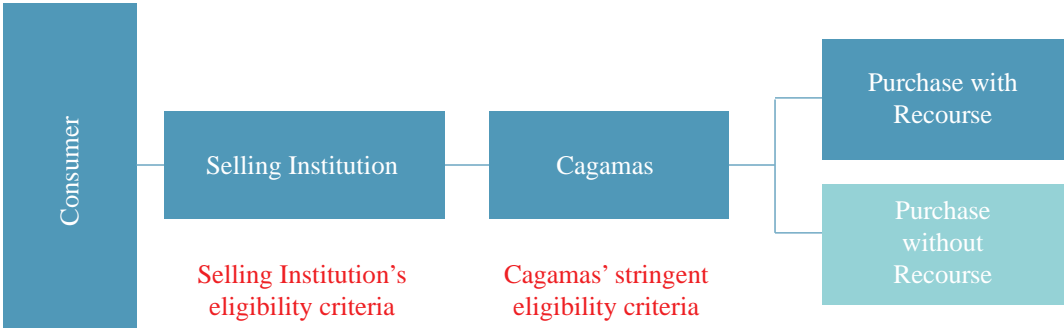
**Key Strengths**

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 diagram below illustrates Cagamas’ strategic business model:



Cagamas’ strategic business model comprises of 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 September 2014, Cagamas has issued conventional debt securities and Sukuk of RM 267.7 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 September 2014, more than 90 per cent. of Cagamas' counterparties under the PWR scheme carried at least AA domestic rating and as 30 September 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***

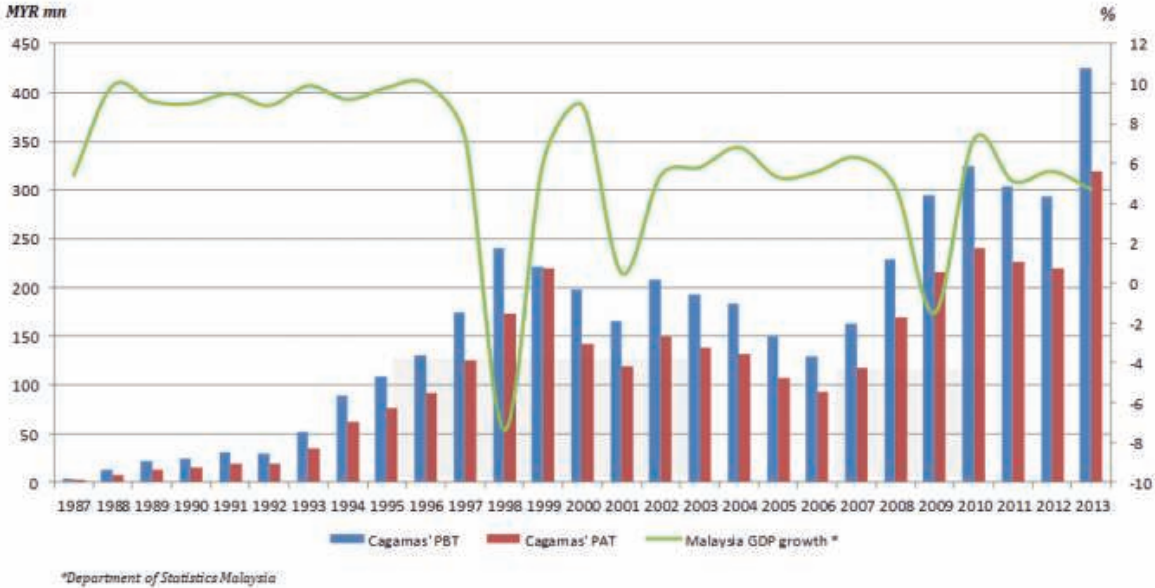
Cagamas has a well-defined risk management strategy based on the Cagamas Group's Enterprise Risk Management Framework dealing with the risks and opportunities affecting value creation and preservation within its business. This provides for three lines of defence in managing risks within Cagamas, starting 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:

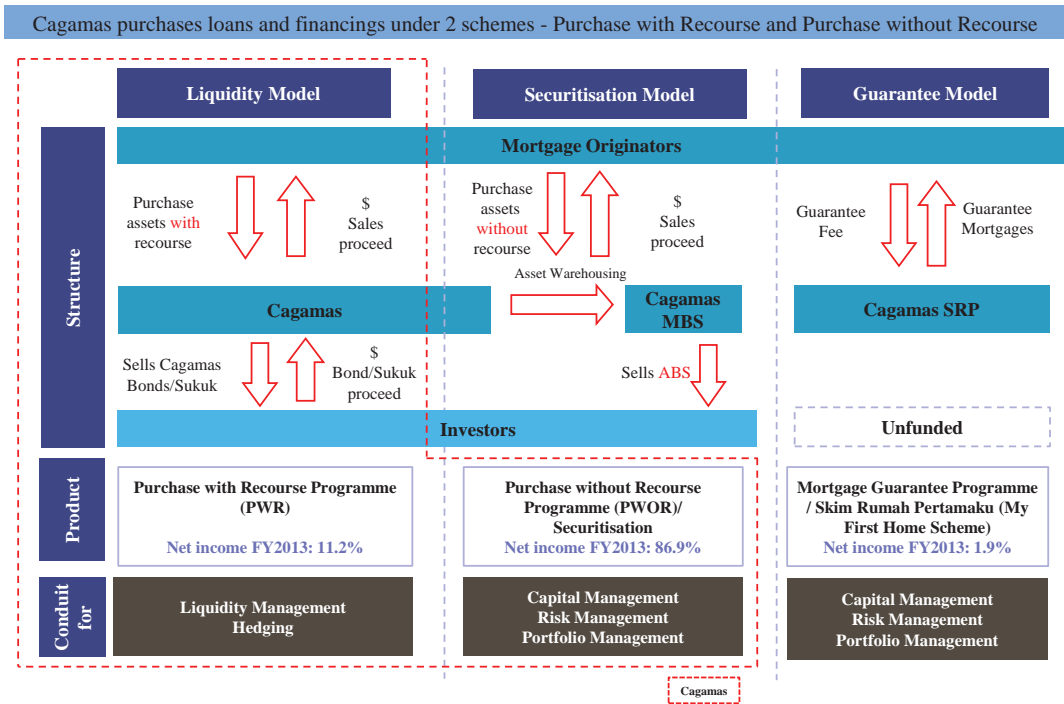
- remaining committed to its mandate of helping Malaysians gain access to affordable and competitive house financing;
- participating in GOM projects such as Programme Perumahan 1Malaysia or 1Malaysia Housing Programme (GOM's project to plan, develop, construct and maintain high-quality housing with 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 (collateral) 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”) and Skim Rumah Pertamaku or “My First Home Scheme” (“SRP”) (conventional & Islamic) which are both offered by Cagamas SRP, 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 house 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 Business Model**



**Cagamas**

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 (collateral) 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/profit 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/profit 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/profit rates environment. Similarly, in a falling interest/profit 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/profit 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/payment of principal and interest/profit 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/profit throughout the contracted review period with bullet repayment/payment 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 each satisfy the following criteria:

- the PWR 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 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 *Shariah* 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’ (lease to purchase) or

Musharakah Mutanaqisah (diminishing partnership)) in the form of cash alone (i.e. the *Shariah* principles of Bai' al-A'yaan (asset trading)). For Rahn (collateral) receivables, Cagamas purchases the receivables using cash under the *Shariah* 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 *Shariah* 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 commodities) 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 *Shariah* 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 commodities) 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 *Shariah* 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 hire purchase and leasing receivables (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 ("**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/profit portion of the monthly instalment;
- the interest/profit 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 than 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/profit 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/profit 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 *Shariah* 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' (lease to purchase) or Musharakah Mutanaqisah (diminishing partnership)) in the form of cash alone (i.e. the *Shariah* 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 *Shariah* principles that need to be complied with.

### **Conventional Debt Securities and Sukuk issued by Cagamas and guaranteed 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 nine months ended 30 September 2014, Cagamas had issued RM 2.3 billion worth of debt securities, comprising RM 1.4 billion of Sukuk and RM 0.9 billion of conventional debt securities for the first nine months 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 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 issued by Cagamas***

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.

#### ***Conventional Debt Securities guaranteed by Cagamas***

##### ***Notes issued under the U.S.\$2.5 billion Multicurrency Medium Term Note Programme ("EMTN Programme") ("EMTN Notes")***

Cagamas Global P.L.C. may from time to time issue EMTN Notes denominated in any currency (other than RM) which are unconditionally and irrevocably guaranteed by Cagamas.



The tenure of each series of EMTN Notes under the EMTN Programme shall be determined prior to each issuance, subject to such minimum and maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws and regulations applicable to Cagamas Global P.L.C., Cagamas or the relevant specified currency. The EMTN Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or any other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant series of EMTN Notes issued.

Cagamas Global P.L.C., Cagamas or any of their respective subsidiaries may at any time purchase the EMTN Notes in the open market or otherwise and at any price and such EMTN Notes may be held, resold or, at the option of Cagamas Global P.L.C., surrendered to any paying agent for cancellation.

The following table sets out the conventional debt securities issued and guaranteed by Cagamas as at 30 September 2014.

<u>Outstanding Conventional Debt Securities</u>	<u>As at 30 September 2014</u>
	(RM million)
<b>Instrument issued by Cagamas</b>	
Fixed Rate Medium Term Notes . . . . .	10,535
Floating Rate Notes . . . . .	181
<b>Instrument guaranteed by Cagamas</b>	
Conventional Multicurrency Debt Securities* . . . . .	797
<b>Total</b> . . . . .	<u>11,513</u>

\* CNY 1 = RM 0.52 (Source: Bloomberg)

### **Sukuk**

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

#### *Islamic Fixed Rate 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 *Shariah* principles:

- Murabahah
- Istisna
- Ijarah

- Mudharabah
- Musharakah
- Wakalah Bil Istithmar

Cagamas may issue ICPs and IMTNs under Sukuk ALIm based on the following *Shariah* principles:

- 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 September 2014.

<u>Outstanding Sukuk issued by Cagamas</u>	<u>As at 30 September 2014</u>
	<u>(RM million)</u>
<b>Instrument</b>	
Islamic Fixed Rate Medium Term Notes . . . . .	12,068
Variable Rate Notes . . . . .	<u>731</u>
<b>Total</b> . . . . .	<u><u>12,799</u></u>

#### **The other Cagamas Group companies**

##### ***Cagamas Global P.L.C.***

Cagamas Global P.L.C. was incorporated on 4 April 2014 for the purpose of establishing a U.S.\$2.5 billion multi-currency medium term note programme. Cagamas Global P.L.C. conducted its inaugural Tiger Emas Bond issue on 22 September 2014.

##### ***Cagamas MBS***

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 September 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***

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 *Shariah* 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 *Shariah* principles.

### ***Cagamas SRP***

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 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***

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***

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**

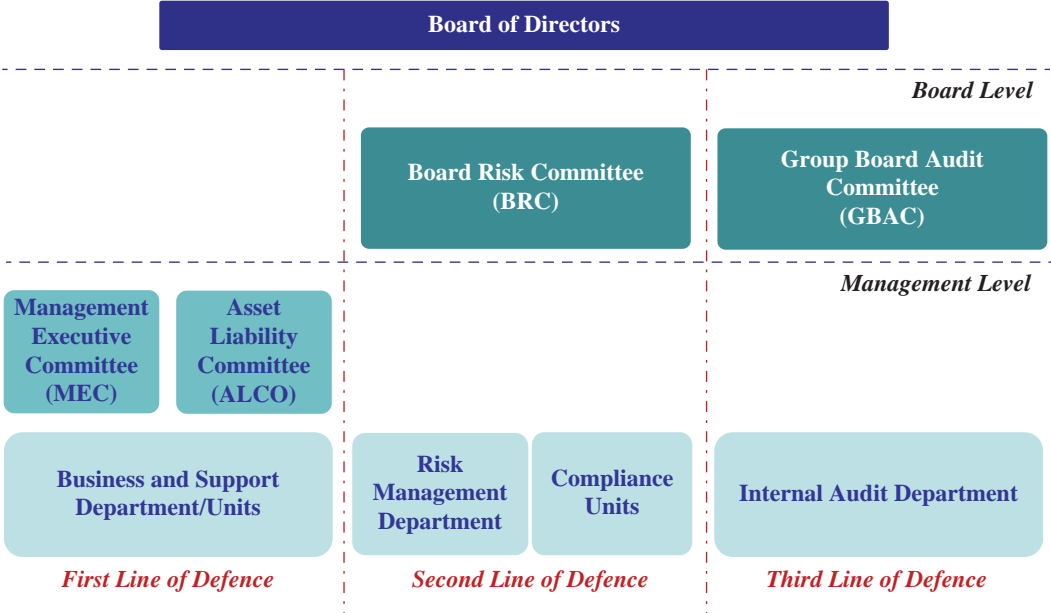
As at 30 June 2014, Cagamas has approximately 100 employees (the “**Employees**”) and no ongoing labour disputes. The Employees are not affiliated to any trade unions.

**Risk Management**

**Enterprise Risk Management Framework**

Cagamas takes a holistic and enterprise-wide view in managing risk. 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 drawdown 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.

### *Shariah Non-Compliance Risk*

Cagamas consults and obtains endorsements/clearance from an independent *Shariah* adviser for all its Islamic products and transactions to ensure compliance with *Shariah* requirements. In addition, Cagamas obtains the approval of the *Shariah* 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 *Shariah* adviser. Any incidences of *Shariah* non-compliance are reported to both the independent *Shariah* adviser and the Group Board Audit Committee. Remedial actions are for the endorsement of the independent *Shariah* 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**

#### *Cagamas' issuance of RM 1.0 billion Sukuk and RM1.06 billion conventional medium term notes*

During the first week of November 2014, Cagamas issued RM1.0 billion Sukuk and RM 1.06 billion conventional medium term notes under Cagamas' existing RM40 billion Islamic/Conventional Medium Term Notes programme. The Sukuk were issued under the Commodity Murabahah structure with a dual 1-year and 3-year maturity while the conventional medium term notes provided for a single 3-year tenure.



Proceeds from the issuance of the Sukuk and conventional medium term notes were used to fund the purchase of Islamic and conventional financing from the financial system. The Sukuk and conventional medium term notes are listed and tradable under the scripless securities trading system.

***Cagamas Global P.L.C.'s issuance of HKD1.0 billion Hong Kong Dollar (HKD) bonds under the EMTN Programme***

Cagamas Global P.L.C. issued HKD1.0 billion 3.5 year bonds at 1.88 per cent. on 5 November 2014 under the EMTN Programme. Proceeds from the issuance were used to fund the purchase of conventional financing from the financial system.

***Cagamas Global P.L.C.'s Issuance of inaugural Tiger Emas Bond***

On 22 September 2014, Cagamas Global P.L.C. issued CNY 1,500,000,000 3.70 per cent. notes due 2017. The proceeds from the issuance were used to finance the purchase of conventional financing from the financial system. The notes will be redeemed at their full nominal value on maturity, are unsecured obligations of Cagamas Global P.L.C. and rank *pari passu* among themselves and with all other existing unsecured obligations of Cagamas Global P.L.C.. The notes are listed and tradable under the scripless securities trading system.

***Cagamas Global P.L.C.'s Establishment of US\$2,500,000,000 Multicurrency Medium Term Note Programme guaranteed by Cagamas***

On 29 August 2014, Cagamas Global P.L.C. established Cagamas' first international multicurrency medium term note programme for US\$2,500,000,000.

***Cagamas' Issuance of RM 500 Million Cagamas Islamic Medium Term Notes***

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.

## 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 September 2014.

<u>Institution of Shareholders</u>	<u>Shareholding Percentage (%)</u>	<u>Number of Shareholders</u>	<u>Range of Shareholding (%)</u>
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
<b>Total</b> . . . . .	<b>100.0</b>	<b>25</b>	<b>–</b>

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

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

## 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:

<u>Name</u>	<u>Nationality</u>	<u>Designation</u>
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, Oversea Chinese Banking Corporation Limited, Singapore and OCBC Al-Amin Bank Berhad.

Dato' Ooi Sang Kuang was a 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 also 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, 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, USA 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 of 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 Directors 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 directors 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:

<u>Name</u>	<u>Nationality</u>	<u>Designation</u>
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 “– *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 boards of Cagamas SME, 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, 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.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Defined terms used below have the meaning given to them in the Conditions and the glossary of defined terms set out below (see “– Defined Terms” below).*

### **Master Purchase Agreement**

The Master Purchase Agreement will be entered into on 28 November 2014 between the Trustee (in its capacity as “**Purchaser**”) and the Obligor (in its capacity as “**Seller**”) and will be governed by the laws of Malaysia. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Series and will also be governed by the laws of Malaysia.

Pursuant to the Master Purchase Agreement, the Seller may, from time to time, agree to sell, transfer and convey to the Purchaser, and the Purchaser may, from time to time, agree to purchase and accept the transfer and conveyance from the Seller of all of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under certain Eligible Wakala Assets for the Purchase Price specified in the applicable Pricing Supplement, which will be payable on the Issue Date of the relevant Series. The Purchaser will use no less than 34 per cent. of the proceeds of issue of a Series to purchase Eligible Wakala Assets pursuant to the Master Purchase Agreement and the relevant Supplemental Purchase Agreement. The relevant Eligible Wakala Assets will be identified in the applicable Pricing Supplement and will also be set out in the schedule to the relevant Supplemental Purchase Agreement.

The proportion of the Purchase Price payable in respect of each such Initial Wakala Asset shall be an amount in the Specified Currency equal to the Value of that Wakala Asset.

### **Wakala Agreement**

The Wakala Agreement will be entered into on 28 November 2014 between the Trustee and Cagamas (in its capacity as Wakeel) and will be governed by English law.

Pursuant to the Wakala Agreement, the Trustee will appoint the Wakeel to manage the Wakala Assets relating to each Series. In particular, the Wakeel, in relation to each Series:

- (a) shall complete the Wakala Investment Plan on the Issue Date for the Series;
- (b) shall manage the relevant Wakala Assets in accordance with the Wakala Investment Plan and the terms of the Wakala Agreement;
- (c) shall use its best endeavours to ensure that, on the Issue Date of the Series and at all times thereafter, the Value of the Wakala Assets that are Asset Based Financings or Qualifying Sukuk shall be equal to no less than 33 per cent. of the Value of the overall Sukuk Assets for that Series (the “**Tangible Ratio Requirement**”);
- (d) in the event that there are Principal Revenues standing to the credit of the Principal Collection Account:
  - (i) to the extent that Cagamas has Eligible Wakala Assets available for sale to the Trustee, the Wakeel shall promptly notify the Trustee of:
    - (A) the amount standing to the credit of the Principal Collection Account which can be used for the purposes of purchasing the Eligible Wakala Assets (which amount shall not be greater than the Value of such Eligible Wakala Assets); and

(B) the details and Value of such Eligible Wakala Assets,

to allow the Trustee to have sufficient information to enable it to exercise the Purchase Undertaking; and

- (ii) to the extent that Cagamas does not have any Eligible Wakala Assets available for sale to the Trustee, the Wakeel shall invest such Principal Revenues in *Shariah*-Compliant Investments provided that such *Shariah*-Compliant investments are liquidated as soon as reasonably practicable if Eligible Wakala Assets become available for purchase;
- (e) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers reasonably necessary to ensure the assumption of, and compliance by each Wakala Asset Obligor with its covenants, undertakings or other obligations under the relevant Wakala Asset in accordance with applicable law and the terms of the Wakala Asset;
- (f) it shall discharge or procure the discharge of all obligations to be discharged by the Trustee in respect of any of the Wakala Assets, it being acknowledged that the Wakeel may appoint one or more agents to discharge these obligations on its behalf;
- (g) it shall pay on behalf of the Trustee any actual costs, expenses, losses and Taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Assets;
- (h) it shall use its best endeavours to ensure the timely receipt of all Wakala Asset Revenues (free and clear of, and without withholding or deduction for, Taxes), investigate non payment of Wakala Asset Revenues and generally make all efforts to collect or enforce the collection of such Wakala Asset Revenues under all Wakala Assets as and when the same shall become due;
- (i) it shall use its best endeavours to ensure that the Income Revenues are at least equal to the Expected Income Revenues Amount;
- (j) it shall maintain the Collection Accounts and the Reserve Account, in each case in accordance with clause 5 (*Accounts*) of the Wakala Agreement;
- (k) it shall obtain and maintain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Wakala Agreement;
- (l) it may provide a Liquidity Facility in the circumstances and on the terms described below;
- (m) it shall notify the Trustee promptly if:
  - (i) in respect of any Wakala Asset any of the representations and warranties contained in clause 5.2 of the Master Purchase Agreement cease to be true and correct;
  - (ii) any Wakala Asset becomes subject to an Adverse Claim; or
  - (iii) the Wakeel (in any capacity whatsoever) receives notice of enforcement of any Encumbrance, foreclosure or other similar action or intended enforcement, foreclosure or similar action in respect of any Wakala Asset from any third party or otherwise reasonably expects that a third party may enforce an Encumbrance, foreclose or take any other similar action in respect of any Wakala Asset,

(the occurrence of each such event or circumstance being an “**Impaired Wakala Asset Event**”);

- (n) it shall, together with any notice delivered in accordance with paragraph (m) above, notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Wakala Assets for the purposes of substituting the Wakala Asset in respect of which an Impaired Wakala Asset Event has occurred in accordance with the terms of the Purchase Undertaking; and
- (o) it shall carry out any incidental matters relating to any of the above.

The Wakeel shall perform its duties under the Wakala Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

Cagamas shall be entitled to receive a fee for acting as Wakeel which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which is acknowledged by the Wakeel under the Wakala Agreement) and may also receive incentive payments as described below.

The Wakeel acknowledges that in the event that it fails to notify the Trustee of any Impaired Wakala Asset Event in accordance with the terms of the Wakala Agreement and a third party takes ownership or possession of the relevant Wakala Asset or otherwise sells, transfer or otherwise disposes of the relevant Wakala Asset (in each case, either directly, indirectly or through a court, receiver, administrator or other entity) (a “**Third Party Event**”):

- (a) it will have failed to comply with its obligation to notify the Trustee set out in the Wakala Agreement; and
- (b) as a result of its failure to comply with its obligation, the Trustee will have suffered loss in an amount equal to the Value of the relevant Wakala Asset,

and the Wakeel irrevocably and unconditionally undertakes to indemnify the Trustee for such loss by crediting an amount equal to the Value of the relevant Wakala Asset to the Principal Collection Account promptly upon becoming aware of the occurrence of the relevant Third Party Event.

In relation to each of the Wakala Assets, the Wakeel shall ensure that:

- (a) such Wakala Assets are insured at all times against total loss and expropriation in an amount at least equal to the Value of that Wakala Asset (the “**Insurance Coverage Amount**”) and that such insurance policies are maintained on a *Shariah*-compliant takaful basis and with reputable insurers in good financial standing; and
- (b) in the event of a total loss or expropriation of any such Wakala Assets, the insurance policies relating to such Wakala Assets provide for an amount at least equal to the Insurance Coverage Amount of the relevant Wakala Asset to be paid to the Wakeel to the Principal Collection Account in US Dollars by no later than close of business on the date falling sixty days after the occurrence of such total loss or expropriation.

Without prejudice to the requirements of the following paragraph, the Wakeel and the Trustee acknowledge that a failure by the Wakeel to comply with the obligations set out above shall not constitute a Dissolution Event and the sole remedy of the Trustee for any failure by the Wakeel to comply with the provisions set out above shall be to claim against the Wakeel for any Insurance Shortfall Amount pursuant to the following paragraph.



In the event that the relevant insurance company fails to pay the Insurance Coverage Amount relating to a Wakala Asset to the Wakeel, by crediting such amount to the Principal Collection Account, within sixty days of a total loss or expropriation of that Wakala Asset and the Wakeel is unable to unequivocally prove that it complied with all of its obligations set out above or where the Wakeel has failed to maintain or ensure the maintenance of any insurances over the Wakala Assets in breach of its obligations set out above:

- (a) the Wakeel acknowledges that it shall have failed to comply with its obligations set out above; and
- (b) the Wakeel irrevocably and unconditionally undertakes to pay in US Dollars on the 61st day after the occurrence of the total loss or expropriation, in same day funds (free and clear of any withholding or deduction or any set off or any counterclaim), an amount equal to the difference between the insurance proceeds credited to the Principal Collection Account and the Insurance Coverage Amount, in each case, in respect of the relevant Wakala Asset, directly into the Principal Collection Account (the “**Insurance Shortfall Amount**”).

The Wakeel will maintain, in relation to each Series, three book-entry ledger accounts (referred to as the “**Income Collection Account**”, the “**Principal Collection Account**” and the “**Reserve Account**”), each of which shall be denominated in the Specified Currency.

All Wakala Asset Revenues relating to a Series will be recorded as follows:

- (a) if any such amounts comprise Income Revenues, in the Income Collection Account; and
- (b) if any such amounts comprise Principal Revenues, in the Principal Collection Account.

The Wakeel will be entitled to deduct amounts standing to the credit of the Income Collection Account of each Series at any time during the relevant Wakala Ownership Period and to use such amounts for its own account, provided that any Income Revenues so deducted are re-credited to the Income Collection Account on or prior to each relevant Wakala Distribution Determination Date for the purposes of application by the Wakeel pursuant to the paragraph below.

In relation to each Series, amounts standing to the credit of the Income Collection Account will be applied by the Wakeel on the Business Day immediately preceding each Periodic Distribution Date (the “**Wakala Distribution Determination Date**”) in the following order of priority:

- (a) first, in payment into the Transaction Account an amount equal to the Required Amount payable on the Periodic Distribution Date falling one Business Day after such Wakala Distribution Determination Date;
- (b) second, in payment to the Wakeel on behalf of the Trustee of any Wakeel Liabilities Amounts for the Wakala Distribution Period ending on the immediately following Wakala Distribution Date and (if applicable) any Wakeel Liabilities Amounts for any previous period that remains unpaid;
- (c) third, in repayment to the Wakeel of any amounts advanced by it to the Trustee by way of a Liquidity Facility; and
- (d) fourth, to the Reserve Account.

If on the Business Day prior to a Periodic Distribution Date the amounts standing to the credit of the Income Collection Account are less than the relevant Required Amount, the Wakeel shall deduct amounts standing to the credit of the Reserve Account towards funding such shortfall and, if such amounts standing to the credit of the Reserve Account are insufficient for such purpose, the Wakeel may provide to the Trustee *Shariah*-compliant funding in an amount equal to the remaining shortfall (a “**Liquidity Facility**”) to ensure the Trustee receives the Required Amount on such Periodic Distribution Date to pay the relevant Periodic Distribution Amount, by paying the amounts so advanced into the Transaction Account on the

Business Day immediately preceding the relevant Periodic Distribution Date. Any Liquidity Facility shall be provided on terms that it is repayable from Income Revenues in accordance with paragraph (b) above or on the Dissolution Date.

The Wakeel will be entitled to deduct amounts standing to the credit of the Reserve Account at any time and use such amounts for its own account, provided that such amounts shall be immediately repaid by it if so required to fund any shortfall as described above. Following payment of all amounts due and payable under the Sukuk of a Series, the Wakeel shall be entitled to retain any amounts that remain standing to the credit of the Reserve Account for that Series for its own account as an incentive payment for acting as Wakeel.

The Wakeel shall use its best endeavours to keep detailed records of all movements in the Collection Accounts and Reserve Account for each Series and, if so requested and except to the extent it is under any duty or obligation imposed by applicable law or regulation to keep such information confidential, provide the Trustee with copies of such records and any other information or details in relation to the Collection Accounts and Reserve Account as the Trustee may request.

The Wakeel will agree in the Wakala Agreement (and except as provided herein) that all payments by it under the Wakala Agreement will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off or counterclaim of any kind and, if there is any deduction or withholding, the Wakeel shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Sukuk in accordance with Condition 10 (*Taxation*), the Wakeel will agree in the Wakala Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Sukuk is received by the Trustee. The payment obligations of the Wakeel under the Wakala Agreement will be direct, unsubordinated and unsecured obligations of the Wakeel and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Wakeel, present and future.

### **Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 28 November 2014 by Cagamas as obligor in favour of the Trustee and the Delegate and will be governed by English law.

Cagamas will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate to purchase and accept the transfer and conveyance of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets on the Scheduled Dissolution Date or any earlier due date for dissolution following the occurrence of a Dissolution Event, as the case may be, at the Exercise Price by entering into a sale agreement.

If the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an Exercise Notice will be required to be delivered by the Delegate under the Purchase Undertaking.

In relation to each Series, the Trustee will also be entitled to exercise the Purchase Undertaking following any exercise by the Sukukholders of their right to require the Trustee to redeem their Sukuk following the occurrence of a Change of Shareholding, in which case Cagamas will be required to purchase and accept the transfer and conveyance of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Wakala Assets not exceeding such proportion as is determined by dividing (i) the aggregate outstanding face amount of Sukuk to be redeemed pursuant to the exercise of the Change of Shareholding Put Right by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series, at the Change of Shareholding Exercise Price.

In relation to each Series, the Trustee will also be entitled to exercise the Purchase Undertaking following any exercise by the Sukukholders of their right to require the Trustee to redeem their Sukuk on a Sukukholder Put Right Date, in which case Cagamas will be required to purchase and accept the transfer and conveyance of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Wakala Assets not exceeding such proportion as is determined by dividing (i) the aggregate outstanding face amount of Sukuk to be redeemed pursuant to the exercise of the Sukukholder Put Right by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series, at the Sukukholder Put Right Exercise Price.

In relation to each Series, the Trustee will also be entitled to exercise the Purchase Undertaking if the Trustee has received notice, or otherwise become aware, of the occurrence of an Impaired Wakala Asset Event, in which case Cagamas shall purchase and accept the transfer and conveyance from the Trustee on the relevant Impaired Wakala Asset Exercise Date all of the Trustee's interests, rights, benefits and entitlements, present and future, in, to and under the relevant Impaired Wakala Assets:

- (a) against the transfer and conveyance to the Trustee of all of the Cagamas' interests, rights, title, benefits and entitlements, present and future, in, to and under certain New Assets; or
- (b) in the event that Cagamas does not have New Assets available for such purpose, payment of the Impaired Wakala Asset Exercise Price.

In relation to each Series, the Trustee will also be entitled to exercise the Purchase Undertaking following the occurrence of an Additional Wakala Asset Event, in which case Cagamas shall sell, transfer and convey to the Trustee on the relevant Additional Wakala Asset Date all of its interests, rights, benefits and entitlements, present and future, in, to and under certain New Assets against the payment by the Trustee of an amount equal to the Additional Wakala Asset Purchase Price.

Cagamas will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, Cagamas shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Sukuk in accordance with Condition 10 (*Taxation*), Cagamas will agree in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Sukuk is received by the Trustee. The payment obligations of Cagamas under the Purchase Undertaking will be direct, unsubordinated and unsecured obligations of Cagamas and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of Cagamas, present and future.

In the Purchase Undertaking, Cagamas will undertake to comply with all provisions of the Conditions and the Transaction Documents to which it is a party and which are expressed to be applicable to it including, without limitation the negative pledge provisions described in Condition 6.2 (*Negative Pledge*) and the use of proceeds provisions described in Condition 6.3 (*Use of Proceeds*).

Cagamas acknowledges and agrees that, where the proportion of a Wakala Asset as described above is less than the whole of that Wakala Asset, and without affecting the amount of the Exercise Price, Sukukholder Put Right Exercise Price or Change of Shareholding Exercise Price payable (as applicable), a sale agreement shall not be entered into in respect of part of that Wakala Asset and the possible sale, transfer and conveyance to Cagamas of such proportion of that Wakala Asset shall be deferred until the next Dissolution Date for the relevant Series provided that such proportion can be sold, transferred and conveyed as part of the relevant portfolio of Wakala Assets being sold, transferred and conveyed on that Dissolution Date.

## Sale Undertaking

The Sale Undertaking will be executed as a deed on 28 November 2014 by the Trustee in favour of Cagamas and will be governed by English law.

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to Cagamas the right:

- (a) on the conditions described in Condition 8.2 (*Early Dissolution for Taxation Reasons*), to require the Trustee to sell, transfer and convey to Cagamas on the Early Tax Dissolution Date all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Wakala Assets at the Exercise Price by executing a sale agreement;
- (b) if and to the extent that any Sukuk have been purchased and are to be cancelled pursuant to Condition 8.7 (*Purchases*) and 8.8 (*Cancellation*), to require the Trustee to sell, transfer and convey to Cagamas all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Wakala Assets not exceeding such proportion as is determined by dividing (i) the aggregate outstanding face amount of Sukuk to be cancelled pursuant to Condition 8.7 (*Purchases*) and Condition 8.8 (*Cancellation*) by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series by executing a sale agreement; and
- (c) provided that Optional Dissolution Right is specified as applicable in the applicable Pricing Supplement and Cagamas has exercised the Optional Dissolution Right in accordance with the Conditions, to require the Trustee to sell, transfer and convey to Cagamas all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Wakala Assets not exceeding such proportion as is determined by dividing (i) the aggregate outstanding face amount of Sukuk to be redeemed pursuant to the exercise of the Optional Dissolution Right by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series, at the Optional Dissolution Exercise Price by executing a sale agreement.

Cagamas acknowledges and agrees that, where the proportion of a Wakala Asset as described above is less than the whole of that Wakala Asset, and without affecting the amount of the Exercise Price or Optional Dissolution Exercise Price payable (as applicable), a sale agreement shall not be entered into in respect of part of that Wakala Asset and the possible sale, transfer and conveyance to Cagamas of such proportion of that Wakala Asset shall be deferred until the next Dissolution Date for the relevant Series provided that such proportion can be sold, transferred and conveyed as part of the relevant portfolio of Wakala Assets being sold, transferred and conveyed on that Dissolution Date.

Upon exercise of the rights granted to Cagamas under the Sale Undertaking and outlined in paragraphs (a) and (c) above, Cagamas will agree in the relevant Exercise Notice that it will make payment of the Exercise Price or Optional Dissolution Exercise Price (as applicable) in full made without any deduction or withholding for or on account of tax unless required by law and without set-off (except for an amount which represents Wakeel Liabilities Amounts and the Outstanding Liquidity Amount component of the Exercise Price or Optional Dissolution Exercise Price (as applicable) which shall be set off against the Wakeel Liabilities Amounts and Outstanding Liquidity Amounts payable to the Wakeel under the Wakala Agreement) or counterclaim of any kind and, in the event that there is any deduction or withholding, Cagamas shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

## **Substitution Undertaking**

The Substitution Undertaking will be executed as a deed on 28 November 2014 by the Trustee in favour of Cagamas and will be governed by English law.

Pursuant to the Substitution Undertaking, the Trustee will grant to Cagamas the right to require, from time to time at Cagamas' sole discretion, the Trustee to sell, transfer and convey all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under any or all of the Wakala Assets (the "**Substituted Assets**") to it in exchange for New Assets of a Value which is equal to or greater than the Value of the Substituted Assets, and provided that the New Assets are Eligible Wakala Assets. The substitution of the Substituted Assets with the New Assets will become effective on the date specified in the substitution notice to be delivered by Cagamas in accordance with the Substitution Undertaking, by the Trustee and Cagamas entering into a sale agreement. The New Assets and any Wakala Assets not replaced on the Substitution Date will constitute the Wakala Assets for the relevant Series for the purposes of the Wakala Agreement.

## **Master Murabaha Agreement**

In connection with each Series of Sukuk, the Trustee may desire to enter into a Commodity Murabaha Investment with Cagamas (in its capacity as the "**Buyer**") using a portion of the issue proceeds of the Series which is no more than 66 per cent. of the issue proceeds of that Series.

Pursuant to the Master Murabaha Agreement, the Trustee undertakes that, on receipt of a purchase order from the Buyer, the Trustee shall on the Issue Date for the relevant Series procure that the Commodity Trading Participant will enter into Purchase Transactions no later than 4.00pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date with Commodity Suppliers to purchase Commodities on a spot basis at the Commodity Purchase Price for and on behalf of the Trustee and notify the Trustee of the purchase of such Commodities.

Following the purchase of the Commodities by the Commodity Trading Participant for and on behalf of the Trustee and notification of such purchase by the Commodity Trading Participant to the Trustee, and provided that the Trustee (or the Commodity Trading Participant acting in its capacity as agent of the Trustee) has acquired title to, and possession of, the Commodities, the Trustee shall deliver no later than 4.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date a Letter of Offer and Acceptance to the Buyer indicating the Trustee's acceptance of the terms of the purchase order made by the Buyer and detailing the terms of the offer for the sale of the Commodities to the Buyer from the Trustee no later than the Issue Date.

Pursuant to the Master Murabaha Agreement, the Buyer irrevocably and unconditionally undertakes to accept the terms of, countersign and deliver to the Trustee any Letter of Offer and Acceptance delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the purchase order) purchase the Commodities acquired by the Trustee (or acquired by the Commodity Trading Participant acting in its capacity as agent of the Trustee), in each case no later than 5.30pm Kuala Lumpur time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date.

As soon as the Buyer has countersigned the Letter of Offer and Acceptance, a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Letter of Offer and Acceptance and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Trustee shall sell and the Buyer shall buy the Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.



The Buyer may following the purchase of the Commodities by the Buyer from the Trustee, and provided that the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.

In connection with each Murabaha Contract, the Buyer irrevocably and unconditionally undertakes in the Master Murabaha Agreement to pay the outstanding Deferred Sale Price in full to the Trustee on the Business Day falling immediately prior to the Scheduled Dissolution Date or on the Dissolution Event Redemption Date or on the Business Day prior to the Early Tax Dissolution Date, in each case, by crediting such amount to the Transaction Account no later than 10.00 am (London time) on such dates. The Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Sukuk in accordance with Condition 10 (*Taxation*), the Buyer will agree in the Master Murabaha Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Sukuk is received by the Trustee. The payment obligations of the Buyer under the Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

The Change of Shareholding Proportion or Sukukholder Put Right Proportion of the outstanding Deferred Sale Price shall be paid by the Buyer on the Business Day prior to a Change of Shareholding Put Right Date or on the Business Day prior to any relevant Sukukholder Put Right Date (as applicable) by crediting such amounts to the Transaction Account no later than 10.00 am (London time) on such dates.

In connection with each Murabaha Contract, the Trustee and the Buyer have agreed that the Cancellation Proportion of the outstanding Deferred Sale Price shall be deemed to be cancelled with effect from the Cancellation Date.

#### **The Master Trust Deed, as supplemented by each Supplemental Trust Deed**

The Master Trust Deed will be entered into on 28 November 2014 between the Trustee, the Obligor and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Series of Sukuk and will also be governed by English law.

Upon issue of the Global Certificate initially representing the Sukuk of any Series, the Master Trust Deed and the relevant Supplemental Trust Deed shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Sukuk comprise (unless otherwise specified in the relevant Supplemental Trust Deed), amongst other things, the cash proceeds of the issue of the Sukuk, the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Sukuk Assets from time to time (other than in relation to any representations given by the Obligor to the Trustee and/or the Delegate under any documents constituting the Sukuk Assets from time to time) and any amounts standing to the credit of the relevant Transaction Account, as more particularly described in Condition 5.1 (*Trust Assets*).



Pursuant to the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Trustee will, in relation to each Series of Sukuk, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Sukuk as beneficiaries in respect of that Series only; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed.

The Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities and discretions vested in the Trustee by the Master Trust Deed that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to (i) exercise all of the rights of the Trustee under the Purchase Undertaking, the Master Murabaha Agreement (if applicable to a Series) and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed. The appointment of such delegate is intended to be in the interests of the Sukukholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Trust Deed will specify that the rights of recourse in respect of Sukuk shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Sukukholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account will be established in respect of each Series of Sukuk. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise revenues from the Wakala Assets other than in the nature of sale, capital or principal payments, and amounts of the Deferred Sale Price paid by the Obligor pursuant to a Commodity Murabaha Investment (see "*Summary of the Principal Transaction Documents – Wakala Agreement*" and "*Summary of the Principal Transaction Documents – Master Murabaha Agreement*"). The Master Trust Deed provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 5.2 (*Application of Proceeds from Trust Assets*).

## **Defined Terms**

**"Additional Wakala Asset Date"** means the date specified as such in an Additional Wakala Asset Exercise Notice;

**"Additional Wakala Asset Event"** means at any time the Obligor has Eligible Wakala Assets available for sale to the Trustee and there are either Principal Revenues standing to the credit of the Principal Collection Account or *Shariah*-Compliant Investments which can be liquidated, in each case, for the purposes of purchasing such Eligible Wakala Assets;

**"Additional Wakala Asset Exercise Notice"** means a notice substantially in the form set out in Schedule 3 (*Form of Additional Wakala Asset Exercise Notice*) of the Purchase Undertaking;

**"Additional Wakala Asset Purchase Price"** means the amount specified as such in an Additional Wakala Asset Exercise Notice which shall be no greater than the Value of the New Asset(s) specified in such Additional Wakala Asset Exercise Notice;

**"Adverse Claim"** means any claim of ownership or any other right or claim of any person other than as a result of having the benefit of, or otherwise enforcing, an Encumbrance over the relevant asset;

**“Asset Based Financing”** means:

- (a) financing contracts where a lessor leases a property to a lessee and in respect of which regular payments are due from the lessee together with the beneficial ownership interest in the underlying property and all rights to receive payments thereunder; and
- (b) financing contracts where an obligor enters into a partnership (*musharakah*) with another party in order to acquire an asset and that asset is subsequently leased by the partnership to the obligor in return for regular payments together with the beneficial ownership interest in the underlying asset and all rights to receive payments thereunder,

and, in each case, which have been acquired by the Seller;

**“BCH System”** means the Bursa Commodity House System, established, owned and operated by BMIS which provides the automated and computerised electronic trading system to carry out trades on the Market;

**“BMIS”** means Bursa Malaysia Islamic Services Sdn Bhd (formerly known as BMIS Sdn Bhd) (Company No. 853675-M), a company established under the Malaysian Companies Act 1965, which operates the BCH System, and includes its successors in title, assigns and such other entities into which it is merged or amalgamated or to which its business or undertaking are transferred from time to time;

**“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;

**“Cancellation Date”** has the meaning given to it in the Sale Undertaking;

**“Cancellation Proportion”** means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate face amount of the Cancelled Sukuk by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series;

**“Cancelled Sukuk”** has the meaning given to it in the Sale Undertaking;

**“Change of Shareholding Exercise Price”** means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Sukuk being redeemed pursuant to the Change of Shareholding Put Right for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Sukuk being redeemed; plus

- (c) if all of the Sukuk of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus
- (d) if all of the Sukuk of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Change of Shareholding Put Right Date); plus
- (e) any other amounts payable in relation to the Sukuk being redeemed on the exercise of the Change of Shareholding Put Right as specified in the applicable Pricing Supplement;

less

- (f) if a Commodity Murabaha Investment forms part of the relevant Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.4 of the Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Sukuk being redeemed following exercise of the Change of Shareholding Put Right;

**“Change of Shareholding Proportion”** means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate outstanding face amount of the Sukuk being redeemed pursuant to the Change of Shareholding Put Right by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series;

**“Commodities”** means any *Shariah*-compliant commodities that are traded on the Market (excluding gold and silver);

**“Commodity Murabaha Investment”** means, in relation to a Series, the sale of certain Commodities by the Trustee to the Buyer, which Commodities were initially purchased by the Trustee (through the Commodity Trading Participant) using a proportion of the proceeds of the issue of the Sukuk, pursuant to the Master Murabaha Agreement and having the terms set out in the relevant Murabaha Contract;

**“Commodity Purchase Price”** means, in relation to each Series and the corresponding Murabaha Contract and Purchase Transaction, the aggregate amount payable in the Specified Currency to the relevant Commodity Supplier by or on behalf of the Trustee for the purchase of the Commodities from the relevant Commodity Supplier by the Trustee, specified as such in the relevant Purchase Transaction Authorisation Letter and Purchase Order and which amount shall be equal to the relevant Murabaha Investment Amount;

**“Commodity Supplier”** means a person for the time being admitted as a participant of BMIS, who supplies the Commodities on the Market and whose functions include those referred to in Rule 302.2 of the Rules;

**“Commodity Trading Participant”** means Cagamas in its capacity as commodity trading participant under the Master Murabaha Agreement;

**“Deferred Sale Price”** means, in relation to a Murabaha Contract, the aggregate of the applicable Commodity Purchase Price and Murabaha Profit and specified as such in the Letter of Offer and Acceptance and Purchase Order;

**“Eligibility Criteria”** in respect of any Wakala Assets shall be satisfied if the relevant Wakala Asset is an asset:

- (a) which constitutes legal, valid, binding and enforceable obligations of the obligor thereof in the jurisdiction in which such obligor is located and, in the case of an Asset Based Financing, in the jurisdiction in which the related asset in respect of such Asset Based Financing is located;
- (b) in respect of which no additional steps are required to be undertaken by the Seller in order to make any amounts due under and in respect thereof payable to the Purchaser;
- (c) in respect of which the Seller is entitled to receive all payments or proceeds of sale (as the case may be);
- (d) which was originated and/or acquired by the Seller in a manner consistent with its usual credit and origination and/or investment policies;
- (e) which is free from any adverse interest (other than any Encumbrance) which may affect the rights of the Purchaser thereto or in respect of any payments to be made thereunder or in respect thereof;
- (f) in respect of which there has not occurred any event of default or analogous event nor any event which is subsisting and which, following the giving of any applicable notice and/or the lapse of any applicable grace period and/or the making of any determination and/or the giving of any certificate, would constitute an event of default or analogous event under any relevant documentation; and
- (g) which is capable of being transferred to the Purchaser by the Seller in accordance with the terms set out in the Master Purchase Agreement and which does not and will not contravene any applicable law, rule or regulation;

**“Eligible Wakala Asset”** means Asset Based Financings and Qualifying Sukuk which comply with the Eligibility Criteria;

**“Encumbrance”** means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect;

**“Exercise Notice”** means:

- (a) in connection with the Purchase Undertaking, a notice substantially in the form set out in Schedule 1 (*Form of Exercise Notice*) of the Purchase Undertaking; and
- (b) in connection with the Sale Undertaking, a notice substantially in the form set out in Schedule 1 (*Form of Exercise Notice*) of the Sale Undertaking;

**“Exercise Price”** means, in relation to each Series, the aggregate of:

- (a) the aggregate face amount of Sukuk then outstanding for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Sukuk; plus
- (c) an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus
- (d) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Dissolution Event Redemption Date or Scheduled Dissolution Date (as the case may be)); plus

(e) any other amounts payable on redemption of the Sukuk as specified in the applicable Pricing Supplement;

less

(f) if a Commodity Murabaha Investment forms part of the relevant Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Sukuk;

**“Expected Income Revenues Amount”** means, in relation to each Series, the amount specified as such in the Wakala Investment Plan;

**“First Wakala Distribution Date”** means, in relation to each Series, the date specified as such in the relevant Wakala Investment Plan;

**“Impaired Wakala Asset”** means the Wakala Assets in respect of which an Impaired Wakala Asset Event has occurred and specified as such in an Impaired Wakala Asset Exercise Notice;

**“Impaired Wakala Asset Event”** has the meaning given to it in *“Summary of the Principal Transaction Documents – Wakala Agreement”*;

**“Impaired Wakala Asset Exercise Date”** means the date specified as such in an Impaired Wakala Asset Exercise Notice;

**“Impaired Wakala Asset Exercise Notice”** means a notice substantially in the form set out in Schedule 2 (*Form of Impaired Wakala Asset Exercise Notice*) of the Purchase Undertaking;

**“Impaired Wakala Asset Exercise Price”** means the amount specified as such in an Impaired Wakala Asset Exercise Notice which shall be no less than the Value of the Impaired Wakala Asset(s) specified in such Impaired Wakala Asset Exercise Notice;

**“Income Revenues”** means, in relation to a Series, all revenues in respect of the relevant Wakala Assets other than Principal Revenues;

**“Issue Date”** has the meaning given to in the applicable Pricing Supplement;

**“Letter of Offer and Acceptance”** means the letter to be issued by the Trustee to the Buyer substantially in the form set out in Schedule 3 (*Form of Letter of Offer and Acceptance*) of the Master Murabaha Agreement;

**“Market”** means the commodity market operated by BMIS for the trading of commodities;

**“Murabaha Contract”** means an individual contract for the sale of Commodities at a deferred sale price and made pursuant to the Wakala Agreement by the delivery of a Letter of Offer and Acceptance by the Trustee to the Buyer and the subsequent countersignature of such Letter of Offer and Acceptance by the Buyer in accordance with the terms of the Master Murabaha Agreement;

**“Murabaha Investment Amount”** means, in relation to a Series, the relevant proportion of the proceeds of the issue of the Sukuk of that Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Master Murabaha Agreement and specified as such in the applicable Pricing Supplement;

**“Murabaha Profit”** means, in relation to each Series and the corresponding Murabaha Contract, an amount equal to the Aggregate Face Amount of the Sukuk of that Series multiplied by one per cent. (1%);

“**New Assets**” means Eligible Wakala Assets specified as such in a New Asset Sale Agreement, the identity of which shall be determined by the Obligor in its sole and absolute discretion subject to the terms of the Purchase Undertaking or Sale Undertaking (as applicable);

“**New Asset Sale Agreement**” means an agreement substantially in the form set out in Schedule 5 of the Purchase Undertaking;

“**Optional Dissolution Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Optional Dissolution Sukuk; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Optional Dissolution Sukuk; plus
- (c) if all of the Sukuk of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus
- (d) if all of the Sukuk of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Optional Dissolution Date); plus
- (e) any other amounts payable in relation to the Sukuk being redeemed on the exercise of the Optional Dissolution Right as specified in the applicable Pricing Supplement;

less

- (f) if a Commodity Murabaha Investment forms part of the relevant Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.6 of the Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Sukuk being redeemed following exercise of the Optional Dissolution Right;

“**Optional Dissolution Proportion**” means such proportion of the relevant Deferred Sale Price as is determined by dividing (i) the aggregate outstanding face amount of the Sukuk being redeemed pursuant to the Optional Dissolution Right by (ii) the aggregate outstanding face amount of the Sukuk of the relevant Series;

“**Outstanding Liquidity Amount**” means, in relation to each Series, the amount (if any) of funding provided under a liquidity facility pursuant to the terms of the Wakala Agreement for the relevant Series and which has not been repaid in accordance with the provisions of the Wakala Agreement;

“**Pricing Supplement**” means, in relation to each Series, the pricing supplement of that Series as completed by the Trustee at the time of issue of the Series;

“**Principal Revenues**” means, in relation to a Series, all revenues in respect of the relevant Wakala Assets which comprise amounts in the nature of sale, capital or principal payments (including, without limitation, any total loss and expropriation related insurance proceeds and indemnity payments) and including any amounts payable by the Wakeel under certain provisions of the Wakala Agreement and amounts in respect of payments of Impaired Wakala Asset Exercise Prices;

“**Priority Amounts**” means any amounts described in Condition 5.2(a) and/or 5.2(b);



“**Purchase Order**” means the purchase order to be delivered by the Buyer to the Trustee substantially in the form set out in Schedule 1 (*Form of Purchase Order*) of the Master Murabaha Agreement;

“**Purchase Transaction**” means an agreement between the Commodity Trading Participant and one or more Commodity Suppliers for the spot purchase of Commodities through the BCH System;

“**Purchase Transaction Authorisation Letter**” means the letter to be delivered to the Commodity Trading Participant by the Trustee for the purchase of Commodities from one or more Commodity Suppliers, substantially in the form set out in Schedule 2 (*Form of Purchase Transaction Authorisation Letter*) of the Master Murabaha Agreement;

“**Qualifying Sukuk**” means sukuk that are based on either an ijara or wakala bil istithmar structure, in each case having at least 33 per cent. underlying tangible assets and which are owned by the Seller;

“**Required Amount**” means, in relation to each Series and each relevant Periodic Distribution Date, an amount equal to the Periodic Distribution Amount payable on the relevant Periodic Distribution Date;

“**Sale Agreement**” means a sale agreement in the form set out in the relevant schedules of the Purchase Undertaking, Sale Undertaking and Substitution Undertaking;

“**Shariah-Compliant Investment**” means any investment deposit with a *Shariah*-compliant financial institution or investments which are structured to comply with *Shariah* (and are not based on *bai al-bithaman ajil*, *bai al-dayn*, or parallel *istisna*’ instruments);

“**Substituted Assets**” means any or all of the Wakala Assets specified as such in a Substitution Notice;

“**Substitution Notice**” means, in relation to a Series, a notice substantially in the form set out in Schedule 1 (*Form of Substitution Notice*) of the Sale Undertaking;

“**Sukuk Assets**” means, in relation to each Series, the Wakala Assets and the Commodity Murabaha Investment (if any) in respect of that Series;

“**Sukukholder Put Right Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Sukuk being redeemed pursuant to the Sukukholder Put Right for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Sukuk being redeemed; plus
- (c) if all of the Sukuk of a Series are being redeemed, an amount equal to the Outstanding Liquidity Amount (if any) relating to such Series; plus
- (d) if all of the Sukuk of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Wakeel Liabilities Amounts and any other Priority Amounts which remain outstanding as at the Sukukholder Put Right Date); plus
- (e) any other amounts payable in relation to the Sukuk being redeemed on the exercise of the Sukukholder Put Right as specified in the applicable Pricing Supplement;

less

- (f) if a Commodity Murabaha Investment forms part of the relevant Series, all amounts in respect of the Deferred Sale Price which have been paid into the Transaction Account in accordance with clause 8.1.5 of the Master Murabaha Agreement and which remain available to pay a proportion of the aggregate amounts payable on redemption of the Sukuk being redeemed following exercise of the Sukukholder Put Right;

**“Supplemental Purchase Agreement”** means, in respect of a Series, an agreement substantially in the form set out in Schedule 1 of the Master Purchase Agreement;

**“Taxes”** means any tax, levy, impost, duty or other charge or withholding of a similar nature;

**“Value”** means, on any date, the amount in the Specified Currency determined by the Wakeel on the relevant date as being equal to, in respect of:

- (a) the Sukuk Assets, the aggregate of (i) the Value (as determined in accordance with paragraphs (b) to (f) of this definition) of each Wakala Asset and (ii) the Value (as determined in accordance with paragraph (g) of this definition) of the Commodity Murabaha Investment (if any);
- (b) an Asset Based Financing the aggregate of all outstanding amounts payable by the lessee or the obligor in respect of the relevant asset and under the contractual arrangements relating to the relevant asset, on or after the relevant date;
- (c) a Qualifying Sukuk, the aggregate of the outstanding amounts payable on or after the relevant date in respect of such Qualifying Sukuk;
- (d) any Principal Revenues, the amount of such Principal Revenues held by the Wakeel on the relevant date;
- (e) any *Shariah*-Compliant Investments, the aggregate amount of cash held on deposit on the relevant date or (in the case of an investment product) the net asset value of the relevant investment as notified to the Wakeel by the provider of the relevant investment product; and
- (f) a Commodity Murabaha Investment, the aggregate of all outstanding amounts of Deferred Sale Price remaining to be paid in respect of such Commodity Murabaha Investment on or after the relevant date,

and for such purposes, any amounts not expressed in the Specified Currency shall be converted (for the purposes of this determination only) into the Specified Currency at the Wakala Exchange Rate;

**“Wakala Assets”** means, in relation to each Series:

- (a) the Initial Wakala Assets related to that Series;
- (b) any Eligible Wakala Assets acquired by the Trustee or on the Trustee’s behalf in accordance with the terms of the Wakala Agreement, the Substitution Undertaking or the Purchase Undertaking;
- (c) the Principal Revenues from time to time; and
- (d) the *Shariah*-Compliant Investments from time to time;

but excluding any Wakala Asset that has been substituted, sold or transferred and conveyed to Cagamas in accordance with the terms of the Wakala Agreement, the Sale Undertaking, the Purchase Undertaking or the Substitution Undertaking;

“**Wakala Asset Obligor**” means the entity or entities obliged to make payments in respect of a Wakala Asset in accordance with applicable laws and the terms of the Wakala Asset;

“**Wakala Asset Revenues**” means, in relation to a Series, all Income Revenues and all Principal Revenues relevant to that Series;

“**Wakala Distribution Determination Date**” means, in relation to a Series, the Business Day immediately preceding each Wakala Distribution Date;

“**Wakala Distribution Period**” means, in relation to a Series, the period beginning on (and including) the Issue Date and ending on (but excluding) the First Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date;

“**Wakala Exchange Rate**” means, in the case of any amount in respect of a Wakala Asset, Eligible Wakala Asset or Commodity Murabaha Investment that is in a currency (the “**Asset Currency**”) other than the Specified Currency, the spot rate of exchange at which the Wakeel is able to purchase the Specified Currency with such amount of the Asset Currency on the date on which the Asset Currency is required to be exchanged into the Specified Currency in accordance with the relevant Transaction Document or the date on which the Value of an Eligible Wakala Asset or Wakala Asset is to be determined (or, if it was not practicable to make such purchase on such date, on the immediately following date on which it would have been so practicable), without taking into account any premium or other costs of exchange;

“**Wakala Investment Plan**” means, in relation to a Series, the investment plan substantially in the form set out in Schedule 1 (*Wakala Investment Plan*) of the Wakala Agreement; and

“**Wakeel Liabilities Amount**” means, in relation to each Series and each corresponding Wakala Distribution Determination Date, the amount of any claims, losses, costs and expenses properly incurred or suffered by the Wakeel or other payments made by the Wakeel on behalf of the Trustee, in each case in providing the Wakala Services during the Wakala Distribution Period ending on such Wakala Distribution Determination Date, but, for the avoidance of doubt, does not include any amount due to the Wakeel under the Wakala Agreement in respect of any Liquidity Facility.

## TAXATION

### MALAYSIA

All payments by the Trustee in respect of the Sukuk shall be made free and clear of, and without withholding or deduction for or on account of any present or future tax, duty or charge of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Sukukholders 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 Sukuk:

- (a) to or on behalf of a Sukukholder who is treated as a resident of Malaysia or a permanent establishment in Malaysia for tax purposes;
- (b) to or on behalf of a Sukukholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Sukuk by reason of his having some connection with Malaysia other than a mere holding of such Sukuk; and
- (c) presented for payment by or on behalf of a Sukukholder who would not be liable or subject to such withholding or deduction by making a declaration of residence in Malaysia or other similar claim for exemption to the relevant tax authority and has failed to do so within the time prescribed by law or at all.

Under paragraph 33B of Schedule 6 of the Income Tax Act, 1967 of Malaysia (the “**Income Tax Act**”), the profit paid by the Trustee on the Sukuk to any person, whether Malaysian resident or non-Malaysian resident is exempt from income tax.

### 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 Sukuk or the Trustee**

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 Sukuk (including secondary market transactions) in certain circumstances. The issuance and subscription of Sukuk 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 Sukuk 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 Sukuk.

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 Sukuk 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 Trustee (a “**Recalcitrant Holder**”). The Trustee 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 Sukuk 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 Sukuk characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Sukuk are issued on or before the grandfathering date, and additional Sukuk of the same series are issued after that date, the additional Sukuk may not be treated as grandfathered, which may have negative consequences for the existing Sukuk, 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 Trustee becomes a Participating FFI under FATCA, the Trustee and financial institutions through which payments on the Sukuk are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Sukuk 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 Sukuk 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 Sukuk by the Trustee, Cagamas and any paying agent, given that each of the entities in the payment chain between the Trustee 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 Sukuk. The documentation expressly contemplates the possibility that the Sukuk 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 Sukuk 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 Trustee and to payments they may receive in connection with the Sukuk.**

**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 28 November 2014, agreed with the Trustee and Cagamas a basis upon which they or any of them may from time to time agree to purchase Sukuk. Any such agreement will extend to those matters stated under “*Form of the Sukuk*” and “*Terms and Conditions of the Sukuk*”. The Trustee (failing which, Cagamas) will pay each Relevant Dealer a commission as agreed between them in respect of Sukuk subscribed by it. The Trustee (failing which, Cagamas) 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 Trustee may also, in connection with each Series of Sukuk issued under the Programme, agree with the Relevant Dealers that private banks be paid a rebate in connection with the purchase of such Series of Sukuk by their private bank clients, which rebate may be deducted from the purchase price for the Sukuk payable by such private banks upon settlement.

The Trustee and Cagamas have jointly and severally agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Sukuk. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Sukuk in certain circumstances prior to payment for such Sukuk being made to the Trustee.

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 Series of Sukuk issued under the Programme, the Dealers or certain of their affiliates may purchase Sukuk and be allocated Sukuk 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 Sukuk and/or other securities of the Trustee, Cagamas or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of Sukuk or in secondary market transactions. Such transactions, investments and securities activities may involve securities and instruments of the Trustee or its subsidiaries, including Sukuk issued under the Programme, may be entered into at the same time or proximate to offers and sales of Sukuk or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Sukuk. As a result of such transactions, a Dealer or its affiliates may hold long or short positions relating to the Sukuk. 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 Trustee 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 Trustee, Cagamas or their affiliates in the ordinary course of their business. Each Dealer or its affiliates may also purchase Sukuk for asset management and/or proprietary purposes but not with a view to distribution or may hold Sukuk 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 Sukuk. 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 Sukuk.

## **Selling Restrictions**

### *United States of America*

The Sukuk have not been and will not be registered under the Securities Act nor any state securities law and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Sukuk, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Sukuk comprising the relevant Series, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Sukuk to or through more than one Dealer, by each of such Dealers as to the Sukuk of such Series purchased by or through it, in which case the Principal Paying Agent or the Trustee 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 Sukuk during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Sukuk within the United States or to, or for the account or benefit of, U.S. persons.

Each Dealer has represented, warranted and agreed, and each Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and that it will not offer, sell or deliver any Sukuk (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the Relevant Dealer or, in the case of an issue of Sukuk on a syndicated basis, the relevant lead manager, of all Sukuk of the Series of which such Sukuk are a part (the “**distribution compliance period**”), within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Sukuk during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Sukuk within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Sukuk. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Sukuk, an offer or sale of Sukuk within the United States by any dealer that is not participating in the offering of the Sukuk may violate the registration requirements of the Securities Act. Each purchaser of any Sukuk and each subsequent purchaser of such Sukuk in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Sukuk will be deemed to have represented, warranted, agreed and acknowledged that:

- (a) it is, or at the time the Sukuk are purchased will be, the beneficial holder of such Sukuk and it has acquired the Sukuk in an offshore transaction (within the meaning of Regulation S); and
- (b) it understands that the Sukuk have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Sukuk except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

### ***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 Sukuk 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 Sukuk 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 Trustee 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 Sukuk referred to in (a) to (c) above shall require the Trustee 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 Sukuk to the public**” in relation to 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 Sukuk to be offered so as to enable an investor to decide to purchase or subscribe the Sukuk, 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 Sukuk 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 Sukuk other than to persons:
    - (1) 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
    - (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses,where the issue of the Sukuk would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Trustee;
- (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 Sukuk in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Cagamas; 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 Sukuk in, from or otherwise involving the United Kingdom.

### *Japan*

The Sukuk 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 Sukuk, 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.

### *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 Sukuk 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 Sukuk 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 preliminary global rating of  $gA_2(s)$  by RAM Rating Services Berhad.

Prospective investors should note that residents of Malaysia may be required to obtain regulatory approvals including approval from the BNM to purchase the Sukuk. The onus is on the residents of Malaysia concerned to obtain such regulatory approvals and none of the Dealers or the Trustee or Cagamas is responsible for any invitation, offer, sale or purchase of the Sukuk as aforesaid without the necessary approvals being in place.

### *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 Sukuk or caused such Sukuk to be made the subject of an invitation for subscription or purchase and will not offer or sell such Sukuk or cause such Sukuk 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 Sukuk, 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 Sukuk 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 Sukuk 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.

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*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 Sukuk may not be circulated or distributed, nor may the Sukuk 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.

### ***Hong Kong***

In relation to each Series of Sukuk to be issued by the Trustee 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 Sukuk other than: (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under the SFO; or (iii) 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 Sukuk, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Sukuk which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the SFO and any rules made under the SFO.



### ***People's Republic of China***

Each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Sukuk will not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan) ("**PRC**"). This Offering Circular or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Offering Circular, any information contained herein or the Sukuk have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Sukuk in the PRC.

The Sukuk may only be invested in by PRC investors that are authorised to engage in the investment in the Sukuk of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

### ***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Sukuk to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### ***Dubai International Financial Centre***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Sukuk to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority (the "**DFSA**"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

### ***Kingdom of Saudi Arabia***

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Sukuk. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Sukuk pursuant to an offering should note that the offer of Sukuk is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the activity of arranging securities and following a notification to the CMA under the KSA Regulations. The Sukuk may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Sukuk to a Saudi Investor will be made in compliance with the KSA Regulations.



### ***Kingdom of Bahrain***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Sukuk except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### ***State of Qatar (excluding the Qatar Financial Centre)***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Sukuk in the State of Qatar, except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

### **General**

None of the Trustee, Cagamas or the Dealers represents that Sukuk 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 Trustee 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 Sukuk 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 Sukuk, 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 Trustee, Cagamas 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 Trustee, Cagamas 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 Sukuk issued under the Programme and approval-in-principle has been received from the SGX-ST for permission to deal in, and quotation of, any Sukuk 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 Sukuk to the LFX and the Official List of the SGX-ST are not to be taken as an indication of the merits of the Trustee, Cagamas, the Programme or the Sukuk. Unlisted Sukuk may be issued under the Programme.

The applicable Pricing Supplement in respect of any Series will specify whether or not such Sukuk will be listed and, if so, on which exchange(s) the Sukuk are to be listed. For so long as any Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, the Sukuk 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 Sukuk are listed on the SGX-ST and the rules of the SGX-ST so require, the Trustee is to appoint and maintain a paying agent in Singapore, where the Sukuk may be presented or surrendered for payment or redemption, in the event that the Global Certificate(s) representing such Sukuk are exchanged for definitive Sukuk. 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 Sukuk, including details of the paying agent in Singapore.

### 2. Authorisation

The establishment of the Programme and the issue of the Sukuk thereunder were authorised by a resolution of the board of directors of the Trustee passed on 25 June 2014 and by a resolution of the board of directors of Cagamas passed on 26 May 2014. Each of the Trustee and Cagamas has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Sukuk.

### 3. Legal and Arbitration Proceedings

None of the Trustee, Cagamas 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 Trustee or Cagamas 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 Trustee, Cagamas 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 Trustee, Cagamas and the Group.

### 5. Auditors

PricewaterhouseCoopers, Cagamas' independent auditors, have audited, and rendered an unqualified audit report on, the financial statements of Cagamas 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, Sundays and public holidays excepted) at the Specified Offices of the Trustee and the Principal Paying Agent for so long as the Sukuk are capable of being issued under the Programme:

- (i) the memorandum and articles of association of the Trustee and Cagamas;
- (ii) the audited financial statements of Cagamas for the financial years ended 31 December 2013 and 31 December 2012;
- (iii) the unaudited and unreviewed financial statements of Cagamas 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 Trustee or Cagamas;
- (v) each Pricing Supplement (save that a Pricing Supplement relating to a Sukuk 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 Sukuk and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of Sukuk and identity);
- (vi) a copy of this Offering Circular, together with any supplement to this Offering Circular; and
- (vii) each Transaction Document.

## 7. Clearing of the Sukuk

The Sukuk may be accepted for clearance through Euroclear and Clearstream, Luxembourg and the CMU Service, CDP and/or any relevant Alternative Clearing System. The appropriate common code and the International Securities Identification Number in relation to the Sukuk of each Series will be specified in the applicable Pricing Supplement. The applicable Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Sukuk for clearance together with any further appropriate information.

## 8. Conflict of Interest Situations

### (i) 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 Joint Principal Adviser in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. CIMB Bank Berhad (“**CIMB Bank**”) holds 16.5% of the shareholding in Cagamas Holdings as of 30 September 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 an executive director and chief executive officer (“**CEO**”) of CIMB and is the acting Group CEO of CIMB Group Holdings Berhad (“**CIMB Holdings**”).

CIMB Holdings, CIMB and CIMB Bank are entities within the same group of companies. CIMB Holdings is the ultimate holding company of CIMB and CIMB Bank.

In view of the above, there may be a potential conflict of interest arising from CIMB in its capacity as 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 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 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 Financial Services Act 2013 (the “FSA”) and the CMSA 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.

(ii) **CIMB Bank (L)**

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB Bank (L) confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as Arranger and Dealer in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which is, in turn, wholly-owned by Cagamas Holdings. CIMB Bank holds 16.5% of the shareholding in Cagamas Holdings as of 30 September 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 an executive director and CEO of CIMB and is the acting Group CEO of CIMB Holdings.

CIMB Holdings, CIMB Bank (L), CIMB and CIMB Bank are entities within the same group of companies. CIMB Bank (L) is wholly-owned by CIMB Bank. CIMB Holdings is the ultimate holding company of CIMB Bank (L), CIMB and CIMB Bank.

In view of the above, there may be a potential conflict-of-interest arising from CIMB Bank (L) in its capacity as Arranger and Dealer in relation to the Programme.

CIMB Bank (L) has considered the factors involved and it believes that objectivity and independence in carrying out its role as 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 Bank (L) will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB Bank (L) in its capacity as Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and
- (b) the conduct of CIMB Bank (L) is regulated strictly by the Labuan Financial Services and Securities Act 2010 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 Islamic**

As at the date hereof and after making enquiries as were reasonable in the circumstances, CIMB Islamic 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, Joint Shariah Adviser in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor, which is in turn, wholly-owned by Cagamas Holdings. CIMB Bank holds 16.5% of the shareholding in the Obligor as of 30 September 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 an executive director and CEO of CIMB and is the acting CEO of CIMB Holdings.

CIMB Holdings, CIMB Islamic, CIMB and CIMB Bank are entities within the same group of companies. CIMB Islamic is wholly-owned by CIMB Bank. CIMB Holdings is the ultimate holding company of CIMB Islamic, CIMB and CIMB Bank.

In view of the above, there may be a potential conflict-of-interest in CIMB Islamic's capacity as Joint Shariah Adviser in relation to the Programme.

CIMB Islamic has considered the factors involved and it believes that objectivity and independence in carrying out its roles as Joint Shariah Adviser in relation to the Programme, have been and will be maintained at all times for the following reasons:

- (a) CIMB Islamic is a licensed Islamic bank and its appointment as Joint Shariah Adviser in relation to the Programme is in the ordinary course of its business;
- (b) the roles of CIMB Islamic will be governed by the relevant agreements and documentations which shall clearly set out the rights, duties and responsibilities of CIMB Islamic in its capacity as Joint Shariah Adviser in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) the conduct of CIMB Islamic is regulated strictly by the Islamic Financial Services Act ("IFSA") 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) **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, amongst others, Joint Principal Adviser, Arranger and Joint Shariah Adviser in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. HSBC Bank Malaysia Berhad (“**HSBC Bank**”) holds 4.1% of the shareholding in Cagamas Holdings as of 30 September 2014.

HSBC is wholly-owned by HSBC Bank.

In view of the above, there may be a potential conflict-of-interest arising from HSBC in its capacity as Joint Principal Adviser, Arranger and Joint Shariah Adviser in relation to the Programme.

HSBC has considered the factors involved and it believes that objectivity and independence in carrying out its roles as Joint Principal Adviser, Arranger and Joint Shariah Adviser in relation to the Programme, have been and will be maintained at all times for the following reasons:

- (a) HSBC is a licensed Islamic bank and its appointment as, amongst others, Joint Principal Adviser, Arranger and Joint Shariah Adviser in relation to the Programme is in the ordinary course of its business;
- (b) the roles 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, amongst others, Joint Principal Adviser, Arranger and Joint Shariah 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 IFSA and the CMSA 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 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, amongst others, Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent and the Paying Agent and the Principal Paying Agent in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. HSBC Bank Malaysia Berhad (“**HSBC Bank**”) holds 4.1% of the shareholding in Cagamas Holdings as of 30 September 2014.

HSBC Bank 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 Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent and the Paying Agent and the Principal Paying Agent 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 Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent and the Paying Agent and the Principal Paying Agent 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 Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent and the Paying Agent and the Principal Paying Agent 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 Dealer, the Delegate, the Transfer Agent, the Registrar, the Principal Paying Agent, the Calculation Agent and the Paying Agent and the Principal Paying Agent 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.

(vi) **RHB**

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, Arranger and Dealer in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. RHB and RHB Bank Berhad collectively hold 8.6% of the shareholding in Cagamas Holdings as of 30 September 2014.

RHB and RHB Bank Berhad are entities within the same group of companies as both 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 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 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, 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, 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 the CMSA 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) **SCB**

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, Arranger and Dealer in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which, in turn, is a wholly-owned subsidiary of Cagamas Holdings. Standard Chartered Bank Malaysia Berhad (“**SCB Malaysia**”) holds 3.1% of the shareholding in Cagamas Holdings as of 30 September 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 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 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, 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, Arranger and Dealer in relation to the Programme and shall be carried out on an arms-length basis; and
- (c) SCB is a firm authorised by Prudential Regulation Authority of the United Kingdom and regulated by the Financial Conduct Authority and the Prudential Regulation Authority of the United Kingdom and also 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) **AIBB**

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 Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. AIBB and AmBank (M) Berhad (“**AmBank**”) collectively hold 8.0% of the shareholding in Cagamas Holdings as of 30 September 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 September 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 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 BNM 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 FSA and the IFSA respectively and by their own internal controls and checks and balances and they had entered into the abovementioned transactions with the Obligor 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.

(ix) **DB**

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, Dealer in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Deutsche Bank (Malaysia) Berhad holds 0.2% of the shareholding in Cagamas Holdings as of 30 September 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 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 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, 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, 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 (MAS) 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) **Maybank IB**

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, Dealer in relation to the Programme other than as highlighted below.

The Trustee is wholly-owned by the Obligor which is, in turn, a wholly-owned subsidiary of Cagamas Holdings. Maybank IB and Malayan Banking Berhad collectively hold 14.2% of the shareholding in Cagamas Holdings as of 30 September 2014.

In addition, Datuk Abdul Farid bin Alias is a non-executive director on the Board of Directors of Cagamas Holdings. He is currently the President, the 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 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 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, 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, 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 the CMSA 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.

(xi) **Amanie Advisors**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Amanie Advisors confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as Joint Shariah Adviser in relation to the Programme.

(xii) **Messrs Christopher & Lee Ong**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs Christopher & Lee Ong confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the legal counsel to the Trustee and the Obligor in relation to the Programme.

(xiii) **Messrs Zaid Ibrahim & Co.**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Messrs Zaid Ibrahim & Co. confirms that, to the best of its knowledge and belief, there is no existing or potential conflict of interest in its capacity as the legal counsel to the Joint Principal Advisers, Arrangers and Dealers in relation to the Programme.

(xiv) **PricewaterhouseCoopers Malaysia**

As at the date hereof and after making enquiries as were reasonable in the circumstances, PricewaterhouseCoopers Malaysia confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the auditor in relation to the Programme.

(xv) **Allen & Overy LLP**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Allen & Overy LLP confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Trustee and Obligor in relation to the Programme.

(xvi) **Clifford Chance Pte Ltd. and Clifford Chance LLP**

As at the date hereof and after making enquiries as were reasonable in the circumstances, each of Clifford Chance Pte Ltd. and Clifford Chance LLP confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Joint Principal Advisers, Arrangers and Dealers in relation to the Programme.

(xvii) **Clifford Chance LLP**

As at the date hereof and after making enquiries as were reasonable in the circumstances, Clifford Chance LLP confirms that, to the best of its knowledge and belief, there is no existing or potential conflict-of-interest in its capacity as the international legal counsel to the Delegate in relation to the Programme.



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**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**

	Note	Group and Company	
		30 Jun 2014	31 Dec 2013
		RM'000	RM'000
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<u>27,003,779</u>	<u>27,595,029</u>
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b>		<u>24,372,466</u>	<u>25,067,887</u>
Share capital		150,000	150,000
Reserves		2,481,313	2,377,142
<b>SHAREHOLDER'S FUNDS</b>		<u>2,631,313</u>	<u>2,527,142</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>27,003,779</u>	<u>27,595,029</u>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>		<u>17.48</u>	<u>16.78</u>

\* 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 22 August 2014.*

**UNAUDITED CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD  
ENDED 30 JUNE 2014**

	Note	<u>Group and Company</u>	
		<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
		<u>RM'000</u>	<u>RM'000</u>
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)
<b>PROFIT BEFORE TAXATION AND ZAKAT .....</b>		<b>168,545</b>	<b>140,392</b>
Zakat .....		—	—
Taxation .....		(42,136)	(35,098)
<b>PROFIT FOR THE FINANCIAL PERIOD .....</b>		<b>126,409</b>	<b>105,294</b>
<b>EARNINGS PER SHARE (SEN) .....</b>		<b>168.54</b>	<b>140.39</b>
<b>DIVIDEND PER SHARE (SEN) .....</b>		<b>15.00</b>	<b>15.00</b>

*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 22 August 2014.*

**UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE  
FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the financial period .....	126,409	105,294
Other comprehensive income:		
<b>Items that may be subsequently reclassified to profit or loss</b>		
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				Total equity RM'000
		Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits 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**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>OPERATING ACTIVITIES</b>		
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 .....	<u>(11,850)</u>	<u>(12,631)</u>
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 .....	<u>523,686</u>	<u>897,861</u>
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 .....	<u>(36,511)</u>	<u>(26,336)</u>
Net cash generated from operating activities .....	<u>493,068</u>	<u>735,740</u>

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD  
ENDED 30 JUNE 2014 — (CONTINUED)**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
	RM'000	RM'000
<b>INVESTING ACTIVITIES</b>		
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 .....	<u>120,802</u>	<u>(642,644)</u>
<b>FINANCING ACTIVITY</b>		
Dividends paid to holding company .....	<u>(22,500)</u>	<u>(16,875)</u>
Net cash utilised in financing activity .....	<u>(22,500)</u>	<u>(16,875)</u>
Net increase in cash and cash equivalents .....	591,370	76,221
Cash and cash equivalents as at 1 January .....	<u>592,956</u>	<u>370,939</u>
Cash and cash equivalents as at 30 June .....	<u>1,184,326</u>	<u>447,160</u>
Analysis of cash and cash equivalents as at 30 June		
Cash and short-term funds .....	<u>1,184,326</u>	<u>447,160</u>

\* 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:

#### Effective for annual periods commencing on or after 1 July 2014

- 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)”

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**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.

Effective for annual period to be announced by MASB

- MFRS 9, “Financial Instruments (IFRS 9 issued by IASB in November 2009)”
- MFRS 9, “Financial Instruments (IFRS 9 issued by IASB 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 assess 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.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**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**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<b>1,184,326</b>	<b>592,956</b>

**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.

	<b>Contract/ notional amount</b>	<b>30 Jun 2014</b>		<b>Contract/ notional amount</b>	<b>Group and Company</b>	
		<b>Fair value</b>			<b>31 Dec 2013</b>	
		<b>Assets</b>	<b>Liabilities</b>		<b>Fair value</b>	
		<b>RM'000</b>	<b>RM'000</b>		<b>Assets</b>	<b>Liabilities</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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:

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Three years to five years . . . . .	800,000	800,000
More than five years . . . . .	110,000	110,000
	<b>910,000</b>	<b>910,000</b>



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**3. AVAILABLE-FOR-SALE (“AFS”) INVESTMENT SECURITIES**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>At fair value:</i>		
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
	<u>1,496,485</u>	<u>1,587,058</u>

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
	<u>1,496,485</u>	<u>1,587,058</u>

**4. AMOUNT DUE FROM COUNTERPARTIES**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Relating to:</i>		
Mortgage loans . . . . .	2,183,680	2,623,920
Hire purchase and leasing debts . . . . .	476,629	364,866
Personal loans . . . . .	818,086	836,940
	<u>3,478,395</u>	<u>3,825,726</u>

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
	<u>3,478,395</u>	<u>3,825,726</u>

**5. ISLAMIC FINANCING ASSETS**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Relating to:</i>		
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
	<u>5,809,673</u>	<u>6,107,933</u>

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
	<u>5,809,673</u>	<u>6,107,933</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**6. MORTGAGE ASSETS — CONVENTIONAL**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>8,897,480</u>	<u>9,262,143</u>
Less:		
Unaccreted discount . . . . .	(1,300,090)	(1,379,810)
Allowance for impairment losses . . . . .	(35,746)	(35,746)
	<u>7,561,644</u>	<u>7,846,587</u>

**7. MORTGAGE ASSETS — ISLAMIC**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>8,644,852</u>	<u>8,866,776</u>
Less:		
Unaccreted discount . . . . .	(1,191,492)	(1,255,812)
Allowance for impairment losses . . . . .	(28,041)	(28,041)
	<u>7,425,319</u>	<u>7,582,923</u>

**8. HIRE PURCHASE ASSETS — ISLAMIC**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>8,928</u>	<u>11,721</u>
Less:		
Unaccreted discount . . . . .	(306)	(458)
Allowance for impairment losses . . . . .	(67)	(67)
	<u>8,555</u>	<u>11,196</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**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
	<u>10,034</u>	<u>9,788</u>

**10. UNSECURED BEARER BONDS AND NOTES**

	Year of maturity	Amount outstanding	30 Jun 2014 Effective interest rate	Group and Company	
				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	
		<u>182,434</u>		<u>182,451</u>	
(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	
		<u>10,879,334</u>		<u>11,339,257</u>	
		<u>11,061,768</u>		<u>11,521,708</u>	

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
	<u>11,061,768</u>	<u>11,521,708</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**11. SUKUK**

	Year of maturity	Group and Company			
		Amount outstanding	30 Jun 2014 Effective profit rate	Amount outstanding	31 Dec 2013 Effective profit 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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**13. INTEREST INCOME**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<u>289,685</u>	<u>245,399</u>
Accretion of discount less amortisation of premium (net) .....	80,492	70,896
	<u>370,177</u>	<u>316,295</u>

**14. INTEREST EXPENSE**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Medium-term notes .....	247,579	204,637
Floating rate notes .....	3,124	3,329
	<u>250,703</u>	<u>207,966</u>

**15. NON-INTEREST INCOME**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<u>(720)</u>	<u>(652)</u>

**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.

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
CET 1 capital ratio		
Tier I capital ratio .....	25.19%	23.70%
Total capital ratio .....	<u>25.80%</u>	<u>24.30%</u>

The capital adequacy ratios are as follows:

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
CET 1/Tier I capital		
Paid up capital .....	150,000	150,000
Retained profits .....	2,510,907	2,406,998
	<u>2,660,907</u>	<u>2,556,998</u>
Deferred taxation assets .....	(8,842)	(8,929)
Total CET 1/Tier I capital .....	<u>2,652,065</u>	<u>2,548,069</u>
Tier II capital		
Allowance for impairment losses .....	63,855	63,855
Total Tier II capital .....	<u>63,855</u>	<u>63,855</u>
Total capital .....	<u>2,715,920</u>	<u>2,611,924</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**16. CAPITAL ADEQUACY — (Continued)**

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

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk		
Operational risk	9,811,153	10,044,004
	<u>716,750</u>	<u>705,105</u>
Total risk-weighted assets	<u>10,527,903</u>	<u>10,749,109</u>

**17. ISLAMIC OPERATIONS**

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	<b>Note</b>	<b>Group and Company</b>	
		<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
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		<u>289,457</u>	<u>289,525</u>
TOTAL ASSETS		<u>14,065,594</u>	<u>14,247,282</u>
<b>LIABILITIES</b>			
Sukuk	(f)	13,163,812	13,403,003
Deferred taxation		1,785	1,828
Provision for taxation		4,374	—
Other liabilities	(g)	<u>37,951</u>	<u>37,835</u>
TOTAL LIABILITIES		<u>13,207,922</u>	<u>13,442,666</u>
ISLAMIC OPERATIONS' FUNDS		<u>857,672</u>	<u>804,616</u>
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUND		<u>14,065,594</u>	<u>14,247,282</u>

**UNAUDITED CONDENSED INCOME STATEMENT FOR THE FINANCIAL PERIOD ENDED  
30 JUNE 2014**

	<b>Note</b>	<b>Group and Company</b>	
		<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
		<b>RM'000</b>	<b>RM'000</b>
Total income attributable		354,482	291,191
Income attributable to Sukuk holders	(h)	(281,165)	(238,053)
Non profit expense		<u>(34)</u>	<u>(273)</u>
Total income attributable	(i)	73,283	52,865
Administration and general expenses		<u>(2,370)</u>	<u>(984)</u>
PROFIT BEFORE TAXATION AND ZAKAT		70,913	51,881
Zakat		—	—
Taxation		<u>(17,728)</u>	<u>(12,970)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>53,185</u>	<u>38,911</u>



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**17. ISLAMIC OPERATIONS — (Continued)**

**UNAUDITED CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE  
FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
Profit for the financial period .....	53,185	38,911
Other comprehensive (loss)/income:		
<b>Items that may subsequently reclassified to profit or loss</b>		
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 .....	<u>(129)</u>	<u>652</u>
Total comprehensive income for the financial period .....	<u>53,056</u>	<u>39,563</u>

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS FOR  
THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<u>Allocated capital funds</u>	<u>Non-distributable</u>		<u>Retained profits</u>	<u>Total funds</u>
		<u>AFS reserves</u>	<u>Cash flow hedge reserves</u>		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>—</u>	<u>—</u>	<u>(129)</u>	<u>53,185</u>	<u>53,056</u>
Balance as at 30 June 2014 .....	<u>294,159</u>	<u>18</u>	<u>5,337</u>	<u>558,158</u>	<u>857,672</u>
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 .....	<u>—</u>	<u>(28)</u>	<u>680</u>	<u>38,911</u>	<u>39,563</u>
Balance as at 30 June 2013 .....	<u>294,159</u>	<u>(23)</u>	<u>1,523</u>	<u>416,729</u>	<u>712,388</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**17. ISLAMIC OPERATIONS — (Continued)**

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD  
ENDED 30 JUNE 2014**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>OPERATING ACTIVITIES</b>		
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
<b>INVESTING ACTIVITIES</b>		
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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**17. ISLAMIC OPERATIONS — (Continued)**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
	RM'000	RM'000
<i>(a) Cash and short-term funds</i>		
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
	<u>499,014</u>	<u>55,170</u>
<i>(b) AFS investment securities</i>		
At fair value:		
Government investment issue . . . . .	30,352	30,363
Debt securities . . . . .	5,132	174,425
	<u>35,484</u>	<u>204,788</u>
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
	<u>35,484</u>	<u>204,788</u>
<i>(c) Financing assets</i>		
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
	<u>5,809,673</u>	<u>6,107,933</u>
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
	<u>5,809,673</u>	<u>6,107,933</u>
<i>(d) Mortgage assets</i>		
PWOR . . . . .	<u>7,417,979</u>	<u>7,574,153</u>
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)
	<u>7,417,979</u>	<u>7,574,153</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**17. ISLAMIC OPERATIONS — (Continued)**

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>(e) Hire purchase assets</i>		
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
	<u>7,183</u>	<u>8,851</u>
Less:		
Unaccrued discount .....	(263)	(375)
Allowance for impairment losses .....	(49)	(49)
	<u>6,871</u>	<u>8,427</u>
<i>(f) Sukuk</i>		
Commercial papers .....	—	500,271
Medium-term notes .....	13,163,812	12,902,732
	<u>13,163,812</u>	<u>13,403,003</u>
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
	<u>13,163,812</u>	<u>13,403,003</u>
<i>(g) Other liabilities</i>		
Provision for zakat .....	—	2,028
Other payables .....	37,951	35,807
	<u>37,951</u>	<u>37,835</u>

	<b>Group and Company</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>(h) Income attributable to the Sukuk holders</i>		
Mortgage assets .....	172,735	96,699
Hire purchase assets .....	232	206
Financing assets .....	108,198	141,148
	<u>281,165</u>	<u>238,053</u>
Income attributable to the Sukuk holders by concept is as follows:		
Bai Al-Dayn .....	<u>281,165</u>	<u>238,053</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**17. ISLAMIC OPERATIONS — (Continued)**

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>30 Jun 2013</u>
	RM'000	RM'000
<i>(i) Total income attributable</i>		
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)
	<u>73,283</u>	<u>52,865</u>

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
	<u>73,283</u>	<u>52,865</u>

*(j) Capital adequacy*

	<u>Group and Company</u>	
	<u>30 Jun 2014</u>	<u>31 Dec 2013</u>
CET I capital ratio		
Tier I capital ratio .....	16.07%	15.00%
Total capital ratio .....	<u>16.60%</u>	<u>15.53%</u>

	<u>RM'000</u>	<u>RM'000</u>
CET 1/Tier I capital		
Allocated capital funds .....	294,159	294,159
Retained profits .....	558,158	504,973
	<u>852,317</u>	<u>799,132</u>
Deferred taxation liabilities .....	1,785	1,828
Total CET 1/Tier I capital .....	<u>854,102</u>	<u>800,960</u>
Tier II capital		
Allowance for impairment losses .....	28,074	28,074
Total Tier II capital .....	<u>28,074</u>	<u>28,074</u>
Total capital .....	<u>882,176</u>	<u>829,034</u>

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 .....	<u>5,313,164</u>	<u>5,339,897</u>

**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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM  
FINANCIAL STATEMENTS AT 30 JUNE 2014 — (CONTINUED)**

**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:

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Lingkaran Syed Putra, 59200 Kuala Lumpur.  
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**STATUTORY FINANCIAL STATEMENTS  
31 DECEMBER 2013**

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## 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

	<b>RM'000</b>
Profit for the financial year .....	<u>318,573</u>

### DIVIDENDS

The dividends paid by the Company since 31 December 2012 were as follows:

	<b>RM'000</b>
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 .....	<u>5,625</u>
	<u>22,500</u>

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)

## **DIRECTORS' REPORT — (CONTINUED)**

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.

## **DIRECTORS' REPORT — (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.

### **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**

	<u>Note</u>	<u>2013</u> RM'000	<u>2012</u> RM'000
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<u>27,595,029</u>	<u>23,284,607</u>
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b>		<u>25,067,887</u>	<u>21,060,221</u>
Share capital	21	150,000	150,000
Reserves	22	2,377,142	2,074,386
<b>SHAREHOLDER'S FUNDS</b>		<u>2,527,142</u>	<u>2,224,386</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>27,595,029</u>	<u>23,284,607</u>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	23	<u>16.78</u>	<u>14.77</u>

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

**INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		<u>RM'000</u>	<u>RM'000</u>
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	<u>255</u>	<u>4,973</u>
		472,291	326,258
Administration and general expenses .....		(20,135)	(19,965)
Personnel costs .....		(20,839)	(18,376)
(Allowance)/Write-back of impairment losses .....		<u>(6,536)</u>	<u>5,127</u>
PROFIT BEFORE TAXATION AND ZAKAT .....	27	424,781	293,044
Taxation .....	29	(104,180)	(72,963)
Zakat .....		<u>(2,028)</u>	<u>(1,118)</u>
PROFIT FOR THE FINANCIAL YEAR .....		<u>318,573</u>	<u>218,963</u>
EARNINGS PER SHARE (SEN) .....	23	<u>212.38</u>	<u>145.98</u>
DIVIDEND PER SHARE (SEN) .....	30	<u>20.00</u>	<u>88.00</u>

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit for the financial year .....	318,573	218,963
Other comprehensive income/(loss):		
<b>Items that may be subsequently reclassified to profit or loss</b>		
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**

	Note	Issued and fully paid ordinary shares of RM1 each				
		Share capital RM'000	AFS reserve RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total equity 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**

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
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	<u>(25,365)</u>	<u>(25,093)</u>
(Increase)/decrease in amount due from counterparties	(129,876)	605,546
Decrease/(increase) in Islamic financing assets	1,963,777	(1,190,455)
(Increase)/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)
Increase/(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	<u>1,657</u>	<u>453</u>
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	<u>(82,864)</u>	<u>(67,599)</u>
Net cash generated from operating activities	<u>627,656</u>	<u>642,639</u>

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 — (Continued)**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>INVESTING ACTIVITIES</b>		
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 .....	<u>(383,139)</u>	<u>(527,999)</u>
	<b>Note</b>	
		<b>2013</b>
		<b>2012</b>
		<b>RM'000</b>
		<b>RM'000</b>
<b>FINANCING ACTIVITY</b>		
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 .....	<u>592,956</u>	<u>370,939</u>
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds .....	5	<u>592,956</u>
		<u>370,939</u>

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"

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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 occurring 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.



## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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”.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>592,956</u>	<u>370,939</u>

### 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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		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
<i>At fair value:</i>		
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



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**7 AVAILABLE-FOR-SALE (“AFS”) INVESTMENT SECURITIES — (CONTINUED)**

The maturity structure of AFS investment securities are as follows:

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>1,587,058</u>	<u>1,165,983</u>

**8 AMOUNT DUE FROM COUNTERPARTIES**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>3,825,726</u>	<u>3,696,142</u>

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

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
	<u>3,825,726</u>	<u>3,696,142</u>

**9 ISLAMIC FINANCING ASSETS**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>6,107,933</u>	<u>8,076,861</u>

The maturity structure of Islamic financing assets are as follows:

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
	<u>6,107,933</u>	<u>8,076,861</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**10 MORTGAGE ASSETS — CONVENTIONAL**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase Without Recourse (“PWOR”) . . . . .	7,846,587	6,093,780
The maturity structure of mortgage assets — conventional are as follows:		
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**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
PWOR . . . . .	7,582,923	3,828,813
The maturity structure of mortgage assets — Islamic are as follows:		
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**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
PWOR . . . . .	4	9
The maturity structure of hire purchase assets — conventional are as follows:		
Maturing within one year . . . . .	5	11
One year to three years . . . . .	—	—
Less: . . . . .	5	11
Unaccreted discount . . . . .	—	—
Allowance for impairment losses . . . . .	(1)	(2)
	4	9

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**13 HIRE PURCHASE ASSETS — ISLAMIC**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
PWOR .....	11,196	15,937
The maturity structure of hire purchase assets — Islamic are as follows:		
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**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

**15 PROPERTY AND EQUIPMENT**

	<u>Office equipment</u> RM'000	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> 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 .....	<u>4,680</u>	<u>4,567</u>	<u>627</u>	<u>9,874</u>
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 .....	<u>(3,472)</u>	<u>(2,198)</u>	<u>(185)</u>	<u>(5,855)</u>
Net book value				
As at 31 December 2013 .....	<u>1,208</u>	<u>2,369</u>	<u>442</u>	<u>4,019</u>
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 .....	<u>4,901</u>	<u>4,562</u>	<u>598</u>	<u>10,061</u>
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 .....	<u>(3,824)</u>	<u>(1,744)</u>	<u>(130)</u>	<u>(5,698)</u>
Net book value				
As at 31 December 2012 .....	<u>1,077</u>	<u>2,818</u>	<u>468</u>	<u>4,363</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**16 INTANGIBLE ASSETS**

	<u>Service rights</u>	<u>Computer software</u>	<u>Computer software licenses</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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	<u>16,717</u>	<u>12,041</u>	<u>3,558</u>	<u>32,316</u>
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	<u>(10,078)</u>	<u>(11,267)</u>	<u>(1,098)</u>	<u>(22,443)</u>
Net book value				
As at 31 December 2013	<u>6,639</u>	<u>774</u>	<u>2,460</u>	<u>9,873</u>
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	<u>16,717</u>	<u>11,994</u>	<u>1,152</u>	<u>29,863</u>
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	<u>(8,910)</u>	<u>(10,520)</u>	<u>(881)</u>	<u>(20,311)</u>
Net book value				
As at 31 December 2012	<u>7,807</u>	<u>1,474</u>	<u>271</u>	<u>9,552</u>

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:

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Deferred tax assets (before offsetting)	(10,595)	(12,622)
Deferred tax liabilities (before offsetting)	1,666	3,391
Deferred tax assets	<u>(8,929)</u>	<u>(9,231)</u>

The movements of deferred tax are as follows:

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	<u>(8,929)</u>	<u>(9,231)</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**17 DEFERRED TAXATION — (CONTINUED)**

The movements in deferred tax assets and liabilities comprise the following:

	<u>Balance as at 1 January</u>	<u>Recognised to income statement</u>	<u>Recognised to reserves</u>	<u>Balance as at 31 December</u>
	RM'000	RM'000	RM'000	RM'000
<b>2013</b>				
<u>Deferred tax assets</u>				
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)
	<u>(12,622)</u>	<u>(232)</u>	<u>2,259</u>	<u>(10,595)</u>
<u>Deferred tax liabilities</u>				
Accelerated tax depreciation . . . . .	3,360	(1,694)	—	1,666
Revaluation of AFS investment securities . . . . .	31	—	(31)	—
	<u>3,391</u>	<u>(1,694)</u>	<u>(31)</u>	<u>1,666</u>
	<u>Balance as at 1 January</u>	<u>Recognised to income statement</u>	<u>Recognised to reserves</u>	<u>Balance as at 31 December</u>
	RM'000	RM'000	RM'000	RM'000
<b>2012</b>				
<u>Deferred tax assets</u>				
Unrealised (losses)/gains on revaluation of IRS/IPRS				
under cash flow hedging accounting . . . . .	(13,567)	—	1,357	(12,210)
Provisions . . . . .	—	(412)	—	(412)
	<u>(13,567)</u>	<u>(412)</u>	<u>1,357</u>	<u>(12,622)</u>
<u>Deferred tax liabilities</u>				
Accelerated tax depreciation . . . . .	4,003	(643)	—	3,360
Revaluation of AFS investment securities . . . . .	370	—	(339)	31
	<u>4,373</u>	<u>(643)</u>	<u>(339)</u>	<u>3,391</u>

**18 UNSECURED BEARER BONDS AND NOTES**

	Year of maturity	<u>2013</u>		<u>2012</u>	
		<u>Amount outstanding</u>	<u>Effective interest rate</u>	<u>Amount outstanding</u>	<u>Effective interest rate</u>
		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	
		<u>182,451</u>		<u>182,686</u>	

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)**

	Year of maturity	2013		2012	
		Amount outstanding	Effective interest rate	Amount outstanding	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	
		<u>11,339,257</u>		<u>9,034,764</u>	
		<u>11,521,708</u>		<u>9,217,450</u>	

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
	<u>11,521,708</u>	<u>9,217,450</u>

*(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.



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**19 SUKUK**

	Year of maturity	2013		2012	
		Amount outstanding	Effective profit rate	Amount outstanding	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	
		<u>500,271</u>		<u>500,264</u>	
(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	—	—
		<u>12,765,000</u>		<u>11,075,000</u>	
Add: Profit payable . . . . .		137,732		132,295	
		<u>12,902,732</u>		<u>11,207,295</u>	
		<u>13,403,003</u>		<u>11,707,559</u>	

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
	<u>13,403,003</u>	<u>11,707,559</u>

*(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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**20 OTHER LIABILITIES**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for zakat .....	2,028	1,118
Other payables and accruals .....	12,836	10,812
Amount due to government .....	50,473	50,842
	<b>65,337</b>	<b>62,772</b>

**21 SHARE CAPITAL**

	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>Number of</b>	<b>Amount</b>	<b>Number of</b>
	<b>RM'000</b>	<b>shares</b>	<b>RM'000</b>	<b>shares</b>
		<b>'000</b>		<b>'000</b>
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**

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<b>721,595</b>	<b>662,560</b>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**25 INTEREST EXPENSE**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Medium-term notes .....	424,888	435,456
Floating rate notes .....	6,553	7,226
Deposits and placements of financial institutions .....	—	5
	<u>431,441</u>	<u>442,687</u>

**26 NON-INTEREST INCOME**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>255</u>	<u>4,973</u>

**27 PROFIT BEFORE TAXATION AND ZAKAT**

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

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
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)

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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:

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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:*

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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:

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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
	<u>20.00</u>	<u>22,500</u>	<u>88.00</u>	<u>99,000</u>

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:

<u>Related parties</u>	<u>Relationships</u>
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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>Related company</u> RM'000	<u>Structured entity of holding company</u> RM'000	<u>Other related party</u> RM'000
2013			
<u>Income</u>			
Transaction administrator and administrator fees .....	7,073	—	76
<u>Expenses</u>			
FAST* and RENTAS** charges .....	—	—	66
Guarantee and Wakalah fee .....	159	—	—
<u>Amount due from</u>			
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”).

	<u>Related company</u> RM'000	<u>Structured entity of holding company</u> RM'000	<u>Other related party</u> RM'000
2012			
<u>Income</u>			
Bank swap premium .....	—	—	419
Transaction administrator and administrator fees .....	7,808	124	77
<u>Expenses</u>			
FAST* and RENTAS** charges .....	—	—	61
Guarantee and Wakalah fee .....	115	—	—
<u>Amount due from</u>			
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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
<i>Capital expenditure:</i>		
Authorised and contracted for .....	—	1,960
Authorised but not contracted for .....	7,793	1,567
	<u>7,793</u>	<u>3,527</u>
<i>Analysed as follows:</i>		
Equipment .....	93	158
Computer equipment .....	7,700	3,369
	<u>7,793</u>	<u>3,527</u>

**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:

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Maturing within one year .....	2,792	3,033
One year to three years .....	59	2,866
	<u>2,851</u>	<u>5,899</u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	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 <sup>^1</sup>
— Islamic . . . . .	747,404	1,000,905	1,035,932	6,082,535	(1,283,853)	7,582,923 <sup>^3</sup>
Hire purchase assets:						
— Conventional . . . . .	5	—	—	—	(1)	4 <sup>^2</sup>
— Islamic . . . . .	6,177	4,783	761	—	(525)	11,196 <sup>^4</sup>
Other assets . . . . .	1,920	1,698	1,139	1,665	9,505	15,927
	<u>4,899,621</u>	<u>7,682,559</u>	<u>5,863,427</u>	<u>11,764,564</u>	<u>(2,639,861)</u>	<u>27,570,310</u>

<sup>^1</sup> Includes impairment losses on conventional mortgage assets of RM35,745,603.

<sup>^2</sup> Includes impairment losses on conventional hire purchase assets of RM1,204.

<sup>^3</sup> Includes impairment losses on Islamic mortgage assets of RM28,040,701.

<sup>^4</sup> Includes impairment losses on Islamic hire purchase assets of RM66,518.

	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	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
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	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 . . . . .	<u>(25,090)</u>	<u>732,559</u>	<u>2,523,427</u>	<u>2,054,564</u>		
Cumulative gap . . . . .	<u>(25,090)</u>	<u>707,469</u>	<u>3,230,896</u>	<u>5,285,460</u>		



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**34 INTEREST/PROFIT RATE RISK — (CONTINUED)**

	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	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 <sup>A1</sup>
— Islamic						
Hire purchase assets: . . . . .	670,991	662,728	633,608	2,756,369	(894,883)	3,828,813 <sup>A3</sup>
— Conventional . . . . .	11	—	—	—	(2)	9 <sup>A2</sup>
— Islamic . . . . .	6,613	8,091	1,894	83	(744)	15,937 <sup>A4</sup>
Other assets . . . . .	1,818	2,175	1,561	2,289	3,169	11,012
	<u>5,288,253</u>	<u>6,760,568</u>	<u>6,640,432</u>	<u>6,716,682</u>	<u>(2,146,459)</u>	<u>23,259,476</u>

<sup>A1</sup> Includes impairment losses on conventional mortgage assets of RM35,974,413.

<sup>A2</sup> Includes impairment losses on conventional hire purchase assets of RM1,883.

<sup>A3</sup> Includes impairment losses on Islamic mortgage assets of RM21,267,391.

<sup>A4</sup> Includes impairment losses on Islamic hire purchase assets of RM75,626.

	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	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
	<u>4,640,009</u>	<u>6,280,000</u>	<u>4,355,000</u>	<u>5,650,000</u>	<u>135,212</u>	<u>21,060,221</u>
Total interest/profit sensitivity gap . . . . .	<u>648,244</u>	<u>480,568</u>	<u>2,285,432</u>	<u>1,066,682</u>		
Cumulative gap . . . . .	<u>648,244</u>	<u>1,128,812</u>	<u>3,414,244</u>	<u>4,480,926</u>		

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>-100 basis points</b>	<b>+100 basis points</b>
	<b>RM'000</b>	<b>RM'000</b>
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%

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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%
	<u>25,342,022</u>	<u>96,202</u>	<u>25,438,224</u>	<u>63,855</u>	<u>25,374,369</u>	<u>96,202</u>	
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%
	<u>21,646,974</u>	<u>121,887</u>	<u>21,768,861</u>	<u>57,319</u>	<u>21,711,542</u>	<u>121,887</u>	

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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
	<u>25,342,022</u>	<u>25,342,022</u>	<u>21,646,974</u>	<u>21,646,974</u>

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
	<u>9,164</u>	<u>7,438</u>	<u>6,827</u>	<u>72,773</u>	<u>96,202</u>
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
	<u>16,962</u>	<u>16,584</u>	<u>10,391</u>	<u>77,950</u>	<u>121,887</u>

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

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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
	<u>57,319</u>	<u>7,066</u>	<u>(530)</u>	<u>63,855</u>
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
	<u>62,446</u>	<u>1,890</u>	<u>(7,017)</u>	<u>57,319</u>

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			Total
	GOM	AAA	AA1 to AA2/ AA+ to AA	
	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
	<u>845,334</u>	<u>554,619</u>	<u>187,105</u>	<u>1,587,058</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**35 CREDIT RISK — (CONTINUED)**

**35.3 AFS investment securities — (continued)**

	Investment Grade			Total
	GOM	AAA	AA1 to AA2/ AA+ to AA	
	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
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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					Total RM'000
	Up to one month	One to three months	Three to twelve months	One to five years	Over five years	
	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
	<u>76,569</u>	<u>956,316</u>	<u>4,719,047</u>	<u>13,080,692</u>	<u>12,831,261</u>	<u>31,663,885</u>
Assets held for managing liquidity risk	<u>889,105</u>	<u>773,125</u>	<u>3,863,599</u>	<u>15,353,299</u>	<u>16,579,519</u>	<u>37,458,647</u>
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
	<u>58,241</u>	<u>896,272</u>	<u>4,348,395</u>	<u>12,809,371</u>	<u>7,480,990</u>	<u>25,593,269</u>
Assets held for managing liquidity risk	<u>803,355</u>	<u>635,219</u>	<u>4,013,917</u>	<u>14,584,378</u>	<u>10,698,814</u>	<u>30,735,683</u>

**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



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<b>2013</b>				
Assets				
AFS investments securities . . . . .	—	1,587,058	—	1,587,058
Derivative financial instruments . . . . .	—	7,286	—	7,286
	<u>—</u>	<u>7,286</u>	<u>—</u>	<u>7,286</u>
Liabilities				
Derivative financial instruments . . . . .	—	35,898	—	35,898
	<u>—</u>	<u>35,898</u>	<u>—</u>	<u>35,898</u>
<b>2012</b>				
Assets				
AFS investments securities . . . . .	—	1,165,983	—	1,165,983
Derivative financial instruments . . . . .	—	1,115	—	1,115
	<u>—</u>	<u>1,115</u>	<u>—</u>	<u>1,115</u>
Liabilities				
Derivative financial instruments . . . . .	—	53,741	—	53,741
	<u>—</u>	<u>53,741</u>	<u>—</u>	<u>53,741</u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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
	<u>25,374,369</u>	<u>24,868,644</u>	<u>21,711,542</u>	<u>22,889,638</u>
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
	<u>24,924,711</u>	<u>25,213,268</u>	<u>20,925,009</u>	<u>20,944,633</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>PWR</b>	<b>PWOR</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2013</b>			
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
	<b>PWR</b>	<b>PWOR</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2012</b>			
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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:

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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 II 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
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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:

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk .....	10,044,004	8,816,211
Operational risk .....	705,105	639,329
Total risk-weighted assets .....	10,749,109	9,455,540

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	<u>2013</u> RM'000	<u>2012</u> RM'000
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<u>14,247,282</u>	<u>12,391,656</u>
<b>LIABILITIES</b>			
Sukuk	(f)	13,403,003	11,707,559
Deferred taxation		1,828	282
Other liabilities	(g)	37,835	10,990
<b>TOTAL LIABILITIES</b>		13,442,666	11,718,831
<b>ISLAMIC OPERATIONS' FUNDS</b>		<u>804,616</u>	<u>672,825</u>
<b>TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS</b>		<u>14,247,282</u>	<u>12,391,656</u>

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	<u>2013</u> RM'000	<u>2012</u> 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
<b>PROFIT BEFORE TAXATION AND ZAKAT</b>		172,244	99,879
Taxation		(43,061)	(24,970)
Zakat		(2,028)	(1,118)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>127,155</u>	<u>73,791</u>

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Profit for the financial year	127,155	73,791
Other comprehensive income:		
<b>Items that may be subsequently reclassified to profit or loss</b>		
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
<b>Total comprehensive income for the financial year</b>	<u>131,791</u>	<u>74,637</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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 .....	<u>294,159</u>	<u>18</u>	<u>5,466</u>	<u>504,973</u>	<u>804,616</u>
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 .....	<u>294,159</u>	<u>5</u>	<u>843</u>	<u>377,818</u>	<u>672,825</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
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)
(Increase)/decrease in mortgage assets . . . . .	(3,579,736)	178,814
Decrease in hire purchase assets . . . . .	2,108	605
(Increase)/decrease in other assets and prepayments . . . . .	(86)	142
Increase in Sukuk . . . . .	1,690,000	1,111,265
Increase/(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 . . . . .	<u>58,821</u>	<u>91,386</u>
<b>INVESTING ACTIVITIES</b>		
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 . . . . .	<u>(97,997)</u>	<u>(47,331)</u>
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 . . . . .	<u>55,170</u>	<u>94,346</u>
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds . . . . .	<u>55,170</u>	<u>94,346</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

*(a) Cash and short-term funds*

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
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*

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>At fair value:</i>		
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:		
Maturing within one year . . . . .	169,683	99,764
One year to three years . . . . .	35,105	—
	204,788	99,764

*(c) Financing assets*

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<i>Relating to:</i>		
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:		
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*

	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
PWOR	7,574,153	3,820,156
The maturity structure of mortgage assets are as follows:		
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
Less:	8,857,990	4,715,022
Unaccreted discount . . . . .	(1,255,812)	(873,616)
Allowance for impairment losses . . . . .	(28,025)	(21,250)
	7,574,153	3,820,156



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

(e) *Hire purchase assets*

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR .....	8,427	9,975
The maturity structure of hire purchase assets are as follows:		
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
Unaccrued discount .....	(375)	(445)
Allowance for impairment losses .....	(49)	(21)
	<u>8,427</u>	<u>9,975</u>

(f) *Sukuk*

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Commercial papers .....	500,271	500,264
Medium-term notes .....	12,902,732	11,207,295
	<u>13,403,003</u>	<u>11,707,559</u>
The maturity structure of Sukuk are as follows:		
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
	<u>13,403,003</u>	<u>11,707,559</u>

(g) *Other liabilities*

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Zakat .....	2,028	1,118
Other payables .....	35,807	9,872
	<u>37,835</u>	<u>10,990</u>

(h) *Income attributable to the Sukuk holders*

	<u>2013</u>	<u>2012</u>
	<u>RM'000</u>	<u>RM'000</u>
Mortgage assets .....	219,868	195,142
Hire purchase assets .....	413	337
Financing assets .....	266,808	254,247
Deposits and placements of financial institutions .....	—	310
	<u>487,089</u>	<u>450,036</u>
Income attributable to the Sukuk holders by concept are as follows:		
Bai Al-Dayn .....	487,089	449,726
Mudharabah .....	—	310
	<u>487,089</u>	<u>450,036</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

(i) *Total income attributable*

	<u>2013</u>	<u>2012</u>
	RM'000	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)
	<u>181,882</u>	<u>101,412</u>
Total net income analysed by concept are as follows:		
Bai Bithaman Ajil . . . . .	307	195
Murabahah . . . . .	228	1,900
Bai Al-Dayn . . . . .	171,073	97,015
Mudharabah . . . . .	10,274	2,301
Ijarah . . . . .	—	1
	<u>181,882</u>	<u>101,412</u>

(j) *Capital adequacy*

	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
Tier I capital		
Allocated capital funds . . . . .	294,159	294,159
Other reserves . . . . .	504,973	377,818
	<u>799,132</u>	<u>671,977</u>
Deferred taxation liabilities . . . . .	1,828	282
Total tier I capital . . . . .	<u>800,960</u>	<u>672,259</u>
Tier II capital		
Allowance for impairment losses . . . . .	28,074	21,271
Total tier II capital . . . . .	<u>28,074</u>	<u>21,271</u>
Total capital base . . . . .	<u>829,034</u>	<u>693,530</u>
Capital ratios:		
Core . . . . .	15.0%	14.5%
Risk-weighted . . . . .	<u>15.5%</u>	<u>15.0%</u>
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:		
Credit risk . . . . .	5,096,085	4,420,830
Operational risk . . . . .	243,812	201,270
Total risk-weighted assets . . . . .	<u>5,339,897</u>	<u>4,622,100</u>

(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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**41 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

There were no significant events during the financial year ended 31 December 2013.

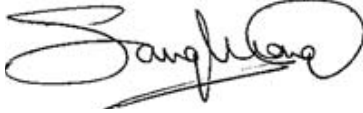
**42 APPROVAL OF FINANCIAL STATEMENTS**

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



Suite 8-8-2, Menara Mutiara Bangsar,  
Jalan Lim, Off Jalan Klang  
Bangsar,  
59100 Kuala Lumpur



**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.

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

**REPORT ON THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

A handwritten signature in black ink that reads 'Pricewaterhousecoopers'.

PRICEWATERHOUSECOOPERS  
(No. AF-1146)  
Chartered Accountants

Kuala Lumpur  
6 March 2014

A handwritten signature in black ink that reads 'Soo Hoo Khoo Yeon'.

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

**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**

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## 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

	<b>RM'000</b>
Profit for the financial year .....	<u>218,963</u>

### DIVIDENDS

The dividends paid by the Company since 31 December 2011 were as follows:

	<b>RM'000</b>
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 .....	<u>54,000</u>
	<u>99,000</u>

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' REPORT — (CONTINUED)**

### **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.

## DIRECTORS' REPORT — (CONTINUED)

### 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.

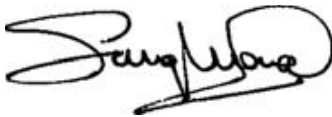
### ULTIMATE HOLDING COMPANY

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 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>		<u>23,284,607</u>	<u>22,688,880</u>	<u>22,772,183</u>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b>		<u>21,060,221</u>	<u>20,587,508</u>	<u>20,864,170</u>
Share capital	21	150,000	150,000	150,000
Reserves	22	2,074,386	1,951,372	1,758,013
<b>SHAREHOLDER'S FUNDS</b>		<u>2,224,386</u>	<u>2,101,372</u>	<u>1,908,013</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>23,284,607</u>	<u>22,688,880</u>	<u>22,772,183</u>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	23	<u>14.77</u>	<u>13.93</u>	<u>12.63</u>

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

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>RM'000</u>	<u>RM'000</u>
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
		<u>326,258</u>	<u>341,199</u>
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 .....		<u>218,963</u>	<u>226,445</u>
EARNINGS PER SHARE (SEN) .....	23	<u>145.98</u>	<u>150.96</u>
DIVIDEND PER SHARE (SEN) .....	30	<u>88.00</u>	<u>20.00</u>

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
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				
		Share capital	Non-distributable			Total equity
			AFS reserve	Cash flow hedge reserve	Retained profits	
RM'000	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**

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>RM'000</u>	<u>RM'000</u>
<b>OPERATING ACTIVITIES</b>			
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		<u>(25,093)</u>	<u>(34,444)</u>
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
(Increase)/decrease in other assets		(5,258)	817
Decrease in unsecured bearer bonds and notes		(645,000)	(165,000)
Increase/(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		<u>642,639</u>	<u>581,234</u>



**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 — (Continued)**

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>RM'000</u>	<u>RM'000</u>
<b>INVESTING ACTIVITIES</b>			
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 .....		<u>(527,999)</u>	<u>(217,157)</u>
<b>FINANCING ACTIVITY</b>			
Dividends paid to ultimate holding company .....		<u>(99,000)</u>	<u>(122,500)</u>
Net cash utilised in financing activity .....		<u>(99,000)</u>	<u>(122,500)</u>
Net increase in cash and cash equivalents .....		15,640	241,577
Cash and cash equivalents as at 1 January .....		<u>355,299</u>	<u>113,722</u>
Cash and cash equivalents as at 31 December .....		<u>370,939</u>	<u>355,299</u>
Analysis of cash and cash equivalents as at end of the financial year:			
Cash and short-term funds .....	5	<u>370,939</u>	<u>355,299</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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 unaccrued 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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 occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

##### (ii) Assets classified as AFS

The 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

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.



## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

#### 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 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

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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;

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<b>370,939</b>	<b>355,299</b>	<b>113,722</b>

**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.

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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
<i>At fair value:</i>			
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**8 AMOUNT DUE FROM COUNTERPARTIES**

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	—
	<u>3,696,142</u>	<u>4,307,044</u>	<u>4,325,110</u>

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

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	—
	<u>3,696,142</u>	<u>4,307,044</u>	<u>4,325,110</u>

**9 ISLAMIC FINANCING DEBTS**

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>8,076,861</u>	<u>6,879,635</u>	<u>6,854,347</u>

The maturity structure of Islamic financing debts are as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>8,076,861</u>	<u>6,879,635</u>	<u>6,854,347</u>

**10 MORTGAGE ASSETS — CONVENTIONAL**

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase Without Recourse (“PWOR”) .....	<u>6,093,780</u>	<u>6,578,196</u>	<u>7,074,638</u>

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
	<u>7,398,914</u>	<u>8,027,687</u>	<u>8,666,655</u>
Less:			
Unaccreted discount .....	(1,269,160)	(1,409,109)	(1,551,635)
Allowance for impairment losses .....	(35,974)	(40,382)	(40,382)
	<u>6,093,780</u>	<u>6,578,196</u>	<u>7,074,638</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**11 MORTGAGE ASSETS — ISLAMIC**

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	RM'000	RM'000	RM'000
PWOR .....	<u>3,828,813</u>	<u>3,918,909</u>	<u>3,992,999</u>
The maturity structure of mortgage assets — Islamic are as follows:			
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 .....	<u>2,756,369</u>	<u>2,990,043</u>	<u>3,222,305</u>
	4,723,696	4,885,558	5,027,639
Less:			
Unaccreted discount .....	(873,616)	(944,777)	(1,012,768)
Allowance for impairment losses .....	<u>(21,267)</u>	<u>(21,872)</u>	<u>(21,872)</u>
	<u>3,828,813</u>	<u>3,918,909</u>	<u>3,992,999</u>

**12 HIRE PURCHASE ASSETS — CONVENTIONAL**

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	RM'000	RM'000	RM'000
PWOR .....	<u>9</u>	<u>52</u>	<u>761</u>
The maturity structure of hire purchase assets — conventional are as follows:			
Maturing within one year .....	11	68	740
One year to three years .....	—	—	48
	11	68	788
Less:			
Unaccreted discount .....	—	—	(11)
Allowance for impairment losses .....	<u>(2)</u>	<u>(16)</u>	<u>(16)</u>
	<u>9</u>	<u>52</u>	<u>761</u>

**13 HIRE PURCHASE ASSETS — ISLAMIC**

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	RM'000	RM'000	RM'000
PWOR .....	<u>15,937</u>	<u>21,221</u>	<u>25,463</u>
The maturity structure of hire purchase assets — Islamic are as follows:			
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 .....	<u>83</u>	<u>132</u>	<u>148</u>
	16,681	22,410	26,869
Less:			
Unaccreted discount .....	(668)	(1,013)	(1,230)
Allowance for impairment losses .....	<u>(76)</u>	<u>(176)</u>	<u>(176)</u>
	<u>15,937</u>	<u>21,221</u>	<u>25,463</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**14 OTHER ASSETS**

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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	—	—
	<u>11,053</u>	<u>5,646</u>	<u>6,375</u>

**15 PROPERTY AND EQUIPMENT**

	<u>Office equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Work-in- progress</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Cost</b>					
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 .....	<u>4,901</u>	<u>4,562</u>	<u>598</u>	<u>—</u>	<u>10,061</u>
<b>Accumulated depreciation</b>					
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 .....	<u>(3,824)</u>	<u>(1,744)</u>	<u>(130)</u>	<u>—</u>	<u>(5,698)</u>
<b>Net book value</b>					
As at 31 December 2012 .....	<u>1,077</u>	<u>2,818</u>	<u>468</u>	<u>—</u>	<u>4,363</u>
<b>Cost</b>					
As at 1 January 2011 .....	4,362	4,551	617	—	9,530
Additions .....	70	4	—	—	74
Disposal .....	—	—	(100)	—	(100)
As at 31 December 2011 .....	<u>4,432</u>	<u>4,555</u>	<u>517</u>	<u>—</u>	<u>9,504</u>
<b>Accumulated depreciation</b>					
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 .....	<u>(3,387)</u>	<u>(1,292)</u>	<u>(514)</u>	<u>—</u>	<u>(5,193)</u>
<b>Net book value</b>					
As at 31 December 2011 .....	<u>1,045</u>	<u>3,263</u>	<u>3</u>	<u>—</u>	<u>4,311</u>
<b>Cost</b>					
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 .....	<u>4,362</u>	<u>4,551</u>	<u>617</u>	<u>—</u>	<u>9,530</u>
<b>Accumulated depreciation</b>					
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 .....	<u>(2,768)</u>	<u>(835)</u>	<u>(564)</u>	<u>—</u>	<u>(4,167)</u>
<b>Net book value</b>					
As at 31 December 2010 .....	<u>1,594</u>	<u>3,716</u>	<u>53</u>	<u>—</u>	<u>5,363</u>



NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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	<u>16,717</u>	<u>11,994</u>	<u>1,152</u>	<u>—</u>	<u>29,863</u>
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	<u>(8,910)</u>	<u>(10,520)</u>	<u>(881)</u>	<u>—</u>	<u>(20,311)</u>
Net book value					
As at 31 December 2012	<u>7,807</u>	<u>1,474</u>	<u>271</u>	<u>—</u>	<u>9,552</u>
Cost					
As at 1 January 2011	16,717	11,389	1,009	—	29,115
Additions	—	480	4	—	484
As at 31 December 2011	<u>16,717</u>	<u>11,869</u>	<u>1,013</u>	<u>—</u>	<u>29,599</u>
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	<u>(7,706)</u>	<u>(9,212)</u>	<u>(885)</u>	<u>—</u>	<u>(17,803)</u>
Net book value					
As at 31 December 2011	<u>9,011</u>	<u>2,657</u>	<u>128</u>	<u>—</u>	<u>11,796</u>
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	<u>16,717</u>	<u>11,389</u>	<u>1,009</u>	<u>—</u>	<u>29,115</u>
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	<u>(6,502)</u>	<u>(8,154)</u>	<u>(516)</u>	<u>—</u>	<u>(15,172)</u>
Net book value					
As at 31 December 2010	<u>10,215</u>	<u>3,235</u>	<u>493</u>	<u>—</u>	<u>13,943</u>

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).

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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:

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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 . . . . .	<u>(9,231)</u>	<u>(9,194)</u>	<u>(5,170)</u>

The movements during the financial year relating to deferred taxation are as follows:

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 . . . . .	<u>(9,231)</u>	<u>(9,194)</u>	<u>(5,170)</u>

The movements in deferred taxation assets and liabilities during the financial year comprise the following:

	<b>Balance as at 1 January</b>	<b>Recognised to income statement</b>	<b>Recognised to reserves</b>	<b>Balance as at 31 December</b>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>2012</b>				
<u>Deferred taxation assets</u>				
Unrealised (losses)/gains on revaluation of IRS under cash flow hedging accounting . . . . .	(13,567)	—	1,357	(12,210)
Provisions . . . . .	—	(412)	—	(412)
	<u>(13,567)</u>	<u>(412)</u>	<u>1,357</u>	<u>(12,622)</u>
<u>Deferred taxation liabilities</u>				
Accelerated tax depreciation . . . . .	4,003	(643)	—	3,360
Revaluation of AFS investment securities . . . . .	370	—	(339)	31
	<u>4,373</u>	<u>(643)</u>	<u>(339)</u>	<u>3,391</u>
<b>2011</b>				
<u>Deferred taxation assets</u>				
Unrealised losses on revaluation of IRS under cash flow hedging accounting . . . . .	(9,965)	—	(3,602)	(13,567)
<u>Deferred taxation liabilities</u>				
Accelerated tax depreciation . . . . .	4,787	(784)	—	4,003
Revaluation of AFS investment securities . . . . .	8	—	362	370
	<u>4,795</u>	<u>(784)</u>	<u>362</u>	<u>4,373</u>
<b>2010</b>				
<u>Deferred taxation assets</u>				
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)
	<u>(27,599)</u>	<u>17,007</u>	<u>627</u>	<u>(9,965)</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**17 DEFERRED TAXATION — (CONTINUED)**

	<u>Balance as at 1 January</u>	<u>Recognised to income statement</u>	<u>Recognised to reserves</u>	<u>Balance as at 31 December</u>
	RM'000	RM'000	RM'000	RM'000
2010				
Deferred taxation liabilities				
Accelerated tax depreciation .....	4,622	165	—	4,787
Unaccrued 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)	—	—
	<u>6,134</u>	<u>(1,669)</u>	<u>330</u>	<u>4,795</u>

**18 UNSECURED BEARER BONDS AND NOTES**

	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		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	
		<u>9,217,450</u>		<u>9,868,021</u>		<u>10,039,490</u>	

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)**

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

	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>1 January 2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
	<u>9,217,450</u>	<u>9,868,021</u>	<u>10,039,490</u>

*(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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**19 SUKUK**

	Year of maturity	31 December 2012		31 December 2011		1 January 2011	
		Amount outstanding	Effective profit rate	Amount outstanding	Effective profit rate	Amount outstanding	Effective profit rate
		RM'000	%	RM'000	%	RM'000	%
<b>(a) Bithaman Ajil</b>							
<b>(i) Primary Sukuk . . . . .</b>							
	2011	—	—	—	—	240,000	4.050 – 4.160
	2012	—	—	240,000	4.150	240,000	4.150
		—		240,000		480,000	
<b>(ii) Secondary Sukuk . . . . .</b>							
	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>(b) Islamic commercial papers</b>							
	2011	—	—	—	—	300,000	3.000
	2013	500,000	3.210	—	—	—	
		500,000		—		300,000	
Add: Profit payable . . . . .							
		264		—		4,932	
		500,264		—		304,932	
<b>(c) Islamic medium-term notes . . . . .</b>							
	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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	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 . . . . .	<u>50,842</u>	<u>50,115</u>	<u>—</u>
	<u>62,772</u>	<u>63,463</u>	<u>13,352</u>

**21 SHARE CAPITAL**

	<u>31 December 2012 and 2011</u>		<u>1 January 2011</u>	
	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>
	RM'000	'000	RM'000	'000
Ordinary shares of RM1 each:				
Authorised:				
Balance as at 1 January/31 December . . . . .	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
Balance as at 1 January/31 December . . . . .	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>516,847</u>	<u>528,853</u>
Accretion of discount less amortisation of premium (net) . . . . .	145,713	153,073
	<u>662,560</u>	<u>681,926</u>

**25 INTEREST EXPENSE**

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>442,687</u>	<u>451,555</u>

**26 NON-INTEREST INCOME**

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>4,973</u>	<u>3,342</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**27 PROFIT BEFORE TAXATION AND ZAKAT**

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

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
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:

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
Fees .....	370	382
Other remuneration .....	457	289
	<u>827</u>	<u>671</u>



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**29 TAXATION**

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
Tax charge for the financial year:		
(a) Current tax .....	74,018	76,343
Deferred taxation (Note 17) .....	(1,055)	(784)
	<u>72,963</u>	<u>75,559</u>
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)
	<u>72,963</u>	<u>75,559</u>
(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: .....		
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)
	<u>72,963</u>	<u>75,559</u>

**30 DIVIDENDS**

Dividends paid, proposed and approved are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Gross per share</u>	<u>Amount of dividend net of tax</u>	<u>Gross per share</u>	<u>Amount of dividend net of tax</u>
	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
	<u>88.00</u>	<u>99,000</u>	<u>20.00</u>	<u>22,500</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

(a) *Related parties and relationships*

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

<u>Related parties</u>	<u>Relationships</u>
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.

	<u>Ultimate holding company</u>	<u>Related company</u>	<u>Wholly owned SPE of ultimate holding company</u>	<u>Joint venture</u>	<u>Other related party</u>
	<u>RM’000</u>	<u>RM’000</u>	<u>RM’000</u>	<u>RM’000</u>	<u>RM’000</u>
2012					
<u>Income</u>					
Bank swap premium . . . . .	—	—	—	—	419
Transaction administrator and administrator fees . .	—	7,808	124	—	77
	<u>—</u>	<u>7,808</u>	<u>124</u>	<u>—</u>	<u>496</u>
<u>Expenses</u>					
FAST* and RENTAS** charges . . . . .	—	—	—	—	61
Guarantee and wakalah fee . . . . .	—	—	—	115	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>115</u>	<u>61</u>
<u>Amount due from</u>					
Transaction administrator and administrator fees . .	—	829	—	—	—
Bank swap premium . . . . .	—	—	—	—	146
BNM current accounts . . . . .	—	—	—	—	29
Reimbursement of operating expenses . . . . .	—	—	—	—	249
	<u>—</u>	<u>829</u>	<u>—</u>	<u>—</u>	<u>424</u>

\* Denotes Fully Automated System for Issuing and Tendering (“FAST”).

\*\* Denotes Real Time Electronic Transfer of Funds and Securities (“RENTAS”)

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES — (CONTINUED)**

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

	<u>Ultimate holding company</u>	<u>Related company</u>	<u>Wholly owned SPE of ultimate holding company</u>	<u>Joint venture</u>	<u>Other related party</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
2011					
<u>Income</u>					
Bank swap premium . . . . .	—	—	—	—	541
Transaction administrator and administrator fees . .	—	8,540	160	—	93
	<u>—</u>	<u>8,540</u>	<u>160</u>	<u>—</u>	<u>93</u>
<u>Expenses</u>					
FAST* and RENTAS** charges . . . . .	—	—	—	—	59
Guarantee and wakalah fee . . . . .	—	—	—	127	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>127</u>	<u>—</u>
<u>Amount due from</u>					
Transaction administrator and administrator fees . .	—	910	36	—	—
Bank swap premium . . . . .	—	—	—	—	133
BNM current accounts . . . . .	—	—	—	—	31
Reimbursement of operating expenses . . . . .	2	—	8	9	290
	<u>2</u>	<u>—</u>	<u>8</u>	<u>9</u>	<u>290</u>

\* 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**

	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for . . . . .	1,960	558
Authorised but not contracted for . . . . .	1,567	1,089
	<u>3,527</u>	<u>1,647</u>
<i>Analysed as follows:</i>		
Equipment . . . . .	158	454
Computer equipment . . . . .	3,369	4,410
	<u>3,527</u>	<u>4,864</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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:

	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
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.

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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 <sup>A1</sup>
— Islamic	3.97	670,991	662,729	633,608	2,756,369	(894,884)	3,828,813 <sup>A3</sup>
Hire purchase assets:							
— Conventional	4.00	11	—	—	—	(2)	9 <sup>A2</sup>
— Islamic	4.00	6,613	8,091	1,894	83	(744)	15,937 <sup>A4</sup>
Other assets	—	1,818	2,175	1,561	2,289	3,169	11,012
Total assets		<u>5,288,253</u>	<u>6,760,569</u>	<u>6,640,432</u>	<u>6,716,682</u>	<u>(2,146,460)</u>	<u>23,259,476</u>

<sup>A1</sup> Includes impairment lossess on conventional mortgage assets of RM35,974,413.

<sup>A2</sup> Includes impairment lossess on conventional hire purchase assets of RM1,883.

<sup>A3</sup> Includes impairment lossess on Islamic mortgage assets of RM21,267,391.

<sup>A4</sup> 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		<u>4,640,009</u>	<u>6,280,000</u>	<u>4,355,000</u>	<u>5,650,000</u>	<u>111,663</u>	<u>21,036,672</u>
Total liabilities/profit sensitivity gap		<u>648,244</u>	<u>480,569</u>	<u>2,285,432</u>	<u>1,066,682</u>		
Cumulative gap		<u>648,244</u>	<u>1,128,813</u>	<u>3,414,245</u>	<u>4,480,927</u>		

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 <sup>A1</sup>
— Islamic	3.98	614,546	644,573	636,396	2,990,043	(966,649)	3,918,909 <sup>A3</sup>
Hire purchase assets:							
— Conventional	4.00	68	—	—	—	(16)	52 <sup>A2</sup>
— Islamic	4.00	7,097	12,267	2,914	132	(1,189)	21,221 <sup>A4</sup>
Other assets	—	367	734	581	1,757	2,134	5,573
Total assets		<u>3,862,161</u>	<u>6,896,402</u>	<u>5,620,108</u>	<u>8,648,311</u>	<u>(2,364,454)</u>	<u>22,662,528</u>

<sup>A1</sup> Includes impairment lossess on conventional mortgage assets of RM40,381,980.

<sup>A2</sup> Includes impairment lossess on conventional hire purchase assets of RM16,129.

<sup>A3</sup> Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

<sup>A4</sup> Includes impairment lossess on Islamic hire purchase assets of RM176,055.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**34 MARKET RISK — (CONTINUED)**

**34.1 Interest/profit rate risk — (continued)**

	Effective interest rate %	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ profit bearing RM'000	Total 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		<u>3,073,487</u>	<u>6,535,000</u>	<u>3,680,000</u>	<u>7,165,000</u>	<u>117,352,638</u>	<u>20,570,840</u>
Total liabilities/profit sensitivity gap		<u>788,673</u>	<u>361,402</u>	<u>1,940,108</u>	<u>1,483,311</u>		
Cumulative gap		<u>788,673</u>	<u>1,150,075</u>	<u>3,090,183</u>	<u>4,573,494</u>		
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 <sup>A1</sup>
— Islamic	4.18	552,994	615,136	637,204	3,222,305	(1,034,640)	3,992,999 <sup>A3</sup>
Hire purchase assets:							
— Conventional	4.14	740	48	—	—	(27)	761 <sup>A2</sup>
— Islamic	4.18	7,614	14,039	5,068	148	(1,406)	25,463 <sup>A4</sup>
Other assets	—	3,031	52	393	3,043	2,695	9,214
Total assets		<u>3,786,813</u>	<u>5,060,007</u>	<u>6,961,833</u>	<u>9,563,182</u>	<u>(2,625,198)</u>	<u>22,746,637</u>

<sup>A1</sup> Includes impairment lossess on conventional mortgage assets of RM40,381,980.

<sup>A2</sup> Includes impairment lossess on conventional hire purchase assets of RM16,129.

<sup>A3</sup> Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

<sup>A4</sup> Includes impairment lossess on Islamic hire purchase assets of RM176,055.

	Effective interest rate %	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ profit bearing RM'000	Total 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		<u>3,254,849</u>	<u>5,568,735</u>	<u>3,670,000</u>	<u>8,200,000</u>	<u>170,586</u>	<u>20,864,170</u>
Total liabilities/profit sensitivity gap		<u>530,793</u>	<u>(509,033)</u>	<u>3,291,833</u>	<u>1,320,610</u>		
Cumulative gap		<u>530,793</u>	<u>21,760</u>	<u>3,313,593</u>	<u>4,634,203</u>		

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>-100 basis points</u>	<u>+100 basis points</u>
	<u>RM'000</u>	<u>RM'000</u>
31 December 2012		
AFS reserve .....	(29,433)	28,035
IRS .....	47,507	(44,620)
Taxation effects on the above at tax rate of 25% .....	<u>(4,518)</u>	<u>4,146</u>
Effect on shareholder's funds .....	<u>13,556</u>	<u>(12,439)</u>
As percentage of shareholder's funds .....	<u>0.6%</u>	<u>(0.6)%</u>
31 December 2011		
AFS reserve .....	(6,003)	5,707
IRS .....	31,206	(28,770)
Taxation effects on the above at tax rate of 25% .....	<u>(6,301)</u>	<u>5,766</u>
Effect on shareholder's funds .....	<u>18,902</u>	<u>(17,297)</u>
As percentage of shareholder's funds .....	<u>0.9%</u>	<u>(0.8)%</u>
1 January 2011		
AFS reserve .....	(2,709)	2,645
IRS .....	34,507	(31,650)
Taxation effects on the above at tax rate of 25% .....	<u>(7,949)</u>	<u>7,252</u>
Effect on shareholder's funds .....	<u>23,849</u>	<u>(21,753)</u>
As percentage of shareholder's funds .....	<u>1.2%</u>	<u>(1.1)%</u>

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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



NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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%
	<u>21,646,974</u>	<u>121,887</u>	<u>21,768,861</u>	<u>57,319</u>	<u>21,711,542</u>	<u>121,887</u>	
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%
	<u>21,671,621</u>	<u>95,882</u>	<u>21,767,503</u>	<u>62,446</u>	<u>21,705,057</u>	<u>95,882</u>	

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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%
	<u>22,246,037</u>	<u>89,727</u>	<u>22,335,764</u>	<u>62,446</u>	<u>22,273,318</u>	<u>89,727</u>	

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
	<u>21,646,974</u>	<u>21,646,974</u>	<u>21,671,621</u>	<u>21,671,621</u>	<u>22,246,037</u>	<u>22,246,037</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>91 to 120 days</u>	<u>121 to 150 days</u>	<u>151 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	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
	<u>16,962</u>	<u>16,584</u>	<u>10,391</u>	<u>77,950</u>	<u>121,887</u>
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
	<u>15,146</u>	<u>10,011</u>	<u>6,963</u>	<u>63,762</u>	<u>95,882</u>
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
	<u>18,479</u>	<u>11,480</u>	<u>8,552</u>	<u>51,216</u>	<u>89,727</u>

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.

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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
	<u>62,446</u>	<u>1,890</u>	<u>(7,017)</u>	<u>57,319</u>
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
	<u>62,446</u>	<u>—</u>	<u>—</u>	<u>62,446</u>

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			Total
	GOM	AAA	AA1 to AA2	
	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
	<u>552,632</u>	<u>572,588</u>	<u>40,763</u>	<u>1,165,983</u>
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
	<u>317,630</u>	<u>187,029</u>	<u>91,940</u>	<u>596,599</u>

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

35 CREDIT RISK — (CONTINUED)

35.3 AFS investment securities — (continued)

	Investment Grade			Total RM'000
	GOM	AAA	AA1 to AA2	
	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
	<u>107,223</u>	<u>192,787</u>	<u>50,373</u>	<u>350,383</u>

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	<u>370,939</u>	<u>1,115</u>	<u>1,165,983</u>	<u>6,093,780</u>	<u>3,828,813</u>	<u>11,798,792</u>	<u>23,259,422</u>
As at 31 December							
2011	<u>355,299</u>	<u>—</u>	<u>596,599</u>	<u>6,578,196</u>	<u>3,918,909</u>	<u>11,213,525</u>	<u>22,662,528</u>
As at 1 January 2011	<u>113,722</u>	<u>2,848</u>	<u>350,383</u>	<u>7,074,638</u>	<u>3,992,999</u>	<u>11,212,047</u>	<u>22,746,637</u>

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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					Total
	Up to one month	One to three months	Three to twelve months	One to five years	Over five years	
	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	<u>53,392</u>	<u>896,272</u>	<u>4,348,395</u>	<u>12,809,371</u>	<u>7,480,990</u>	<u>25,588,420</u>
Assets held for managing						
liquidity risk	<u>803,355</u>	<u>635,219</u>	<u>4,013,917</u>	<u>14,584,378</u>	<u>10,698,814</u>	<u>30,735,683</u>
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	<u>49,045</u>	<u>844,013</u>	<u>2,823,679</u>	<u>12,379,647</u>	<u>9,473,273</u>	<u>25,569,657</u>
Assets held for managing						
liquidity risk	<u>874,863</u>	<u>787,016</u>	<u>2,973,562</u>	<u>13,366,639</u>	<u>12,762,552</u>	<u>30,764,634</u>
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	<u>322,411</u>	<u>718,360</u>	<u>2,559,002</u>	<u>10,645,012</u>	<u>9,771,220</u>	<u>24,016,005</u>
Assets held for managing						
liquidity risk	<u>811,384</u>	<u>1,129,464</u>	<u>2,638,221</u>	<u>12,733,154</u>	<u>13,753,152</u>	<u>31,065,375</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>Up to one month</u>	<u>One to three months</u>	<u>Three to twelve months</u>	<u>One to five years</u>	<u>Over five years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2012						
Derivatives held for hedging — IRS/IPRS . . .	<u>—</u>	<u>(4,896)</u>	<u>(5,246)</u>	<u>(34,059)</u>	<u>(14,536)</u>	<u>(58,737)</u>
31 December 2011						
Derivatives held for hedging — IRS . . . . .	<u>—</u>	<u>(4,540)</u>	<u>(4,491)</u>	<u>(38,622)</u>	<u>(17,555)</u>	<u>(65,208)</u>
1 January 2011						
Derivatives held for hedging — IRS . . . . .	<u>(3,200)</u>	<u>(5,536)</u>	<u>(4,621)</u>	<u>(30,892)</u>	<u>(6,715)</u>	<u>(50,964)</u>

**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.



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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
	<u>21,711,542</u>	<u>22,889,638</u>	<u>21,705,057</u>	<u>22,585,465</u>	<u>22,273,318</u>	<u>22,863,006</u>
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
	<u>20,925,009</u>	<u>20,944,633</u>	<u>20,453,488</u>	<u>20,619,709</u>	<u>20,690,819</u>	<u>21,231,802</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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).

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<b>31 December 2012</b>				
<b>Assets</b>				
AFS investments securities . . . . .	—	1,165,983	—	1,165,983
Derivatives financial instruments . . . . .	—	1,115	—	1,115
<b>Liabilities</b>				
Derivatives financial instruments . . . . .	—	53,741	—	53,741
<b>31 December 2011</b>				
<b>Assets</b>				
AFS investments securities . . . . .	—	596,599	—	596,599
<b>Liabilities</b>				
Derivatives financial instruments . . . . .	—	58,278	—	58,278
<b>1 January 2011</b>				
<b>Assets</b>				
AFS investments securities . . . . .	—	350,383	—	350,383
Derivatives financial instruments . . . . .	—	2,848	—	2,848
<b>Liabilities</b>				
Derivatives financial instruments . . . . .	—	46,813	—	46,813

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>Purchase with recourse</b>	<b>Purchase without recourse</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2012</b>			
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
<b>31 December 2011</b>			
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**38 SEGMENT REPORTING — (CONTINUED)**

(b) *PWOR — (continued)*

	<u>Purchase with recourse</u>	<u>Purchase without recourse</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**39 CAPITAL ADEQUACY — (CONTINUED)**

The capital adequacy ratios are as follows:

	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Tier I capital		
Paid up capital .....	150,000	150,000
Retained profits .....	2,110,925	1,990,962
	<u>2,260,925</u>	<u>2,140,962</u>
Deferred taxation assets .....	(9,231)	(9,194)
Total tier I capital .....	<u>2,251,694</u>	<u>2,131,768</u>
Tier II capital		
Allowance for impairment losses .....	57,319	62,446
Total tier II capital .....	<u>57,319</u>	<u>62,446</u>
Total capital base .....	<u>2,309,013</u>	<u>2,194,214</u>
	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Capital ratios:		
Core .....	23.8%	24.4%
Risk-weighted .....	<u>24.4%</u>	<u>25.1%</u>

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 .....	<u>9,455,540</u>	<u>8,737,080</u>

**40 ISLAMIC OPERATIONS**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	<u>Note</u>	<u>31 December</u>	<u>31 December</u>	<u>1 January</u>
		2012	2011	2011
		RM'000	RM'000	RM'000
<b>ASSETS</b>				
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 .....		<u>12,391,656</u>	<u>11,194,003</u>	<u>11,181,703</u>
<b>LIABILITIES</b>				
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 .....		<u>11,718,831</u>	<u>10,595,815</u>	<u>10,660,172</u>
ISLAMIC OPERATIONS' FUNDS .....		672,825	598,188	521,531
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS .....		<u>12,391,656</u>	<u>11,194,003</u>	<u>11,181,703</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>RM'000</u>	<u>RM'000</u>
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	—
<b>PROFIT BEFORE TAXATION AND ZAKAT</b>		<b>99,879</b>	<b>105,220</b>
Taxation		(24,970)	(26,305)
Zakat		(1,118)	(2,260)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>73,791</b>	<b>76,655</b>

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		<u>RM'000</u>	<u>RM'000</u>
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
<b>Total comprehensive income for the financial year</b>		<b>74,637</b>	<b>76,657</b>

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Allocated capital funds</u>	<u>AFS reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained profits</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>OPERATING ACTIVITIES</b>		
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 .....	<u>91,386</u>	<u>57,662</u>
<b>INVESTING ACTIVITIES</b>		
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 .....	<u>(47,331)</u>	<u>(40,760)</u>
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 .....	<u>94,346</u>	<u>50,291</u>
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds .....	<u>94,346</u>	<u>50,291</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

*(a) Cash and short-term funds*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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
	<u>94,346</u>	<u>50,291</u>	<u>33,389</u>

*(b) AFS investment securities*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At fair value:			
Bank Negara Malaysia Sukuk .....	99,764	—	—
Debt securities .....	—	—	5,073
Negotiable instruments of deposits .....	—	49,247	—
	<u>99,764</u>	<u>49,247</u>	<u>5,073</u>
The maturity structure of AFS investment securities is as follows:			
Maturing within one year .....	<u>99,764</u>	<u>49,247</u>	<u>5,073</u>

*(c) Financing debts*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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
	<u>8,076,861</u>	<u>6,879,635</u>	<u>6,854,347</u>
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
	<u>8,076,861</u>	<u>6,879,635</u>	<u>6,854,347</u>

*(d) Mortgage assets*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
PWOR .....	<u>3,820,156</u>	<u>3,915,318</u>	<u>3,992,999</u>
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
	<u>4,715,022</u>	<u>4,881,967</u>	<u>5,027,639</u>
Less:			
Unaccreted discount .....	(873,616)	(944,777)	(1,012,768)
Allowance for impairment losses .....	(21,250)	(21,872)	(21,872)
	<u>3,820,156</u>	<u>3,915,318</u>	<u>3,992,999</u>



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

(e) *Hire purchase assets*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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
	<u>10,441</u>	<u>10,468</u>	<u>7,160</u>
Less:			
Unaccreted discount .....	(445)	(538)	(365)
Allowance for impairment losses .....	(21)	—	(106)
	<u>9,975</u>	<u>9,930</u>	<u>6,689</u>

(f) *Sukuk*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Commercial papers .....	500,264	—	304,932
Medium-term notes .....	11,207,295	10,341,732	9,858,482
Bithaman Ajil .....	—	243,735	487,915
	<u>11,707,559</u>	<u>10,585,467</u>	<u>10,651,329</u>
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
	<u>11,707,559</u>	<u>10,585,467</u>	<u>10,651,329</u>

(g) *Other liabilities*

	<u>31 December 2012</u>	<u>31 December 2011</u>	<u>1 January 2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Zakat .....	1,118	2,260	1,785
Other payables .....	9,872	8,088	7,058
	<u>10,990</u>	<u>10,348</u>	<u>8,843</u>

(h) *Income attributable to the Sukuk holders*

	<u>2012</u>	<u>2011</u>
	<u>RM'000</u>	<u>RM'000</u>
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
	<u>450,036</u>	<u>448,863</u>
Income attributable to the Sukuk holders by concept are as follows:		
Bai Al-Dayn .....	449,726	448,796
Mudharabah .....	310	67
	<u>450,036</u>	<u>448,863</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

(i) *Total net income*

	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
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)	—
	<b>101,412</b>	<b>107,486</b>
Total net income analysed by concept are as follows:		
Bai Bithaman Ajil . . . . .	195	524
Murabahah . . . . .	1,900	149
Bai Al-Dayn . . . . .	97,015	101,221
Mudharabah . . . . .	2,301	4,935
Ijarah . . . . .	1	11
Musarakah . . . . .	—	366
Bai Al-Inah . . . . .	—	280
	<b>101,412</b>	<b>107,486</b>

(j) *Capital adequacy*

	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier I capital		
Allocated capital funds . . . . .	294,159	294,159
Other reserves . . . . .	378,666	304,029
Deferred tax liabilities . . . . .	282	—
Total tier I capital . . . . .	<b>673,107</b>	<b>598,188</b>
Tier II capital		
Allowance for impairment losses . . . . .	21,271	21,872
Total tier II capital . . . . .	<b>21,271</b>	<b>21,872</b>
Total capital base . . . . .	<b>694,378</b>	<b>620,060</b>
Capital ratios:		
Risk-weighted . . . . .	<b>15.0%</b>	<b>16.8%</b>
Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:		
Credit risk . . . . .	4,420,830	3,491,176
Operational risk . . . . .	201,270	207,233
Total risk-weighted assets . . . . .	<b>4,622,100</b>	<b>3,698,409</b>

(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.

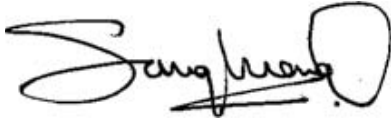
**42 APPROVAL OF FINANCIAL STATEMENTS**

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.



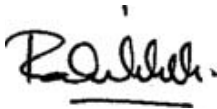
DATO' OOI SANG KUANG  
CHAIRMAN



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



Lot 1.08, Tingkat 1,  
Bangunan KWSP, Jln Raja Laut,  
50350 Kuala Lumpur.  
Tel: 019-6680745



**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

Kuala Lumpur  
25 February 2013

SOO HOO KHOON YEAN  
(No.2682/10/13 (J))  
Chartered Accountant

**CAGAMAS BERHAD**  
**(Incorporated in Malaysia)**

**STATUTORY FINANCIAL STATEMENTS**  
**31 DECEMBER 2011**

Lodged by:

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## 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

Profit for the financial year .....	<b>RM'000</b> <u>226,445</u>
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### DIVIDENDS

The dividends paid by the Company since 31 December 2010 were as follows:

	<b>RM'000</b>
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 .....	<u>5,625</u>
	<u>122,500</u>

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)



## **DIRECTORS' REPORT — (CONTINUED)**

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.

## **DIRECTORS' REPORT — (CONTINUED)**

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**

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		RM'000	RM'000
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b> .....		<u>22,688,880</u>	<u>22,772,183</u>
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b> .....		<u>20,587,508</u>	<u>20,864,170</u>
Share capital .....	21	150,000	150,000
Reserves .....	22	1,951,372	1,758,013
<b>SHAREHOLDER'S FUNDS</b> .....		<u>2,101,372</u>	<u>1,908,013</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b> .....		<u>22,688,880</u>	<u>22,772,183</u>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b> .....	23	<u>13.93</u>	<u>12.63</u>

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

**INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		<u>RM'000</u>	<u>RM'000</u>
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	<u>3,342</u>	<u>(5,343)</u>
		341,199	363,982
Administration and general expenses .....		(18,915)	(19,138)
Personnel costs .....		<u>(18,020)</u>	<u>(20,701)</u>
<b>PROFIT BEFORE TAXATION AND ZAKAT</b> .....	27	304,264	324,143
Taxation .....	29	(75,559)	(82,627)
Zakat .....		<u>(2,260)</u>	<u>(836)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b> .....		<u>226,445</u>	<u>240,680</u>
<b>EARNINGS PER SHARE (SEN)</b> .....	23	<u>150.96</u>	<u>160.45</u>
<b>DIVIDEND PER SHARE (SEN)</b> .....	30	<u>20.00</u>	<u>108.89</u>

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>(10,586)</u>	<u>(3,131)</u>
Total comprehensive income for the financial year .....	<u>215,859</u>	<u>237,549</u>

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				
		Share capital RM'000	AFS reserve RM'000	Cash flow hedge reserve RM'000	Retained profits RM'000	Total equity 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**

	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
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	<u>(34,444)</u>	<u>(39,084)</u>
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	<u>581,234</u>	<u>(1,108,976)</u>

**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 — (CONTINUED)**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>INVESTING ACTIVITIES</b>		
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
<b>FINANCING ACTIVITY</b>		
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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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 occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

##### (ii) *Assets classified as AFS*

The 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.



## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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;

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<b>355,299</b>	<b>113,722</b>

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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		Contract/ notional amount	Fair value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities 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) . . . . .	<u>435,000</u>	<u>—</u>	<u>(58,278)</u>	<u>890,000</u>	<u>2,848</u>	<u>(46,813)</u>

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
	<u>435,000</u>	<u>890,000</u>

**7 AVAILABLE-FOR-SALE (“AFS”) INVESTMENT SECURITIES**

	2011	2010
	RM'000	RM'000
<i>At fair value:</i>		
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
	<u>596,599</u>	<u>350,383</u>

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	—
	<u>596,599</u>	<u>350,383</u>

**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	—
	<u>4,307,044</u>	<u>4,325,110</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**8 AMOUNT DUE FROM COUNTERPARTIES — (CONTINUED)**

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

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>1,000,002</u>	<u>—</u>
	<u>4,307,044</u>	<u>4,325,110</u>

**9 ISLAMIC FINANCING DEBTS**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Relating to:		
Islamic house financing debts .....	525,417	553,644
Islamic hire purchase debts .....	3,217,740	2,587,283
Islamic personal financing .....	<u>3,136,478</u>	<u>3,713,420</u>
	<u>6,879,635</u>	<u>6,854,347</u>

The maturity structure of Islamic 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 .....	<u>—</u>	<u>1,300,033</u>
	<u>6,879,635</u>	<u>6,854,347</u>

**10 MORTGAGE ASSETS — CONVENTIONAL**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Purchase Without Recourse (“PWOR”) .....	<u>6,578,196</u>	<u>7,074,638</u>

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

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 .....	<u>4,429,549</u>	<u>5,037,653</u>
	8,027,687	8,666,655
Less:		
Unaccreted discount .....	(1,409,109)	(1,551,635)
Allowance for impairment losses .....	<u>(40,382)</u>	<u>(40,382)</u>
	<u>6,578,196</u>	<u>7,074,638</u>

**11 MORTGAGE ASSETS — ISLAMIC**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR .....	<u>3,918,909</u>	<u>3,992,999</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**11 MORTGAGE ASSETS — ISLAMIC — (CONTINUED)**

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

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>2,990,043</u>	<u>3,222,305</u>
	4,885,558	5,027,639
Less:		
Unaccreted discount .....	(944,777)	(1,012,768)
Allowance for impairment losses .....	<u>(21,872)</u>	<u>(21,872)</u>
	<u>3,918,909</u>	<u>3,992,999</u>

**12 HIRE PURCHASE ASSETS — CONVENTIONAL**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR .....	<u>52</u>	<u>761</u>

The maturity structure of hire purchase assets — conventional are as follows:

Maturing within one year .....	68	740
One year to three years .....	<u>—</u>	<u>48</u>
	68	788
Less:		
Unaccreted discount .....	—	(11)
Allowance for impairment losses .....	<u>(16)</u>	<u>(16)</u>
	<u>52</u>	<u>761</u>

**13 HIRE PURCHASE ASSETS — ISLAMIC**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
PWOR .....	<u>21,221</u>	<u>25,463</u>

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

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 .....	<u>132</u>	<u>148</u>
	22,410	26,869
Less:		
Unaccreted discount .....	(1,013)	(1,230)
Allowance for impairment losses .....	<u>(176)</u>	<u>(176)</u>
	<u>21,221</u>	<u>25,463</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**14 OTHER ASSETS**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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
	<b>5,646</b>	<b>6,375</b>

**15 PROPERTY AND EQUIPMENT**

	<b>Office equipment</b>	<b>Furniture and fittings</b>	<b>Motor vehicles</b>	<b>Work-in- progress</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>					
As at 1 January 2011 .....	4,362	4,551	617	—	9,530
Additions .....	70	4	—	—	74
Disposal .....	—	—	(100)	—	(100)
As at 31 December 2011 .....	<b>4,432</b>	<b>4,555</b>	<b>517</b>	<b>—</b>	<b>9,504</b>
<b>Accumulated depreciation</b>					
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 .....	<b>(3,387)</b>	<b>(1,292)</b>	<b>(514)</b>	<b>—</b>	<b>(5,193)</b>
<b>Net book value</b>					
As at 31 December 2011 .....	<b>1,045</b>	<b>3,263</b>	<b>3</b>	<b>—</b>	<b>4,311</b>
<b>Cost</b>					
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 .....	<b>4,362</b>	<b>4,551</b>	<b>617</b>	<b>—</b>	<b>9,530</b>
<b>Accumulated depreciation</b>					
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 .....	<b>(2,768)</b>	<b>(835)</b>	<b>(564)</b>	<b>—</b>	<b>(4,167)</b>
<b>Net book value</b>					
As at 31 December 2010 .....	<b>1,594</b>	<b>3,716</b>	<b>53</b>	<b>—</b>	<b>5,363</b>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**16 INTANGIBLE ASSETS**

	<u>Service rights</u>	<u>Computer software</u>	<u>Computer software licenses</u>	<u>Computer software under development</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cost					
As at 1 January 2011	16,717	11,389	1,009	—	29,115
Additions	—	480	4	—	484
As at 31 December 2011	<u>16,717</u>	<u>11,869</u>	<u>1,013</u>	<u>—</u>	<u>29,599</u>
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	<u>(7,706)</u>	<u>(9,212)</u>	<u>(885)</u>	<u>—</u>	<u>(17,803)</u>
Net book value					
As at 31 December 2011	<u>9,011</u>	<u>2,657</u>	<u>128</u>	<u>—</u>	<u>11,796</u>
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	<u>16,717</u>	<u>11,389</u>	<u>1,009</u>	<u>—</u>	<u>29,115</u>
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	<u>(6,502)</u>	<u>(8,154)</u>	<u>(516)</u>	<u>—</u>	<u>(15,172)</u>
Net book value					
As at 31 December 2010	<u>10,215</u>	<u>3,235</u>	<u>493</u>	<u>—</u>	<u>13,943</u>

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:

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Deferred taxation assets (before offsetting)	(13,567)	(9,965)
Deferred taxation liabilities (before offsetting)	4,373	4,795
Deferred taxation assets	<u>(9,194)</u>	<u>(5,170)</u>

The movements during the financial year relating to deferred taxation are as follows:

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	<u>(9,194)</u>	<u>(5,170)</u>



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**17 DEFERRED TAXATION — (CONTINUED)**

The movements in deferred taxation assets and liabilities during the financial year comprise the following:

	<u>Balance as at 1 January</u>	<u>Recognised to income statement</u>	<u>Recognised to reserves</u>	<u>Balance as at 31 December</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2011				
<u>Deferred taxation assets</u>				
Unrealised losses on revaluation of IRS under cash flow				
hedging accounting . . . . .	(9,965)	—	(3,602)	(13,567)
<u>Deferred taxation liabilities</u>				
Accelerated tax depreciation . . . . .	4,787	(784)	—	4,003
Revaluation of AFS investment securities . . . . .	8	—	362	370
	<u>4,795</u>	<u>(784)</u>	<u>362</u>	<u>4,373</u>
	<u>Balance as at 1 January</u>	<u>Recognised to income statement</u>	<u>Recognised to reserves</u>	<u>Balance as at 31 December</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2010				
<u>Deferred taxation assets</u>				
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)
	<u>(27,599)</u>	<u>17,007</u>	<u>627</u>	<u>(9,965)</u>
<u>Deferred taxation liabilities</u>				
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)	—	—
	<u>6,134</u>	<u>(1,669)</u>	<u>330</u>	<u>4,795</u>

**18 UNSECURED BEARER BONDS AND NOTES**

	<u>Year of maturity</u>	<u>2011</u>		<u>2010</u>	
		<u>Amount outstanding</u>	<u>Effective interest rate</u>	<u>Amount outstanding</u>	<u>Effective interest rate</u>
		<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
(a) Fixed rate bonds . . . . .	2011	—	—	480,000	3.912 – 4.350
Add: Interest payable . . . . .		—		4,150	
		<u>—</u>		<u>484,150</u>	
(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
Add: Interest payable . . . . .		205,000		340,000	
		2,846		3,407	
		<u>207,846</u>		<u>343,407</u>	

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**18 UNSECURED BEARER BONDS AND NOTES — (CONTINUED)**

	Year of maturity	2011		2010	
		Amount outstanding	Effective interest rate	Amount outstanding	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
		<u>9,565,000</u>		<u>9,115,000</u>	
Add: Interest payable		<u>95,175</u>		<u>96,933</u>	
		<u>9,660,175</u>		<u>9,211,933</u>	
		<u>9,868,021</u>		<u>10,039,490</u>	

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
	<u>9,868,021</u>	<u>10,039,490</u>

*(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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**19 SUKUK**

	Year of maturity	2011		2010	
		Amount outstanding	Effective profit rate	Amount outstanding	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
		<u>240,000</u>		<u>480,000</u>	
(ii) Secondary Sukuk	2011	—	—	14,930	—
	2012	4,980	—	4,980	—
		<u>4,980</u>		<u>19,910</u>	
Less: Unamortised deferred expenses		<u>(1,245)</u>		<u>(11,995)</u>	
		<u>243,735</u>		<u>487,915</u>	
(b) Islamic commercial papers	2011	—	—	300,000	3.000
Add: Profit payable		—		4,932	
		<u>—</u>		<u>304,932</u>	

	Year of maturity	2011		2010	
		Amount outstanding	Effective profit rate	Amount outstanding	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
		<u>10,220,000</u>		<u>9,755,000</u>	
Add: Profit payable		121,732		103,482	
		<u>10,341,732</u>		<u>9,858,482</u>	
		<u>10,585,467</u>		<u>10,651,329</u>	

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
	<u>10,585,467</u>	<u>10,651,329</u>

(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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>6,269</u>	<u>5,891</u>
	528,853	566,796
Accretion of discount less amortisation of premium (net) .....	<u>153,073</u>	<u>162,136</u>
	<u>681,926</u>	<u>728,932</u>

**25 INTEREST EXPENSE**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>2</u>	<u>1,050</u>
	<u>451,555</u>	<u>471,824</u>

**26 NON-INTEREST INCOME/(EXPENSE)**

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>—</u>	<u>(107)</u>
	<u>3,342</u>	<u>(5,343)</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**27 PROFIT BEFORE TAXATION AND ZAKAT**

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

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
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:

	<u>2011</u>	<u>2010</u>
	<u>RM'000</u>	<u>RM'000</u>
Fees .....	382	350
Other remuneration .....	289	103
	<u>671</u>	<u>453</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**29 TAXATION**

Tax charge for the financial year:

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Current tax	76,343	67,289
Deferred taxation (Note 17) .....	(784)	15,338
	<b>75,559</b>	<b>82,627</b>
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
	<b>75,559</b>	<b>82,627</b>

(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:

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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)
	<b>75,559</b>	<b>82,627</b>

**30 DIVIDENDS**

Dividends paid, proposed and approved are as follows:

	<b>2011</b>		<b>2010</b>	
	<b>Gross per share</b>	<b>Amount of dividend net of tax</b>	<b>Gross per share</b>	<b>Amount of dividend net of tax</b>
	<b>Sen</b>	<b>RM'000</b>	<b>Sen</b>	<b>RM'000</b>
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
	<b>20.00</b>	<b>22,500</b>	<b>108.89</b>	<b>122,500</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

*(a) Related parties and relationships*

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

<u>Related parties</u>	<u>Relationships</u>
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.



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>Ultimate holding company</b>	<b>Related company</b>	<b>Wholly owned SPE of ultimate holding company</b>	<b>Joint venture</b>	<b>Other related party</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
2011					
<u>Income</u>					
Bank swap premium . . . . .	—	—	—	—	541
Transaction administrator and administrator fees . .	—	8,540	160	—	93
	<u>—</u>	<u>8,540</u>	<u>160</u>	<u>—</u>	<u>93</u>
<u>Expenses</u>					
FAST* and RENTAS** charges . . . . .	—	—	—	—	59
Guarantee and wakalah fee . . . . .	—	—	—	127	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>127</u>	<u>—</u>
<u>Amount due from</u>					
Transaction administrator and administrator fees . .	—	910	36	—	—
Bank swap premium . . . . .	—	—	—	—	133
BNM current accounts . . . . .	—	—	—	—	30
Reimbursement of operating expenses . . . . .	2	—	8	9	290
	<u>2</u>	<u>—</u>	<u>8</u>	<u>9</u>	<u>290</u>

\* Denotes Fully Automated System for Issuing and Tendering (“FAST”).

\*\* Denotes Real Time Electronic Transfer of Funds and Securities (“RENTAS”).

	<b>Ultimate holding company</b>	<b>Related company</b>	<b>Wholly owned SPE of ultimate holding company</b>	<b>Joint venture</b>	<b>Other related party</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
2010					
<u>Income</u>					
Bank swap premium . . . . .	—	—	—	—	160
Transaction administrator and administrator fees . .	—	9,277	160	—	186
	<u>—</u>	<u>9,277</u>	<u>160</u>	<u>—</u>	<u>186</u>
<u>Expenses</u>					
FAST* and RENTAS** charges . . . . .	—	—	—	—	89
Guarantee and wakalah fee . . . . .	—	—	—	382	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>382</u>	<u>—</u>
<u>Amount due from</u>					
Transaction administrator and administrator fees . .	—	997	36	—	—
Bank swap premium . . . . .	—	—	—	—	132
BNM current accounts . . . . .	—	—	—	—	26
Reimbursement of operating expenses . . . . .	2	—	17	9	125
	<u>2</u>	<u>—</u>	<u>17</u>	<u>9</u>	<u>125</u>
<u>Amount due to</u>					
Dividends . . . . .	100,000	—	—	—	—
	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

\* 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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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
<i>Capital expenditure:</i>		
Authorised and contracted for . . . . .	558	991
Authorised but not contracted for . . . . .	4,306	2,092
	4,864	3,083
<i>Analysed as follows:</i>		
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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>Effective interest rate</u>	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	%	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 <sup>A1</sup>
— Islamic . . . . .	3.98	614,546	644,573	636,396	2,990,043	(966,649)	3,918,909 <sup>A3</sup>
Hire purchase assets:							
— Conventional . . . . .	4.00	68	—	—	—	(16)	52 <sup>A2</sup>
— Islamic . . . . .	4.00	7,097	12,267	2,914	132	(1,189)	21,221 <sup>A4</sup>
Other assets . . . . .	—	367	734	581	1,757	2,134	5,573
Total assets . . . . .		<u>3,862,161</u>	<u>6,896,402</u>	<u>5,620,108</u>	<u>8,648,311</u>	<u>(2,364,454)</u>	<u>22,662,528</u>

<sup>A1</sup> Includes impairment lossess on conventional mortgage assets of RM40,381,980.

<sup>A2</sup> Includes impairment lossess on conventional hire purchase assets of RM16,129.

<sup>A3</sup> Includes impairment lossess on Islamic mortgage assets of RM21,871,716.

<sup>A4</sup> Includes impairment lossess on Islamic hire purchase assets of RM176,055.

	<u>Effective interest rate</u>	<u>Within one year</u>	<u>One year to three years</u>	<u>Three years to five years</u>	<u>More than five years</u>	<u>Non-interest/ profit bearing</u>	<u>Total</u>
	%	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 . . . . .		<u>3,073,576</u>	<u>6,535,000</u>	<u>3,680,000</u>	<u>7,223,189</u>	<u>59,075</u>	<u>20,570,840</u>
Shareholder's funds . . . . .		—	—	—	—	2,101,372	2,101,372
Total liabilities and shareholder's funds . . . . .		<u>3,073,576</u>	<u>6,535,000</u>	<u>3,680,000</u>	<u>7,223,189</u>	<u>2,160,447</u>	<u>22,672,212</u>
Total liabilities/profit sensivity gap . . . . .		<u>788,585</u>	<u>361,402</u>	<u>1,940,108</u>	<u>1,425,122</u>		
Cumulative gap . . . . .		<u>788,585</u>	<u>1,149,987</u>	<u>3,090,095</u>	<u>4,515,217</u>		

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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 <sup>A1</sup>
— Islamic . . . . .	4.18	552,994	615,136	637,204	3,222,305	(1,034,640)	3,992,999 <sup>A3</sup>
Hire purchase assets:							
— Conventional . . . . .	4.14	740	48	—	—	(27)	761 <sup>A2</sup>
— Islamic . . . . .	4.18	7,614	14,039	5,068	148	(1,406)	25,463 <sup>A4</sup>
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

<sup>A1</sup> Includes impairment losses on conventional mortgage assets of RM40,381,980.

<sup>A2</sup> Includes impairment losses on conventional hire purchase assets of RM16,129.

<sup>A3</sup> Includes impairment losses on Islamic mortgage assets of RM21,871,716.

<sup>A4</sup> Includes impairment losses 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 liabilities/profit sensitivity gap . . . . .		530,793	(509,033)	3,291,833	1,320,610		
Cumulative gap . . . . .		530,793	21,760	3,313,593	4,634,203		

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>-100 basis points</b>	<b>+100 basis points</b>
	<b>RM'000</b>	<b>RM'000</b>
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 .....	<u>18,902</u>	<u>(17,297)</u>
As percentage of shareholder's funds .....	<u>0.9%</u>	<u>(0.8)%</u>
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 .....	<u>23,849</u>	<u>(21,753)</u>
As percentage of shareholder's funds .....	<u>1.2%</u>	<u>(1.1)%</u>

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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	—	—	—	—	—	—	—	—	—	82,702
Communications, electricity, gas and water	—	5,103	82,702	—	—	—	—	—	—	5,103
Transportation	—	—	340,957	—	—	—	—	—	—	340,957
Leasing	—	—	—	—	6,578,196	3,918,909	52	21,221	—	10,518,378
Individuals	—	—	—	—	—	—	—	—	6,201	87,442
Others	—	81,241	—	—	—	—	—	—	6,624	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

NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

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%
	<u>21,671,621</u>	<u>95,882</u>	<u>21,767,503</u>	<u>62,446</u>	<u>21,705,057</u>	<u>95,882</u>	
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%
	<u>22,246,037</u>	<u>89,727</u>	<u>22,335,764</u>	<u>62,446</u>	<u>22,273,318</u>	<u>89,727</u>	

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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
	<u>21,671,621</u>	<u>21,671,621</u>	<u>22,246,037</u>	<u>22,246,037</u>

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	121 to 150	151 to 180	Over 180	Total
	days	days	days	days	
	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
	<u>15,146</u>	<u>10,011</u>	<u>6,963</u>	<u>63,762</u>	<u>95,882</u>
	91 to 120	121 to 150	151 to 180	Over 180	Total
	days	days	days	days	
	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
	<u>18,479</u>	<u>11,480</u>	<u>8,552</u>	<u>51,216</u>	<u>89,727</u>

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.



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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 31 December RM'000
	As at 1 January RM'000	Provision made RM'000	Write back of provision 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
	<u>62,446</u>	<u>—</u>	<u>—</u>	<u>62,446</u>

**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			Total RM'000
	GOM RM'000	AAA RM'000	AA1 to AA2 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
	<u>317,630</u>	<u>187,029</u>	<u>91,940</u>	<u>596,599</u>
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
	<u>107,223</u>	<u>192,787</u>	<u>50,373</u>	<u>350,383</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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					Total
	Up to one month	One to three months	Three to twelve months	One to five years	Over five years	
	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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<u>Up to one month</u>	<u>One to three months</u>	<u>Three to twelve months</u>	<u>One to five years</u>	<u>Over five years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011						
Derivatives held for hedging						
— IRS .....	<u>—</u>	<u>(4,540)</u>	<u>(4,491)</u>	<u>(38,622)</u>	<u>(17,555)</u>	<u>(65,208)</u>
2010						
Derivatives held for hedging						
— IRS .....	<u>(3,200)</u>	<u>(5,536)</u>	<u>(4,621)</u>	<u>(30,892)</u>	<u>(6,715)</u>	<u>(50,964)</u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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
<b>Assets</b>				
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
<b>Mortgage assets</b>				
— 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
<b>Hire purchase assets</b>				
— Conventional . . . . .	52	75	761	758
— Islamic . . . . .	21,221	22,586	25,463	25,506
	<u>21,705,057</u>	<u>22,585,465</u>	<u>22,273,318</u>	<u>22,863,006</u>
<b>Liabilities</b>				
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
	<u>20,453,488</u>	<u>20,619,709</u>	<u>20,690,819</u>	<u>21,231,802</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)

### 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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
2011				
Assets				
AFS investments securities . . . . .	—	<u>596,599</u>	—	<u>596,599</u>
Liabilities				
Derivatives financial instruments . . . . .	—	<u>58,278</u>	—	<u>58,278</u>

### 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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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.

	<b>Purchase with recourse</b>	<b>Purchase without recourse</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2011</b>			
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
<b>2010</b>			
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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:

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**39 CAPITAL ADEQUACY — (CONTINUED)**

	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
Capital ratios:		
Core* .....	24.4%	20.1%
Risk-weighted* .....	<u>25.1%</u>	<u>20.8%</u>

Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

Credit risk .....	8,069,591	—
Operational risk .....	<u>667,489</u>	—
Total risk-weighted assets* .....	<u>8,737,080</u>	—
0% .....	—	142,396
20% .....	—	10,989,785
50% .....	—	13,666,806
100% .....	—	<u>567,362</u>
	—	<u>25,366,349</u>
Total risk-weighted assets* .....	<u>—</u>	<u>9,598,722</u>

\* 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

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		RM'000	RM'000
<b>ASSETS</b>			
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 .....		<u>289,582</u>	<u>289,206</u>
TOTAL ASSETS .....		<u>11,194,003</u>	<u>11,181,703</u>
<b>LIABILITIES</b>			
Sukuk .....	(f)	10,585,467	10,651,329
Other liabilities .....	(g)	<u>10,348</u>	<u>8,843</u>
TOTAL LIABILITIES .....		10,595,815	10,660,172
ISLAMIC OPERATIONS' FUNDS .....		<u>598,188</u>	<u>521,531</u>
TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS .....		<u>11,194,003</u>	<u>11,181,703</u>

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		RM'000	RM'000
Total income attributable .....		556,349	527,296
Income attributable to the Sukuk holders .....	(h)	<u>(448,863)</u>	<u>(415,079)</u>
Total income attributable .....	(i)	107,486	112,217
Administration and general expenses .....		<u>(2,266)</u>	<u>(2,430)</u>
PROFIT BEFORE TAXATION AND ZAKAT .....		105,220	109,787
Taxation .....		<u>(26,305)</u>	<u>(32,163)</u>
Zakat .....		<u>(2,260)</u>	<u>(836)</u>
PROFIT FOR THE FINANCIAL YEAR .....		<u>76,655</u>	<u>76,788</u>



**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		<u>RM'000</u>	<u>RM'000</u>
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 .....		<u>76,657</u>	<u>76,775</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Allocated capital funds</u>	<u>AFS reserve</u>	<u>Retained profits</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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 .....	<u>294,159</u>	<u>2</u>	<u>304,027</u>	<u>598,188</u>
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 .....	<u>294,159</u>	<u>—</u>	<u>227,372</u>	<u>521,531</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

STATEMENT OF CASH FLOW  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
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 .....	<u>57,662</u>	<u>(610,444)</u>
<b>INVESTING ACTIVITIES</b>		
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 .....	<u>(40,760)</u>	<u>372,335</u>
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 .....	<u>50,291</u>	<u>33,389</u>
Analysis of cash and cash equivalents as at end of the financial year:		
Cash and short-term funds .....	<u>50,291</u>	<u>33,389</u>

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

*(a) Cash and short-term funds*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

*(e) Hire purchase assets*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
PWOR .....	9,930	6,689
The maturity structure of hire purchase assets are as follows:		
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*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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:		
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*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Zakat .....	2,260	1,785
Other payables .....	8,088	7,058
	10,348	8,843

*(h) Income attributable to the Sukuk holders*

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
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:		
Bai AI-Dayn .....	448,796	414,508
Mudharabah .....	67	571
	448,863	415,079

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**40 ISLAMIC OPERATIONS — (CONTINUED)**

(i) *Total net income*

	<u>2011</u>	<u>2010</u>
	RM'000	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
	<u>107,486</u>	<u>112,217</u>
Total net income analysed by concept are as follows:		
Bai Al-Dayn . . . . .	101,221	108,013
Mudharabah . . . . .	4,935	3,447
Bai Bithaman Ajil . . . . .	524	—
Murabahah . . . . .	149	464
Musarakah . . . . .	366	108
Bai Al-Inah . . . . .	280	157
Ijarah . . . . .	11	28
	<u>107,486</u>	<u>112,217</u>

(j) *Capital adequacy*

	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
Tier I capital		
Allocated capital funds . . . . .	294,159	294,159
Other reserves . . . . .	304,027	227,372
Total tier I capital . . . . .	<u>598,186</u>	<u>521,531</u>
Tier II capital		
Allowance for impairment losses . . . . .	21,872	21,872
Total tier II capital . . . . .	<u>21,872</u>	<u>21,872</u>
Total capital base . . . . .	<u>620,058</u>	<u>543,403</u>
Capital ratios:		
Core* . . . . .	16.2%	13.4%
Risk-weighted* . . . . .	<u>16.8%</u>	<u>14.0%</u>
Breakdown of risk-weighted assets in the various categories of risk-weights is as follows:		
Credit risk . . . . .	3,491,176	—
Operational risk . . . . .	207,233	—
Total risk-weighted assets* . . . . .	<u>3,698,409</u>	<u>—</u>
0% . . . . .	—	289,063
20% . . . . .	—	6,892,795
50% . . . . .	—	5,005,766
100% . . . . .	—	7,212
	<u>—</u>	<u>12,194,836</u>
Total risk-weighted assets* . . . . .	<u>—</u>	<u>3,888,655</u>

\* Computation using Basel II (Pillar 1) for 2011 and Basel I for 2010.

**NOTES TO THE FINANCIAL STATEMENTS — (CONTINUED)**

**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





**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.

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*PricewaterhouseCoopers (AF 1146), Chartered Accountants,  
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
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**INDEPENDENT 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

Kuala Lumpur  
16 March 2012

ONG CHING CHUAN  
(No. 2907/11/13 (J))  
Chartered Accountant

**TRUSTEE**

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**OBLIGOR**

**Cagamas Berhad**  
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**DELEGATE**

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CALCULATION AGENT, TRANSFER AGENTS AND REGISTRAR**

*(in respect of Sukuk other than CMU Sukuk,  
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*(in respect of CMU Sukuk)*

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Hong Kong

**The Hongkong and Shanghai Banking  
Corporation Limited**  
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Hong Kong

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