

Company No	
157931	A

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Lodged by:  
CAGAMAS BERHAD (157931-A)  
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**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2015.

**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. Subsidiary companies of the Company are Cagamas Global PLC ("CGP") and Cagamas Global Sukuk Berhad ("CGS"):

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of Sukuk in foreign currency. CGS commenced its business on 25 September 2015.

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

**FINANCIAL RESULTS**

	<u>Group</u> RM'000	<u>Company</u> RM'000
Profit for the financial year	<u>255,548</u>	<u>253,551</u>

**DIVIDEND**

The dividends paid by the Company since 31 December 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014,	
- a final dividend of 6 sen per share on 150,000,000 ordinary shares paid on 26 March 2015	9,000
In respect of the financial year ended 31 December 2015,	
- an interim dividend of 5 sen per share on 150,000,000 ordinary shares paid on 16 November 2015	7,500
	<u>16,500</u>

**CAGAMAS BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIVIDEND (CONTINUED)**

The Directors now recommend the payment of a 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 2015 which is subject to approval of the member at the forthcoming Annual General Meeting of the Company.

**SHARE CAPITAL**

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

**RESERVES AND PROVISIONS**

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

**RATING PROFILE OF THE BONDS AND SUKUK**

RAM Rating Services Berhad ("RAM") assigned a rating of AAA/P1 to the bonds, notes and Sukuk issued by the Group and the Company. Malaysian Rating Corporation Berhad ("MARC") has assigned ratings of AAA/AAA<sub>ID</sub> and MARC-1/MARC-1<sub>ID</sub> to bonds, notes and Sukuk issued by the Group and the Company. Moody's Investors Service ("Moody's") has also assigned a rating of A3 as the Group and the Company's long-term local and foreign currency issuer rating.

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

**RELATED PARTY TRANSACTIONS**

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

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**CAGAMAS BERHAD**  
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## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS**

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

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

In accordance with Articles 19.13 and 19.14 of the Company's Articles of Association, Dato' Albert Yeoh Beow Tit and Mr. Philip Tan Puay Koon retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Mr. Tang Wing Chew who retires pursuant to Section 129(6) of the Companies Act, 1965, offers himself for re-appointment as a Director of the Company.

### **DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 30 to the financial statements) by reason of a contract made by the Group or 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.

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts to be written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

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

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

Company No.

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CAGAMAS BERHAD  
(Incorporated in Malaysia)

## DIRECTORS' REPORT (CONTINUED)

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

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

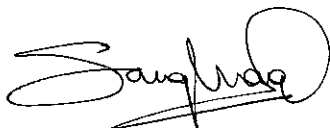
### ULTIMATE HOLDING COMPANY

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

### AUDITORS

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

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



DATO' OOI SANG KUANG  
CHAIRMAN



CHUNG CHEE LEONG  
DIRECTOR

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	5	243,912	96,359	243,789	96,358
Derivative financial instruments	6	678,847	68,518	678,847	68,518
AFS investment securities	7	1,793,617	1,546,684	1,793,617	1,546,684
Amount due from counterparties	8	10,970,979	6,540,219	10,970,979	6,540,219
Islamic financing assets	9	5,581,449	6,541,190	5,581,449	6,541,190
Mortgage assets					
- Conventional	10	6,781,767	7,296,732	6,781,767	7,296,732
- Islamic	11	7,006,642	7,326,436	7,006,642	7,326,436
Hire purchase assets					
- Conventional		4	4	4	4
- Islamic	12	4,105	7,268	4,105	7,268
Amount due from					
- Related company		559	607	559	607
- Subsidiaries	13	-	-	7,344	7,138
Deferred financing fees		-	1,163	-	-
Other assets	14	9,163	8,896	9,120	8,858
Property and equipment	15	2,968	3,216	2,968	3,216
Intangible assets	16	7,728	8,200	7,728	8,200
Deferred taxation	17	-	6,236	-	6,236
Investment in subsidiaries	18	-	-	-*	-*
<b>TOTAL ASSETS</b>		<b>33,081,740</b>	<b>29,451,728</b>	<b>33,088,918</b>	<b>29,457,664</b>
<b>LIABILITIES</b>					
Unsecured bearer bonds and notes	19	17,994,724	13,291,643	13,264,908	10,243,174
Sukuk	20	11,944,033	13,261,704	11,448,950	13,261,704
Deposits and placements of financial institution		-	30,003	-	30,003
Loans/financing from subsidiary	21	-	-	5,235,440	3,057,989
Derivative financial instruments	6	35,240	32,743	35,240	32,743
Provision for taxation		23,478	13,554	23,458	13,552
Deferred taxation	17	29	-	29	-
Other liabilities	22	69,040	68,308	67,775	64,807
<b>TOTAL LIABILITIES</b>		<b>30,066,544</b>	<b>26,697,955</b>	<b>30,075,800</b>	<b>26,703,972</b>
Share capital	23	150,000	150,000	150,000	150,000
Reserves	24	2,865,196	2,603,773	2,863,118	2,603,692
<b>SHAREHOLDER'S FUNDS</b>		<b>3,015,196</b>	<b>2,753,773</b>	<b>3,013,118</b>	<b>2,753,692</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<b>33,081,740</b>	<b>29,451,728</b>	<b>33,088,918</b>	<b>29,457,664</b>
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	<b>25</b>	<b>20.05</b>	<b>18.30</b>	<b>20.04</b>	<b>18.30</b>

\*denotes RM9.

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	<u>Group</u>		<u>Company</u>	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Interest income	26	883,729	745,230	883,729	745,230
Interest expense	27	(596,286)	(506,698)	(599,971)	(506,869)
Income from Islamic operations	43	143,207	155,300	144,198	155,300
Non-interest expense	28	(26,954)	(4,371)	(26,916)	(4,332)
		<u>403,696</u>	<u>389,461</u>	<u>401,040</u>	<u>389,329</u>
Administration and general expenses		(25,722)	(18,236)	(25,083)	(18,187)
Personnel costs		(26,442)	(23,070)	(26,442)	(23,070)
OPERATING PROFIT		<u>351,532</u>	<u>348,155</u>	<u>349,515</u>	<u>348,072</u>
Allowance of impairment losses		(8,122)	(12,331)	(8,122)	(12,331)
PROFIT BEFORE TAXATION AND ZAKAT	29	<u>343,410</u>	<u>335,824</u>	<u>341,393</u>	<u>335,741</u>
Zakat		(2,777)	(4,112)	(2,777)	(4,112)
Taxation	31	(85,085)	(83,863)	(85,065)	(83,861)
PROFIT FOR THE FINANCIAL YEAR		<u><u>255,548</u></u>	<u><u>247,849</u></u>	<u><u>253,551</u></u>	<u><u>247,768</u></u>
EARNINGS PER SHARE (SEN)	25	<u><u>170.37</u></u>	<u><u>165.23</u></u>	<u><u>169.03</u></u>	<u><u>165.18</u></u>
DIVIDEND PER SHARE (SEN)	32	<u><u>11.00</u></u>	<u><u>20.00</u></u>	<u><u>11.00</u></u>	<u><u>20.00</u></u>

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

**CAGAMAS BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Profit for the financial year		255,548	247,849	253,551	247,768
Other comprehensive (loss)/income:					
<b>Items that may be subsequently reclassified to profit or loss</b>					
AFS investment securities					
- Net loss on fair value changes before taxation		(2,747)	(1,622)	(2,747)	(1,622)
- Deferred taxation		494	405	494	405
Cash flow hedge					
- Net gain on cash flow hedge before taxation		32,252	13,332	32,252	13,332
- Deferred taxation		(7,624)	(3,333)	(7,624)	(3,333)
Other comprehensive income for the financial year, net of taxation		22,375	8,782	22,375	8,782
Total comprehensive income for the financial year		277,923	256,631	275,926	256,550

The accompanying notes form an integral part of these financial statements

**CAGAMAS BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

		Issued and fully paid ordinary shares of RM1 each	Non-distributable				Total equity
	Note	Share capital RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Regulatory reserve RM'000	Retained profits RM'000	RM'000
Balance as at 1 January 2015		150,000	(12,384)	(8,690)	-	2,624,847	2,753,773
Profit for the financial year		-	-	-	-	255,548	255,548
Other comprehensive (loss)/income		-	(2,253)	24,628	-	-	22,375
Total comprehensive (loss)/income for the financial year		-	(2,253)	24,628	-	255,548	277,923
Transfer to regulatory reserve during the financial year		-	-	-	189,647	(189,647)	-
Final dividend in respect of financial year ended 31 December 2014	32	-	-	-	-	(9,000)	(9,000)
Interim dividend in respect of financial year ended 31 December 2015	32	-	-	-	-	(7,500)	(7,500)
Balance as at 31 December 2015		150,000	(14,637)	15,938	189,647	2,674,248	3,015,196

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

**CAGAMAS BERHAD**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	Note	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	Regulatory reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2014		150,000	(11,167)	(18,689)	-	2,406,998	2,527,142	
Profit for the financial year		-	-	-	-	247,849	247,849	
Other comprehensive (loss)/income		-	(1,217)	9,999	-	-	8,782	
Total comprehensive (loss)/income for the financial year		-	(1,217)	9,999	-	247,849	256,631	
Final dividend in respect of financial year ended 31 December 2013	32	-	-	-	-	(22,500)	(22,500)	
Interim dividend in respect of financial year ended 31 December 2014	32	-	-	-	-	(7,500)	(7,500)	
Balance as at 31 December 2014		150,000	(12,384)	(8,690)	-	2,624,847	2,753,773	

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



**CAGAMAS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	2015 RM'000	Group 2014 RM'000	2015 RM'000	Company 2014 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		255,548	247,849	253,551	247,768
Adjustments for the investment items and items not involving the movement of cash and cash equivalents:					
Unrealised forex on bonds issued in foreign currency		369	-	-	-
Amortisation of premium less accretion of discount on AFS investment securities		(7,721)	(9,439)	(7,721)	(9,439)
Accretion of discount on:					
Mortgage assets					
- Conventional		(156,893)	(158,571)	(156,893)	(158,571)
- Islamic		(125,493)	(128,233)	(125,493)	(128,233)
Hire purchase assets					
- Islamic		(182)	(290)	(182)	(290)
Allowance of impairment losses		8,122	12,331	8,122	12,331
Adjustment on fair value gains on derivatives		571,227	54,013	571,227	54,013
Loss on foreign exchange		(573,365)	(54,101)	(573,365)	(54,062)
Interest income		(715,229)	(568,909)	(715,229)	(568,909)
Income from Islamic operations		(538,873)	(578,132)	(538,873)	(578,132)
Interest expense		486,870	506,869	601,891	506,869
Profit attributable to Sukuk holders		519,142	563,691	519,142	563,691
Depreciation of property and equipment		1,090	1,069	1,090	1,069
Amortisation of intangible assets		1,506	1,916	1,506	1,916
Gain on disposal of:					
- Property and equipment		1	-	1	-
- AFS investment securities		(3,568)	(1,599)	(3,568)	(1,599)
Guarantee fee income		-	1	-	1
Wakalah fee expense		37	184	37	184
Taxation		85,085	83,863	85,065	83,861
Zakat		2,777	4,112	2,777	4,112
Operating loss before working capital changes		(189,550)	(23,376)	(76,915)	(23,420)

**CAGAMAS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

Note	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Increase in amount due from counterparties	(4,404,892)	(2,698,875)	(4,404,892)	(2,698,875)
Decrease/(Increase) in Islamic financing assets	947,574	(427,205)	947,574	(427,205)
Decrease in mortgage assets				
- Conventional	683,682	667,209	683,682	667,209
- Islamic	431,411	365,085	431,411	365,085
Decrease in hire purchase assets				
- Islamic	1,798	2,062	1,798	2,062
Decrease/(increase) in other assets	3,264	(91)	(457)	(6,032)
Increase/(decrease) in unsecured bearer bonds and notes	4,681,962	1,764,939	3,000,985	(1,270,000)
Decrease in Sukuk	(1,299,313)	(138,000)	(1,792,040)	(138,000)
(Decrease)/increase in deposits and placements of financial institution	(30,003)	30,000	(30,003)	30,000
Increase in loans/financing from subsidiary	-	-	2,168,282	3,044,458
Increase in derivatives	(529,229)	(41,588)	(529,229)	(41,627)
(Decrease)/increase in other liabilities	(11,626)	884	(9,388)	(2,612)
Cash generated from/(utilised in) operations	285,078	(498,956)	390,808	(498,957)
Interest received	707,006	547,960	707,006	547,960
Profit received from Islamic assets	578,861	587,753	578,861	587,753
Interest paid	(599,670)	(524,832)	(705,522)	(524,832)
Profit paid on derivatives	(20,322)	-	(20,322)	-
Profit attributable to Sukuk holders	(539,964)	(566,987)	(539,964)	(566,987)
Wakalah fee paid	-	(221)	-	(221)
Payment of:				
- Zakat	(4,112)	(2,028)	(4,112)	(2,028)
- Taxation	(62,333)	(112,485)	(62,333)	(112,485)
Net cash generated from/(utilised in) operating activities	344,544	(569,796)	344,422	(569,797)

**CAGAMAS BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	Note	2015 RM'000	Group 2014 RM'000	2015 RM'000	Company 2014 RM'000
INVESTING ACTIVITIES					
Purchase of AFS investment securities		(1,701,204)	(422,442)	(1,701,204)	(422,442)
Sale of AFS investment securities		1,468,163	472,288	1,468,163	472,288
Purchase of:					
- Property and equipment		(842)	(266)	(842)	(266)
- Intangible assets		(1,034)	(245)	(1,034)	(245)
Income received from AFS investment securities		18,517	22,383	18,517	22,383
Income received from Islamic debt securities		35,909	31,481	35,909	31,481
Net cash generated from/(utilised in) investing activities		(180,491)	103,199	(180,491)	103,199
FINANCING ACTIVITY					
Dividends paid to shareholders		(16,500)	(30,000)	(16,500)	(30,000)
Net cash utilised in financing activity		(16,500)	(30,000)	(16,500)	(30,000)
Net increase/(decrease) in cash and cash equivalents		147,553	(496,597)	147,431	(496,598)
Cash and cash equivalents as at 1 January		96,359	592,956	96,358	592,956
Cash and cash equivalents as at 31 December		243,912	96,359	243,789	96,358
Analysis of cash and cash equivalents as at 31 December:					
Cash and short-term funds		243,912	96,359	243,789	96,358

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

## 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. Subsidiary companies of the Company are Cagamas Global PLC ("CGP") and Cagamas Global Sukuk Berhad ("CGS"):

- CGP is a conventional fund raising vehicle incorporated in Labuan. Its main principal activities is to undertake the issuance of bonds and notes in foreign currency.
- CGS is an Islamic fund raising vehicle. Its main principal activities is to undertake the issuance of Sukuk in foreign currency. CGS commenced its business on 25 September 2015.

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

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

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.1 Basis of preparation (continued)**

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

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

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

The new accounting standards, amendments and improvements to published standards and interpretation that are effective for the Group's and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

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**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 Group and the Company but not yet effective:

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

(i) *Financial year beginning on/after 1 January 2018*

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

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

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

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

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**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 Group and the Company but not yet effective (continued):

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

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

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

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

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

**2.2 Economic entities in the Group**

**Subsidiaries**

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Economic entities in the Group (continued)**

**Subsidiaries (continued)**

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

Acquisition-related costs are expensed as incurred.

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

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

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

**2.3 Amount due from counterparties and Islamic financing assets**

Note 1 to the financial statements describes the principal activities of the Group and the Company, which are inter alia, the purchases of mortgage loans, personal loans and hire purchase and leasing debts. These activities are also set out in the object clauses of the Memorandum of Association of the Company.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**2.5 AFS investment securities**

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

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

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

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

See accounting policy on impairment of financial assets in Note 2.8 (a) to the financial statements.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.6 Investment in subsidiaries**

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

**2.7 Property and equipment and depreciation**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis to write off the cost of the assets over their estimated useful lives, with the exception of work-in-progress which is not depreciated. Depreciation rates for each category of property and equipment are summarised as follows:

Office equipment	20%-25%
Furniture and fittings	10%
Motor vehicles	20%

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets**

**(a) Financial assets**

**(i) *Assets carried at amortised cost***

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

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

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

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statement.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.8 Impairment of assets (continued)**

**(a) Financial assets (continued)**

*(ii) Assets classified as AFS*

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

**(b) Non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The impairment loss is charged to the income statement, unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement.

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

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

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

Premium on unsecured bearer bonds and notes/Sukuk represents the excess of the issue price over the redemption value of the bonds and notes/Sukuk are accreted to the income statement over the life of the bonds and notes/Sukuk on an effective yield basis. Where the redemption value exceeds the issue price of the bonds and notes/Sukuk, the difference, being the discount is amortised to the income statement over the life of the bonds and notes/Sukuk on an effective yield method.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.11 Current and deferred tax**

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

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

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

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

**2.12 Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.13 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

**2.14 Segment reporting**

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

**2.15 Derivative financial instruments and hedge accounting**

Derivatives financial instruments consist of interest rate swaps ("IRS"), Islamic profit rate swaps ("IPRS") and cross currency swap ("CCS"). Derivatives financial instruments are used by the Group and the Company to hedge the issuance of its debt securities/Sukuk from potential movements in interest rate, profit rate or foreign currency exchange rate. Further details of the derivatives financial instruments are disclosed in Note 6 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.15 Derivative financial instruments and hedge accounting (continued)**

Fair value of derivatives financial instruments is recognised at inception on the statement of financial position, and subsequent changes in fair value as a result of fluctuation in market interest rates, profit rates or foreign currency exchange rate are recorded as derivative assets (favourable) or derivative liabilities (unfavourable).

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

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

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

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

*Cash flow hedge*

The effective portion of changes in the fair value of a derivative designated and qualifying as a hedge of future cash flows is recognised directly in the cash flow hedge reserve, and taken to the income statement in the periods when the hedged item affects gain or loss. The ineffective portion of the gain or loss is recognised immediately in the income statement under "Non-interest income".

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.16 Provisions**

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group and the Company expect a provision to be reimbursed (for example, under an insurance contract) the reimbursement is recognised as separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured as the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.17 Zakat**

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

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

Zakat rates enacted or substantively enacted by the statement of financial position date are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council for the financial year is 2.5% (2014: 2.5%) of the zakat base. The zakat base of the Company is determined based on the profit before taxation after deducting dividend income and certain non-operating income and expenses. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.18 Employee benefits**

**(a) Short-term employee benefits**

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

**(b) Defined contributions plans**

The Group and the Company contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions to EPF are charged to the income statement in the financial year to which they relate to. Once the contributions have been paid, the Group and the Company have no further payment obligations in the future. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**2.19 Intangible assets**

**(a) Computer software**

Acquired computer software and computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognised when the costs are incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and the Company, which will generate probable economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

**(b) Service rights to transaction administrator and administrator fees**

Service rights to transaction administrator and administrator fees ("Service Rights") represents secured rights to receive expected future economic benefits by way of transaction administrator and administrator fees for Residential Mortgage-Backed Securities ("RMBS") and Islamic Residential Mortgage-Backed Securities ("IRMBS") issuances.

Service rights are recognised as intangible assets at cost and amortised using the straight line method over the tenure of RMBS and IRMBS.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.19 Intangible assets (continued)**

- (b) Service rights to transaction administrator and administrator fees (continued)

Computer software and service rights are tested annually for any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Computer software and service rights are carried at cost less accumulated amortisation and accumulated impairment losses. See accounting policy on impairment of non-financial assets in Note 2.8 (b) to the financial statements.

**2.20 Share capital**

- (a) Classification

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

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

- (b) Dividends to the shareholder of the Company

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

**2.21 Currency translations**

- (a) Functional and presentation currency

Items included in the financial statements of the Group and the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.21 Currency translations (continued)**

**(b) Foreign currency transactions and balances**

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

**2.22 Financial instruments**

**(a) Description**

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

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

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

**(b) Fair value estimation for disclosure purposes**

Please refer to Note 40 for the detailed methods and assumptions needed to estimate the fair value for each type of financial instruments.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.23 Contingent liabilities and contingent assets**

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

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

**2.24 Deferred financing fees**

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



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

(a) Fair value of derivatives and AFS investment securities

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

**4.1 Risk management structure**

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

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

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

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

**4.2 Credit risk management**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****4.2 Credit risk management (continued)**

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

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

**4.3 Market risk management**

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

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

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

**4.4 Liquidity risk management**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**4.4 Liquidity risk management (continued)**

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

- (a) Managing cash flow mismatch and liquidity gap limits which involves assessing all of the Group's and the Company's cash inflows against its cash outflows to identify the potential for any net cash shortfalls and the ability of the Group and the Company to meet its cash obligations when they fall due;
- (b) Matching funding of loan purchases against its expected cash flows, duration and tenure of the funding;
- (c) Monitoring the liquidity ratios of the Group and the Company against internal requirements; and
- (d) Managing the concentration and profile of funding by diversification of funding sources.

**5 CASH AND SHORT-TERM FUNDS**

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and balance with banks and other financial institutions	46,908	49,044	46,785	49,043
Money at call and deposits and placements maturing within one month	117,417	37,164	117,417	37,164
Mudharabah money at call and deposits and placements maturing within one month	79,587	10,151	79,587	10,151
	<u>243,912</u>	<u>96,359</u>	<u>243,789</u>	<u>96,358</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

(ii) *Issuance of short duration bonds/Sukuk to fund long-term fixed asset*

The Group and the Company will issue *short duration bonds/Sukuk* and enter into swap transaction to receive floating rate interest from and pay fixed rate interest to the swap counterparty. Upon receiving instalment from assets, the Group and the Company pay fixed rate interest to the swap counterparty and receive floating rate interest to pay to the bondholders/Sukukholders.

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

- (i) At inception, the Group and the Company will swap the proceeds from the foreign currency bonds/Sukuk to the functional currency at the pre-agreed exchange rate with CCS counterparty.
- (ii) In the interim, the Group and the Company will receive interest payment in foreign currency from the CCS counterparty and remit the same to the foreign currency bonds/Sukuk holders for coupon payment. Simultaneously, the Group and the Company pay interest to the CCS counterparty in functional currency using instalment received from assets purchased.
- (iii) On maturity, the Group and the Company will pay principal in functional currency at the same pre-agreed exchange rate to the CCS counterparty and receive amount of principal in foreign currency equal to the principal of the foreign currency bonds/Sukuk which will then be used to redeem the bonds/Sukuk. The Group's and the Company's foreign currency exposures are from Renminbi ("CNY"), Hong Kong Dollar ("HKD"), US Dollar ("USD") and Singapore Dollar ("SGD").

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**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 achieve hedge accounting, not all economic hedges are accounted for as accounting hedges, either because natural accounting offsets are expected or because achieving hedge accounting would be especially onerous.

(a) Cash flow hedges

The Group and the Company have designated a number of derivative financial instruments as cash flow hedges during the financial year. The total fair value of derivatives included within cash flow hedges at 31 December 2015 was a credit of RM640.1 million (2014: RM35.8 million).

(b) Fair value hedges

The Group and the Company do not designate any derivatives as fair value hedges.

(c) Net investment hedges

The Group and the Company do not designate any derivatives as net investment hedges.

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

	2015			Group and Company 2014		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cashflow hedges:						
IRS/IPRS						
One year to three years	1,175,000	2,192	(15,879)	500,000	6,108	-
Three years to five years	-	-	-	300,000	-	(18,014)
More than five years	570,000	-	(17,979)	110,000	-	(14,455)
	<u>1,745,000</u>	<u>2,192</u>	<u>(33,858)</u>	<u>910,000</u>	<u>6,108</u>	<u>(32,469)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

	2015			Group and Company 2014		
	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ Notional amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives designated as cashflow hedges (continued) :						
CCS						
Maturing within one year	500,294	799	-	-	-	-
One year to three years	2,162,000	222,521	(1,382)	780,000	-	(274)
Three years to five years	1,725,000	449,864	-	2,147,000	62,410	-
	<u>4,387,294</u>	<u>673,184</u>	<u>(1,382)</u>	<u>2,927,000</u>	<u>62,410</u>	<u>(274)</u>
Derivatives not designated as cashflow hedges:						
IPRS						
One year to three years	500,000	3,471	-	-	-	-
	<u>500,000</u>	<u>3,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,632,294</u>	<u>678,847</u>	<u>(35,240)</u>	<u>3,837,000</u>	<u>68,518</u>	<u>(32,743)</u>

**7 AFS INVESTMENT SECURITIES**

	Group and Company	
	2015 RM'000	2014 RM'000
<i>At fair value</i>		
Malaysian government securities	182,797	190,624
Private debt securities	352,572	289,482
Government investment issues	392,247	229,830
Islamic private debt securities	398,916	305,770
Quasi government debt securities	65,574	116,373
Islamic quasi government debt securities	401,511	414,605
	<u>1,793,617</u>	<u>1,546,684</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7 AFS INVESTMENT SECURITIES (CONTINUED)**

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
The maturity structure of AFS investment securities are as follows:		
Maturing within one year	328,719	249,644
One year to three years	354,339	485,818
Three years to five years	229,666	377,885
More than five years	880,893	433,337
	<u>1,793,617</u>	<u>1,546,684</u>

**8 AMOUNT DUE FROM COUNTERPARTIES**

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Relating to:		
Mortgage loans	9,821,901	5,246,165
Hire purchase and leasing debts	297,815	445,794
Personal loans	851,263	848,260
	<u>10,970,979</u>	<u>6,540,219</u>

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

Maturing within one year	1,051,156	178,104
One year to three years	7,183,539	4,210,177
Three years to five years	1,781,284	2,151,938
More than 5 years	955,000	-
	<u>10,970,979</u>	<u>6,540,219</u>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9 ISLAMIC FINANCING ASSETS**

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Relating to:		
Islamic house financing	3,439,157	2,515,704
Islamic hire purchase financing	1,078,722	2,834,163
Islamic personal financing	1,063,570	1,191,323
	<u>5,581,449</u>	<u>6,541,190</u>

The maturity structure Islamic financing assets are as follows:

Maturing within one year	1,237,569	2,082,915
One year to three years	3,385,075	4,319,542
Three years to five years	524,092	138,733
More than five years	434,713	-
	<u>5,581,449</u>	<u>6,541,190</u>

**10 MORTGAGE ASSETS – CONVENTIONAL**

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Purchase without recourse ("PWOR")	<u>6,781,767</u>	<u>7,296,732</u>

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

Maturing within one year	1,012,079	1,014,589
One year to three years	1,262,218	1,285,965
Three years to five years	1,202,930	1,232,038
More than five years	4,409,314	5,026,077
	<u>7,886,541</u>	<u>8,558,669</u>
Less:		
Unaccreted discount	(1,064,387)	(1,221,280)
Allowance for impairment losses	(40,387)	(40,657)
	<u>6,781,767</u>	<u>7,296,732</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11 MORTGAGE ASSETS – ISLAMIC**

	<u>Group and Company</u>	
	2015 RM'000	2014 RM'000
PWOR	7,006,642	7,326,436

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

Maturing within one year	711,515	699,493
One year to three years	901,258	879,310
Three years to five years	918,230	897,483
More than five years	5,521,613	6,017,193
	<u>8,052,616</u>	<u>8,493,479</u>
Less:		
Unaccreted discount	(1,009,807)	(1,135,300)
Allowance for impairment losses	(36,167)	(31,743)
	<u>7,006,642</u>	<u>7,326,436</u>

**12 HIRE PURCHASE ASSETS - ISLAMIC**

	<u>Group and Company</u>	
	2015 RM'000	2014 RM'000
PWOR	4,105	7,268

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

Maturing within one year	2,872	4,511
One year to three years	1,397	2,990
Three years to five years	-	114
	<u>4,269</u>	<u>7,615</u>
Less:		
Unaccreted discount	(93)	(277)
Allowance for impairment losses	(71)	(70)
	<u>4,105</u>	<u>7,268</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13 AMOUNT DUE FROM SUBSIDIARIES**

The amount due from subsidiaries is non-trade in nature, denominated in Ringgit Malaysia, unsecured, non-interest bearing and has no fixed term of repayment.

**14 OTHER ASSETS**

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Prepaid mortgage guarantee fee	1	1	1	1
Prepaid Wakalah fee	-	37	-	37
Staff loans and financing	4,419	3,550	4,419	3,550
Deposits	918	803	875	802
Prepayments	1,412	1,404	1,412	1,367
Other receivables	268	158	268	158
Compensation receivable from originator on mortgage assets	2,145	2,943	2,145	2,943
	<u>9,163</u>	<u>8,896</u>	<u>9,120</u>	<u>8,858</u>

**15 PROPERTY AND EQUIPMENT**

	<u>Office equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group and Company</u>				
<b>Cost</b>				
As at 1 January 2015	4,170	4,591	627	9,388
Additions	766	76	-	842
Disposals	(102)	-	-	(102)
As at 31 December 2015	<u>4,834</u>	<u>4,667</u>	<u>627</u>	<u>10,128</u>
<b>Accumulated depreciation</b>				
As at 1 January 2015	(3,210)	(2,652)	(310)	(6,172)
Charge for the financial year	(506)	(460)	(124)	(1,090)
Disposals	102	-	-	102
As at 31 December 2015	<u>(3,614)</u>	<u>(3,112)</u>	<u>(434)</u>	<u>(7,160)</u>
Net book value as at 31 December 2015	<u>1,220</u>	<u>1,555</u>	<u>193</u>	<u>2,968</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15 PROPERTY AND EQUIPMENT (CONTINUED)**

	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<u>Group and Company</u>				
<b>Cost</b>				
As at 1 January 2014	4,680	4,567	627	9,874
Additions	243	24	-	267
Disposals	(753)	-	-	(753)
As at 31 December 2014	<u>4,170</u>	<u>4,591</u>	<u>627</u>	<u>9,388</u>
<b>Accumulated depreciation</b>				
As at 1 January 2014	(3,472)	(2,198)	(185)	(5,855)
Charge for the financial year	(490)	(454)	(125)	(1,069)
Disposals	752	-	-	752
As at 31 December 2014	<u>(3,210)</u>	<u>(2,652)</u>	<u>(310)</u>	<u>(6,172)</u>
Net book value as at 31 December 2014	<u>960</u>	<u>1,939</u>	<u>317</u>	<u>3,216</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16 INTANGIBLE ASSETS**

	Service rights RM'000	Computer software RM'000	Computer software licenses RM'000	Total RM'000
<u>Group and Company</u>				
<b>Cost</b>				
As at 1 January 2015	16,712	12,047	3,798	32,557
Additions	-	-	1,034	1,034
As at 31 December 2015	16,712	12,047	4,832	33,591
<b>Accumulated amortisation</b>				
As at 1 January 2015	(11,118)	(11,637)	(1,602)	(24,357)
Charge for the financial year	(564)	(306)	(636)	(1,506)
As at 31 December 2015	(11,682)	(11,943)	(2,238)	(25,863)
<b>Net book value as at 31 December 2015</b>	<u>5,030</u>	<u>104</u>	<u>2,594</u>	<u>7,728</u>
<b>Cost</b>				
As at 1 January 2014	16,717	12,041	3,558	32,316
Additions	-	6	240	246
Reversal	(5)	-	-	(5)
As at 31 December 2014	16,712	12,047	3,798	32,557
<b>Accumulated amortisation</b>				
As at 1 January 2014	(10,078)	(11,267)	(1,098)	(22,443)
Charge for the financial year	(1,042)	(370)	(504)	(1,916)
Reversal	2	-	-	2
As at 31 December 2014	(11,118)	(11,637)	(1,602)	(24,357)
<b>Net book value as at 31 December 2014</b>	<u>5,594</u>	<u>410</u>	<u>2,196</u>	<u>8,200</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 5 to 12 years (2014: 6 to 13 years).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**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>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Deferred tax assets (before offsetting)	(12,811)	(7,568)
Deferred tax liabilities (before offsetting)	12,840	1,332
Deferred tax liabilities/(assets)	<u>29</u>	<u>(6,236)</u>

The movements of deferred tax are as follows:

As at 1 January	(6,236)	(8,929)
Debit to income statement (Note 31)	(865)	(235)
Credit to other comprehensive income	7,130	2,928
As at 31 December	<u>29</u>	<u>(6,236)</u>

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

	<u>Group and Company</u>			
	<u>As at</u> <u>1 January</u> RM'000	<u>Recognised</u> <u>to income</u> <u>statement</u> RM'000	<u>Recognised</u> <u>to reserves</u> RM'000	<u>As at</u> <u>31 December</u> RM'000
2015				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(2,897)	-	(4,152)	(7,049)
Provisions	(545)	(481)	-	(1,026)
Revaluation reserves of AFS investment securities	(4,126)	-	(610)	(4,736)
	<u>(7,568)</u>	<u>(481)</u>	<u>(4,762)</u>	<u>(12,811)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17 DEFERRED TAXATION (CONTINUED)**

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

	Group and Company			
	As at 1 January RM'000	Recognised to income statement RM'000	Recognised to reserves RM'000	As at 31 December RM'000
<b>2015</b>				
Deferred tax liabilities				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	-	-	11,776	11,776
Revaluation reserves of AFS investment securities	-	-	116	116
Accelerated tax depreciation	1,316	(424)	-	892
Temporary difference relating to interest/profit receivables on deposits and placements	16	40	-	56
	<u>1,332</u>	<u>(384)</u>	<u>11,892</u>	<u>12,840</u>
<b>2014</b>				
Deferred tax assets				
Net unrealised losses on revaluation of derivatives financial instruments under cash flow hedge accounting	(6,230)	-	3,333	(2,897)
Provisions	(644)	99	-	(545)
Revaluation reserves of AFS investment securities	(3,721)	-	(405)	(4,126)
	<u>(10,595)</u>	<u>99</u>	<u>2,928</u>	<u>(7,568)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17 DEFERRED TAXATION (CONTINUED)**

	<u>Group and Company</u>			
	<u>As at 1 January</u> RM'000	<u>Recognised to income statement</u> RM'000	<u>Recognised to reserves</u> RM'000	<u>As at 31 December</u> RM'000
2014 (continued)				
Deferred tax liabilities				
Accelerated tax depreciation	1,666	(350)	-	1,316
Temporary difference relating to interest/profit receivables on deposits and placements	-	16	-	16
	<u>1,666</u>	<u>(334)</u>	<u>-</u>	<u>1,332</u>

**18 INVESTMENT IN SUBSIDIARIES**

	<u>Company</u>	
	<u>2015</u> RM'000	<u>2014</u> RM'000
Unquoted shares at cost	-*	-*

\* denotes RM9.

		<u>Interest in equity held by the Company</u>	
The subsidiaries of the Company are as follows:		<u>2015</u>	<u>2014</u>
		%	%
<u>Name</u>	<u>Principal activities</u>		
Cagamas Global P.L.C.	To undertake the issuance of bonds and notes in foreign currency.	100	100
Cagamas Global Sukuk Berhad	To undertake the issuance of Sukuk in foreign currency. CGS commenced its operations on 25 September 2015.	100	100



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 UNSECURED BEARER BONDS AND NOTES**

			Group	
	Year of maturity	Amount outstanding RM'000	2015 Effective interest rate %	2014 Effective interest rate %
(a) Floating rate notes	2016	180,000	3.500	3.500
Add:				
Interest payable		2,855		2,520
		<u>182,855</u>		<u>182,520</u>
(b) Commercial paper	2016	300,000	3.760	-
Add:				
Interest payable		1,143		-
		<u>301,143</u>		<u>-</u>
(c) Medium-term notes	2015	-	-	3.350 - 5.300
	2016	1,735,000	3.470 - 4.930	3.470 - 4.930
	2017	3,864,123	2.370 - 4.640	3.500 - 4.640
	2018	4,287,241	1.880 - 5.710	1.880 - 5.710
	2019	2,991,750	2.745 - 5.280	3.745 - 5.280
	2020	540,000	4.100 - 6.000	4.100 - 6.000
	2021	315,000	4.150 - 5.380	4.150 - 5.380
	2022	485,000	3.900 - 4.480	3.900 - 4.480
	2023	525,000	4.250 - 6.050	4.250 - 6.050
	2024	430,000	4.000 - 5.520	4.000 - 5.520
	2025	640,000	4.550 - 4.650	4.550 - 4.650
	2026	10,000	4.410	4.410
	2027	275,000	4.140 - 4.170	4.140 - 4.170
	2028	890,000	4.750 - 6.500	4.750 - 6.500
	2029	245,000	5.500 - 5.750	5.500 - 5.750
	2035	160,000	5.750	-
		<u>17,393,114</u>		<u>13,014,458</u>
Add:				
Interest payable		128,882		103,517
Less:				
Deferred financing fees		(7,255)		(8,852)
Unamortised discount		<u>(4,015)</u>		<u>-</u>
		<u>17,510,726</u>		<u>13,109,123</u>
		<u>17,994,724</u>		<u>13,291,643</u>

**CAGAMAS BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

				Company	
		2015		2014	
	Year of	Amount	Effective	Amount	Effective
	maturity	outstanding	interest rate	outstanding	interest rate
		RM'000	%	RM'000	%
(a) Floating rate notes	2016	180,000	3.500	180,000	3.500
Add:					
Interest payable		2,855		2,520	
		<u>182,855</u>		<u>182,520</u>	
(b) Commercial paper	2016	300,000	3.760	-	-
Add:					
Interest payable		1,143		-	
		<u>301,143</u>		<u>-</u>	
(c) Medium-term notes	2015	-	-	690,000	3.350 - 5.300
	2016	1,735,000	3.470 - 4.930	1,590,000	3.470 - 4.930
	2017	2,580,000	3.500 - 4.640	2,580,000	3.500 - 4.640
	2018	3,000,000	3.880 - 5.710	450,000	3.900 - 5.710
	2019	845,000	3.750 - 5.280	845,000	3.750 - 5.280
	2020	540,000	4.100 - 6.000	495,000	4.100 - 6.000
	2021	315,000	4.150 - 5.380	315,000	4.150 - 5.380
	2022	485,000	3.900 - 4.650	465,000	3.900 - 4.480
	2023	525,000	4.250 - 6.050	525,000	4.250 - 6.050
	2024	430,000	4.000 - 5.520	430,000	4.000 - 5.520
	2025	640,000	4.550 - 4.850	415,000	4.550 - 4.650
	2026	10,000	4.410	10,000	4.410
	2027	275,000	4.140 - 4.900	25,000	4.140 - 4.170
	2028	890,000	4.750 - 6.500	890,000	4.750 - 6.500
	2029	245,000	5.500 - 5.750	245,000	5.500 - 5.750
	2035	160,000	5.070	-	-
		<u>12,675,000</u>		<u>9,970,000</u>	
Add:					
Interest payable		109,925		90,654	
Less:					
Unamortised discount		(4,015)		-	
		<u>12,780,910</u>		<u>10,060,654</u>	
		<u>13,264,908</u>		<u>10,243,174</u>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19 UNSECURED BEARER BONDS AND NOTES (CONTINUED)**

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,340,625	793,287	2,328,923	783,174
One year to three years	8,147,349	5,188,636	5,575,985	4,350,000
Three years to five years	3,531,750	3,494,720	1,385,000	1,295,000
More than five years	3,975,000	3,815,000	3,975,000	3,815,000
	<u>17,994,724</u>	<u>13,291,643</u>	<u>13,264,908</u>	<u>10,243,174</u>

(a) Floating rate notes

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

(b) Commercial paper

Commercial paper are short term instruments with maturities ranging from 1 to 12 months and were issued at a discount or at par (coupon-bearing).

(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.

Included in medium term notes are medium term-notes issued in foreign currency ("EMTN"). The EMTN are issued by CGP, and are unconditionally and irrevocably guaranteed by the Company. The unsecured bearer bonds and notes outstanding at financial year ended that are not in the functional currencies of the Group and series of notes issued are as follows:

	Group	
	2015	2014
	RM'000	RM'000
CNY	986,794	846,547
HKD	555,600	452,538
USD	2,576,862	1,749,384
SGD	610,561	-
	<u>4,729,817</u>	<u>3,048,469</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****20 SUKUK**

				Group	
		2015		2014	
	Year of maturity	Amount outstanding RM'000	Effective profit rate %	Amount outstanding RM'000	Effective profit rate %
(a) Islamic fixed medium-term notes					
	2015	-	-	2,725,000	3.092 - 5.300
	2016	2,494,625	3.400 - 4.930	2,000,000	3.400 - 4.930
	2017	1,930,000	3.500 - 4.050	1,930,000	3.500 - 4.050
	2018	1,143,067	3.600 - 5.800	645,000	3.600 - 5.800
	2019	412,000	3.750 - 5.280	412,000	3.750 - 5.280
	2020	1,180,000	4.150 - 6.000	680,000	4.150 - 6.000
	2021	245,000	4.150 - 5.380	245,000	4.150 - 5.380
	2022	460,000	3.900 - 4.480	25,000	3.900 - 4.480
	2023	995,000	4.250 - 6.350	995,000	4.250 - 6.350
	2024	315,000	4.000 - 5.520	315,000	4.000 - 5.520
	2025	455,000	4.550 - 4.650	455,000	4.550 - 4.650
	2026	20,000	4.410 - 4.920	20,000	4.410 - 4.920
	2027	15,000	4.140	15,000	4.140
	2028	1,080,000	4.750 - 6.500	1,080,000	4.750 - 6.500
	2029	180,000	5.500 - 5.750	180,000	5.500 - 5.750
	2033	675,000	5.000	675,000	5.000
		11,599,692		12,397,000	
Add:					
Profit payable		113,041		131,174	
Less:					
Deferred financing fees		(2,348)		-	
		11,710,385		12,528,174	
(b) Islamic variable medium-term notes					
	2015	-	-	500,000	3.590
	2016	230,000	3.500	230,000	3.500
Add:					
Profit payable		3,648		3,530	
		233,648		733,530	
		11,944,033		13,261,704	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20 SUKUK (CONTINUED)**

					Company
					2014
		Year of	Amount	Effective	Amount
		maturity	outstanding	profit rate	outstanding
			RM'000	%	RM'000
					Effective
					profit rate
					%
(a) Islamic fixed medium-term notes	2015	-	-	-	2,725,000
	2016	2,000,000	3.400 - 4.930	2,000,000	3.092 - 5.300
	2017	1,930,000	3.500 - 4.050	1,930,000	3.400 - 4.930
	2018	1,143,067	3.600 - 5.800	645,000	3.500 - 4.050
	2019	412,000	3.750 - 5.280	412,000	3.600 - 5.800
	2020	1,180,000	4.150 - 6.000	680,000	3.750 - 5.280
	2021	245,000	4.150 - 5.380	245,000	4.150 - 6.000
	2022	460,000	3.900 - 4.480	25,000	4.150 - 5.380
	2023	995,000	4.250 - 6.350	995,000	3.900 - 4.480
	2024	315,000	4.000 - 5.520	315,000	4.250 - 6.350
	2025	455,000	4.550 - 4.650	455,000	4.000 - 5.520
	2026	20,000	4.410 - 4.920	20,000	4.550 - 4.650
	2027	15,000	4.140	15,000	4.410 - 4.920
	2028	1,080,000	4.750 - 6.500	1,080,000	4.140
	2029	180,000	5.500 - 5.750	180,000	4.750 - 6.500
	2033	675,000	5.000	675,000	5.500 - 5.750
					5.000
		11,105,067		12,397,000	
Add:					
Profit payable		110,235		131,174	
		11,215,302		12,528,174	
(b) Islamic variable medium-term notes	2015	-	-	500,000	3.590
	2016	230,000	3.500	230,000	3.500
Add:					
Profit payable		3,648		3,530	
		233,648		733,530	
		11,448,950		13,261,704	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**20 SUKUK (CONTINUED)**

The maturity structure of Sukuk are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Maturing within one year	2,838,966	3,359,704	2,343,883	3,359,704
One year to three years	3,073,067	4,160,000	3,073,067	4,160,000
Three years to five years	1,592,000	1,057,000	1,592,000	1,057,000
More than five years	4,440,000	4,685,000	4,440,000	4,685,000
	<u>11,944,033</u>	<u>13,261,704</u>	<u>11,448,950</u>	<u>13,261,704</u>

(a) Islamic medium-term notes

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

(b) Islamic variable medium-term notes

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

Included in Islamic medium term notes are Islamic medium term-notes issued in foreign currency ("Islamic EMTN"). The Islamic EMTN are issued by CGS, and are unconditionally and irrevocably guaranteed by the Company. The Sukuk outstanding at financial year ended that are not in the functional currencies of the Group and series of notes issued are as follows:

	Group	
	2015	2014
	RM'000	RM'000
SGD	<u>495,083</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21 LOANS/FINANCING FROM SUBSIDIARY**

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

	<u>Company</u>	
	2015	2014
	RM'000	RM'000
CNY	990,575	852,427
HKD	555,600	452,538
USD	2,580,140	1,753,024
SGD	1,109,125	-
	<u>5,235,440</u>	<u>3,057,989</u>

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

The maturity structure of loans/financing from subsidiary are as follows:

	<u>Company</u>	
	2015	2014
	RM'000	RM'000
Maturing within one year	517,326	13,531
One year to three years	2,571,364	843,445
Three years to five years	2,146,750	2,201,013
	<u>5,235,440</u>	<u>3,057,989</u>

**22 OTHER LIABILITIES**

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Provision for zakat	2,777	4,112	2,777	4,112
Amount due to Government	46,239	48,859	46,239	48,859
Other payables and accruals	20,024	15,337	18,759	11,836
	<u>69,040</u>	<u>68,308</u>	<u>67,775</u>	<u>64,807</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23 SHARE CAPITAL**

	Group and Company			
	2015		2014	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Ordinary shares of RM1 each:				
Authorised:				
As at 1 January/ 31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
As at 1 January/ 31 December	150,000	150,000	150,000	150,000

**24 RESERVES**

(a) AFS reserves

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

(b) Cash flow hedge reserves

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

(c) Regulatory reserves

The Group and the Company have adopted the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves which is effective on 31 December 2015 on voluntary basis. The policy document requires banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of the total outstanding loans/financing, net of individual impairment provisions.

**25 NET TANGIBLE ASSETS AND EARNINGS PER SHARE**

The net tangible assets per share is calculated by dividing the net tangible assets of RM3,007,468,000 of the Group and RM3,005,390,000 of the Company respectively (2014: RM2,745,573,000 of the Group and RM2,745,492,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue.

Basic and diluted earnings per share is calculated by dividing the profit for the financial year of RM255,548,000 of the Group and RM253,551,000 of the Company respectively (2014: RM247,849,000 of the Group and RM247,768,000 of the Company respectively) by 150,000,000 ordinary shares of the Group and the Company in issue. For the diluted earnings per share calculation, no adjustment has been made to weighted number of ordinary shares in issue as there are no dilutive potential ordinary shares.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26 INTEREST INCOME**

	<u>Group and Company</u>	
	2015 RM'000	2014 RM'000
Amount due from counterparties	332,109	177,076
Mortgage assets	324,661	339,482
Compensation from mortgage assets	101	134
Hire purchase assets	205	(70)
AFS investment securities	63,722	52,655
Deposits and placements with financial institutions	6,020	15,285
	<u>726,818</u>	<u>584,562</u>
Accretion of discount less amortisation of premium (net)	156,911	160,668
	<u>883,729</u>	<u>745,230</u>

**27 INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Floating rate notes	7,321	6,300	7,321	6,300
Medium-term notes	586,682	500,082	478,362	486,910
Commercial paper	1,388	-	1,388	-
Deposit and placements of financial institutions	895	316	895	316
Loans/financing from subsidiaries	-	-	112,005	13,343
	<u>596,286</u>	<u>506,698</u>	<u>599,971</u>	<u>506,869</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****28 NON-INTEREST EXPENSE**

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Realised net loss on derivatives	(33,761)	(12,372)	(33,761)	(12,372)
Gain on disposal of AFS investment securities	3,521	1,599	3,521	1,599
Gain on disposal of property and equipment	(1)	-	(1)	-
Reclassification adjustments of fair value gains on CCS, transfer from equity	571,227	54,013	571,227	54,013
Loss on foreign exchange	(573,403)	(54,101)	(573,365)	(54,062)
Other non-operating income	5,463	6,490	5,463	6,490
	<u>(26,954)</u>	<u>(4,371)</u>	<u>(26,916)</u>	<u>(4,332)</u>

**29 PROFIT BEFORE TAXATION AND ZAKAT**

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

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 30)	608	624	608	624
Rental of premises	2,601	2,418	2,601	2,418
Hire of equipment	392	228	392	228
Auditor's remuneration				
- Audit fees	211	194	183	178
- Non audit fees	16	484	9	8
Depreciation of property and equipment	1,090	1,069	1,090	1,069
Amortisation of intangible assets	1,506	1,916	1,506	1,916
Servicers fees	3,585	3,754	3,585	3,754
Repairs and maintenance	2,147	1,663	2,147	1,663
Donations and sponsorship	1,317	(99)	1,317	(99)
Corporate expenses	1,823	1,494	1,823	1,494
Travelling expenses	716	176	716	176
Gain on disposal of property and equipment	(1)	-	(1)	-
Allowance of impairment losses	8,122	12,331	8,122	12,331
Waiver of amount due from related company	-	1	-	1
Personnel costs:				
- Salary and allowances	11,847	10,956	11,847	10,956
- Bonus	6,068	6,059	6,068	6,059
- Overtime	61	54	61	54
- EPF and SOCSO	3,790	2,881	3,790	2,881
- Insurance	490	433	490	433

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**30 DIRECTORS' REMUNERATION**

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

Non-Executive Directors

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

Executive Director

Chung Chee Leong

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

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Non-Executive Directors:		
Fees	370	370
Other remuneration	238	254
	<u>608</u>	<u>624</u>

There are no emoluments received by the Executive Directors during the financial years.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**31 TAXATION**

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Tax charge for the financial year:				
Malaysian Income tax:				
- Current tax	85,950	84,098	85,930	84,096
- Deferred taxation (Note 17)	(865)	(235)	(865)	(235)
	<u>85,085</u>	<u>83,863</u>	<u>85,065</u>	<u>83,861</u>
Current tax:				
- Current year	85,811	84,115	85,791	84,113
- Under/(over) provision in prior year	139	(17)	139	(17)
	<u>85,950</u>	<u>84,098</u>	<u>85,930</u>	<u>84,096</u>
Deferred taxation:				
Origination and reversal of temporary differences (Note 17)	(865)	(235)	(865)	(235)
	<u>85,085</u>	<u>83,863</u>	<u>85,065</u>	<u>83,861</u>

(b) Reconciliation of income tax expense

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	<u>343,410</u>	<u>335,824</u>	<u>341,393</u>	<u>335,741</u>
Tax calculated at Malaysian tax rate of 25% (2014: 25%)	85,853	83,956	85,348	83,935
Different tax rate in Labuan	(735)	(19)	-	-
Loss not subject to tax	250	-	-	-
Expenses not deductible for tax purposes	407	550	407	550
Deduction arising from zakat contribution	(694)	(507)	(694)	(507)
Others	(135)	(100)	(135)	(100)
Under/(over) provision in prior year	139	(17)	139	(17)
	<u>85,085</u>	<u>83,863</u>	<u>85,065</u>	<u>83,861</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32 DIVIDENDS**

Dividends paid, proposed and approved are as follows:

	<u>Group and Company</u>		<u>Company</u>	
	2015		2014	
	Per	Total	Per	Total
	<u>share</u>	<u>amount</u>	<u>share</u>	<u>amount</u>
	Sen	RM'000	Sen	RM'000
Interim dividend paid	5.00	7,500	5.00	7,500
Final dividend paid	6.00	9,000	15.00	22,500
	<u>11.00</u>	<u>16,500</u>	<u>20.00</u>	<u>30,000</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2015 of 15 sen per share (2014: 6 sen per share) amounting to RM22,500,000 (2014: RM9,000,000) will be proposed for shareholder's approval.

**33 RELATED PARTIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES****(a) Related parties and relationships**

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

<u>Related parties</u>	<u>Relationships</u>
CHB	Ultimate holding company
CGP	Subsidiary
CGS	Subsidiary
Cagamas MBS Berhad ("CMBS")	Related company
BNM Sukuk Berhad ("BNM Sukuk")	Structured entity of ultimate holding company
Cagamas SME Berhad ("CSME")	Related company
Cagamas SRP Berhad ("CSR")	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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

(a) Related parties and relationships (continued)

BNM is regarded as a related party on the basis of having significant influence over the ultimate holding company.

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

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

(b) Significant related party transactions and balances

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

Set out below are significant related party transactions and balances of the Group and the Company.

	<u>Related company</u> RM'000	<u>Group Other related party</u> RM'000
2015		
<u>Income</u>		
Transaction administrator and administrator fees	5,331	-
<u>Expenses</u>		
FAST* and RENTAS** charges	-	31
Guarantee and Wakalah fee	37	-
Servicers fees	3,585	-

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

	<u>Related company RM'000</u>	<u>Group Other related party RM'000</u>
2015 (continued)		
<u>Amount due from/(to)</u>		
Transaction administrator and administrator fees	557	-
BNM current accounts	-	27
Reimbursement of operating expenses	-	18
Servicers fees	-	(863)
	<u>          </u>	<u>          </u>
2014		
<u>Income</u>		
Transaction administrator and administrator fees	6,309	63
	<u>          </u>	<u>          </u>
<u>Expenses</u>		
FAST* and RENTAS** charges	-	(49)
Guarantee and Wakalah fee	185	-
Servicers fees	3,754	-
	<u>          </u>	<u>          </u>
<u>Amount due from/(to)</u>		
Transaction administrator and administrator fees	606	-
BNM current accounts	-	26
Reimbursement of operating expenses	-	23
Servicers fees	-	(931)
Payment on behalf	1	-
	<u>          </u>	<u>          </u>

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

			Company
	<u>Subsidiaries</u>	<u>Related</u>	<u>Other</u>
	RM'000	company	related
		RM'000	party
			RM'000
2015			
<u>Income</u>			
Transaction administrator and administrator fees	-	5,331	-
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	31
Guarantee and Wakalah fee	-	37	-
Servicers fees	-	-	3,585
Interest expense	112,005	-	-
Profit charged	3,015	-	-
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	557	-
BNM current accounts	-	-	27
Reimbursement of operating expenses	-	-	18
Servicers fees	-	-	(863)
Loans/financing	(5,235,440)	-	-
Payment on behalf	7,344	-	-

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

			Company
	<u>Subsidiaries</u>	<u>Related</u>	<u>Other</u>
	RM'000	company	related
		RM'000	party
			RM'000
2014			
<u>Income</u>			
Transaction administrator and administrator fees	-	6,309	63
<u>Expenses</u>			
FAST* and RENTAS** charges	-	-	(49)
Guarantee and Wakalah fee	-	185	-
Servicers fees	-	-	3,754
Interest expense	13,338	-	-
<u>Amount due from/(to)</u>			
Transaction administrator and administrator fees	-	606	-
BNM current accounts	-	-	26
Reimbursement of operating expenses	-	-	23
Servicers fees	-	-	(931)
Loans/financing	(3,057,989)	-	-
Payment on behalf	7,138	1	-

\* Denotes Fully Automated System for Issuing and Tendering ("FAST").

\*\* Denotes Real-Time Electronic Transfer of Funds and Securities ("RENTAS").

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

(c) Transactions with the GOM and its related parties

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

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

**34 CAPITAL COMMITMENTS**

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
<i>Capital expenditure:</i>		
Authorised and contracted for	4,908	-
Authorised but not contracted for	2,002	7,613
	<u>6,910</u>	<u>7,613</u>
<i>Analysed as follows:</i>		
Equipments	2,510	113
Computer equipments	4,400	7,500
	<u>6,910</u>	<u>7,613</u>

**35 LEASE COMMITMENTS**

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

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Maturing within one year	3,502	2,974
One year to three years	3,797	5,338
Three years to five years	85	567
	<u>7,384</u>	<u>8,879</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
<u>Group</u>						
2015						
Financial assets						
Cash and short-term funds	197,004	-	-	-	46,908	243,912
AFS investment securities	328,719	354,339	229,666	880,893	-	1,793,617
Amount due from counterparties	1,051,156	7,183,539	1,781,284	955,000	-	10,970,979
Islamic financing assets	1,237,569	3,385,075	524,092	434,713	-	5,581,449
Mortgage assets:						
- Conventional	1,012,079	1,262,218	1,202,930	4,409,314	(1,104,774)	6,781,767 <sup>^1</sup>
- Islamic	711,515	901,258	918,230	5,521,613	(1,045,974)	7,006,642 <sup>^2</sup>
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4 <sup>^3</sup>
- Islamic	2,872	1,397	-	-	(164)	4,105 <sup>^4</sup>
Other assets	2,109	1,306	667	2,481	692,702	699,265
	<u>4,543,028</u>	<u>13,089,132</u>	<u>4,656,869</u>	<u>12,204,014</u>	<u>(1,411,303)</u>	<u>33,081,740</u>

<sup>^1</sup> Includes impairment losses on conventional mortgage assets of RM40,386,741.

<sup>^2</sup> Includes impairment losses on Islamic mortgage assets of RM36,167,295

<sup>^3</sup> Includes impairment losses on conventional hire purchase assets of RM1,204.

<sup>^4</sup> Includes impairment losses on Islamic hire purchase assets of RM70,197

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Group</u>	<u>Within one year RM'000</u>	<u>One year to three years RM'000</u>	<u>Three years to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
2015						
Financial liabilities						
Unsecured bearer bonds and notes	2,340,625	8,147,349	3,531,750	3,975,000	-	17,994,724
Sukuk	2,838,966	3,073,067	1,592,000	4,440,000	-	11,944,033
Other liabilities	-	-	-	-	127,787	127,787
	<u>5,179,591</u>	<u>11,220,416</u>	<u>5,123,750</u>	<u>8,415,000</u>	<u>127,787</u>	<u>30,066,544</u>
Total interest/profit sensitivity gap	<u>(635,563)</u>	<u>1,868,716</u>	<u>(466,881)</u>	<u>3,789,014</u>		
Cumulative gap	<u>(636,563)</u>	<u>1,232,153</u>	<u>765,272</u>	<u>4,554,286</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

<u>Group</u>	<u>Within one year RM'000</u>	<u>One year to three years RM'000</u>	<u>Three years to five years RM'000</u>	<u>More than five years RM'000</u>	<u>Non-interest/ Non-profit bearing RM'000</u>	<u>Total RM'000</u>
2014						
Financial assets						
Cash and short-term funds	47,315	-	-	-	49,044	96,359
AFS investment securities	249,644	485,818	377,885	433,337	-	1,546,684
Amount due from counterparties	178,104	4,210,177	2,151,938	-	-	6,540,219
Islamic financing assets	2,082,915	4,319,542	138,733	-	-	6,541,190
Mortgage assets:						
- Conventional	1,014,589	1,285,965	1,232,038	5,026,077	(1,261,937)	7,296,732 <sup>^1</sup>
- Islamic	699,493	879,310	897,483	6,017,193	(1,167,043)	7,326,436 <sup>^2</sup>
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4 <sup>^3</sup>
- Islamic	4,511	2,990	114	-	(347)	7,268 <sup>^4</sup>
Other assets	2,049	1,549	940	1,954	70,084	76,576
	<u>4,278,625</u>	<u>11,185,351</u>	<u>4,799,131</u>	<u>11,478,561</u>	<u>(2,310,200)</u>	<u>29,431,468</u>

<sup>^1</sup> Includes impairment losses on conventional mortgage assets of RM40,657,049.

<sup>^2</sup> Includes impairment losses on Islamic mortgage assets of RM31,742,615.

<sup>^3</sup> Includes impairment losses on conventional hire purchase assets of RM1,204.

<sup>^4</sup> Includes impairment losses on Islamic hire purchase assets of RM69,925.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
<u>Group</u>						
2014						
Financial liabilities						
Unsecured bearer bonds and notes	793,287	5,188,636	3,494,720	3,815,000	-	13,291,643
Sukuk	3,359,704	4,160,000	1,057,000	4,685,000	-	13,261,704
Deposits and placements of financial institution	30,003	-	-	-	-	30,003
Other liabilities	-	-	-	-	114,605	114,605
	<u>4,182,994</u>	<u>9,348,636</u>	<u>4,551,720</u>	<u>8,500,000</u>	<u>114,605</u>	<u>26,697,955</u>
Total interest/profit sensitivity gap	<u>95,631</u>	<u>1,836,715</u>	<u>247,411</u>	<u>2,978,561</u>		
Cumulative gap	<u>95,631</u>	<u>1,932,346</u>	<u>2,179,757</u>	<u>5,158,318</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
<u>Company</u>						
2015						
Financial assets						
Cash and short-term funds	197,004	-	-	-	46,785	243,789
AFS investment securities	328,719	354,339	229,666	880,893	-	1,793,617
Amount due from counterparties	1,051,156	7,183,539	1,781,284	955,000	-	10,970,979
Islamic financing assets	1,237,569	3,385,075	524,092	434,713	-	5,581,449
Mortgage assets:						
- Conventional	1,012,079	1,262,218	1,202,930	4,409,314	(1,104,774)	6,781,767 <sup>^1</sup>
- Islamic	711,515	901,258	918,230	5,521,613	(1,045,974)	7,006,642 <sup>^2</sup>
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4 <sup>^3</sup>
- Islamic	2,872	1,397	-	-	(164)	4,105 <sup>^4</sup>
Other assets	2,109	1,306	667	2,481	700,003	706,566
	<u>4,543,028</u>	<u>13,089,132</u>	<u>4,656,869</u>	<u>12,204,014</u>	<u>(1,404,125)</u>	<u>33,088,918</u>

<sup>^1</sup> Includes impairment losses on conventional mortgage assets of RM40,386,741.

<sup>^2</sup> Includes impairment losses on Islamic mortgage assets of RM36,167,295

<sup>^3</sup> Includes impairment losses on conventional hire purchase assets of RM1,204.

<sup>^4</sup> Includes impairment losses on Islamic hire purchase assets of RM70,197



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
<u>Company</u>						
<u>2015</u>						
<b>Financial liabilities</b>						
Unsecured bearer bonds and notes	2,328,923	5,575,985	1,385,000	3,975,000	-	13,264,908
Sukuk	2,343,883	3,073,067	1,592,000	4,440,000	-	11,448,950
Loans/financing from subsidiary	517,326	2,571,364	2,146,750	-	-	5,235,440
Other liabilities	-	-	-	-	126,502	126,502
	<u>5,190,132</u>	<u>11,220,416</u>	<u>5,123,750</u>	<u>8,415,000</u>	<u>126,502</u>	<u>30,075,800</u>
Total interest/profit sensitivity gap	<u>(647,104)</u>	<u>1,868,716</u>	<u>(466,881)</u>	<u>3,789,014</u>		
Cumulative gap	<u>(647,104)</u>	<u>1,221,612</u>	<u>754,731</u>	<u>4,543,745</u>		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

	Within one year RM'000	One year to three years RM'000	Three years to five years RM'000	More than five years RM'000	Non-interest/ Non-profit bearing RM'000	Total RM'000
<u>Company</u>						
2014						
Financial assets						
Cash and short-term funds	47,315	-	-	-	49,043	96,358
AFS investment securities	249,644	485,818	377,885	433,337	-	1,546,684
Amount due from counterparties	178,104	4,210,177	2,151,938	-	-	6,540,219
Islamic financing assets	2,082,915	4,319,542	138,733	-	-	6,541,190
Mortgage assets:						
- Conventional	1,014,589	1,285,965	1,232,038	5,026,077	(1,261,937)	7,296,732 <sup>^1</sup>
- Islamic	699,493	879,310	897,483	6,017,193	(1,167,043)	7,326,436 <sup>^2</sup>
Hire purchase assets:						
- Conventional	5	-	-	-	(1)	4 <sup>^3</sup>
- Islamic	4,511	2,990	114	-	(347)	7,268 <sup>^4</sup>
Other assets	2,049	1,549	940	1,954	77,222	83,714
	<u>4,278,625</u>	<u>11,185,351</u>	<u>4,799,131</u>	<u>11,478,561</u>	<u>(2,303,063)</u>	<u>29,438,605</u>

<sup>^1</sup> Includes impairment losses on conventional mortgage assets of RM40,657,049.

<sup>^2</sup> Includes impairment losses on Islamic mortgage assets of RM31,742,615.

<sup>^3</sup> Includes impairment losses on conventional hire purchase assets of RM1,204.

<sup>^4</sup> Includes impairment losses on Islamic hire purchase assets of RM69,925.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**36 INTEREST/PROFIT RATE RISK (CONTINUED)**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****36 INTEREST/PROFIT RATE RISK (CONTINUED)**

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

	Group and Company			
	+100 basis		-100 basis	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
AFS reserves	(64,708)	(48,163)	68,911	51,041
Derivatives financial instruments	(38,723)	28,062	43,008	(29,602)
PWR (floating rate)	(32,724)	-	36,464	-
Unsecured bonds and notes (floating rate)	2,097	-	(2,174)	-
Taxation effects on the above at tax rate of 25%	33,515	5,025	(36,552)	(5,359)
Effect on shareholder's funds	<u>(100,543)</u>	<u>(15,076)</u>	<u>109,657</u>	<u>16,080</u>
As percentage of shareholder's funds	<u>-3.3%</u>	<u>-0.5%</u>	<u>3.6%</u>	<u>0.6%</u>

**37 CREDIT RISK****37.1 Credit risk concentration**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.1 Credit risk concentrations (continued)**

**Industrial analysis based on its industrial distribution**

Group	Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Conventional RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
2015											
Government bodies	27	-	759,573	-	-	-	-	-	-	2,275	761,875
Financial institutions:											
- Commercial banks	143,765	678,847	229,426	10,193,947	4,600,101	-	-	-	-	-	15,846,086
- Investment banks	100,120	-	-	-	-	-	-	-	-	-	100,120
Communication, electricity, gas and water	-	-	80,276	-	-	-	-	-	-	-	80,276
Transportation	-	-	252,782	-	-	-	-	-	-	-	252,782
Leasing	-	-	-	297,815	-	-	-	-	-	-	297,815
Consumers	-	-	-	-	-	6,781,767	7,006,642	4	4,105	-	13,792,518
Corporate	-	-	-	479,217	981,348	-	-	-	-	-	1,460,565
Construction	-	-	126,466	-	-	-	-	-	-	-	126,466
Others	-	-	345,094	-	-	-	-	-	-	7,447	352,541
<b>Total</b>	<b>243,912</b>	<b>678,847</b>	<b>1,793,617</b>	<b>10,970,979</b>	<b>5,581,449</b>	<b>6,781,767</b>	<b>7,006,642</b>	<b>4</b>	<b>4,105</b>	<b>9,722</b>	<b>33,071,044</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.1 Credit risk concentrations (continued)**

Industrial analysis based on its industrial distribution

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.1 Credit risk concentrations (continued)**

**Industrial analysis based on its industrial distribution (continued)**

<u>Company</u>		Cash and short-term funds RM'000	Derivatives financial instruments RM'000	AFS investment securities RM'000	Amount due from counter parties RM'000	Islamic financing assets RM'000	Mortgage assets- Conventional RM'000	Mortgage assets- Islamic RM'000	Hire purchase assets- Conventional RM'000	Hire purchase assets- Islamic RM'000	Other assets RM'000	Total RM'000
2015												
Government bodies	27		-	759,573	-	-	-	-	-	-	2,276	761,876
Financial institutions:												
- Commercial banks	143,642	143,642	678,847	229,426	10,193,947	4,600,101	-	-	-	-	-	15,845,963
- Investment banks	100,120	100,120	-	-	-	-	-	-	-	-	-	100,120
Communication, electricity, gas and water	-	-	-	80,276	-	-	-	-	-	-	-	80,276
Transportation	-	-	-	252,782	-	-	-	-	-	-	-	252,782
Leasing	-	-	-	-	297,815	-	-	-	-	-	-	297,815
Consumers	-	-	-	-	-	-	6,781,767	7,006,642	4	4,105	-	13,792,518
Corporate	-	-	-	-	479,217	981,348	-	-	-	-	-	1,460,565
Construction	-	-	-	126,466	-	-	-	-	-	-	-	126,466
Others	-	-	-	345,094	-	-	-	-	-	-	14,747	359,841
Total	243,789	243,789	678,847	1,793,617	10,970,979	5,581,449	6,781,767	7,006,642	4	4,105	17,023	33,078,222

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.1 Credit risk concentrations (continued)**

**Industrial analysis based on its industrial distribution (continued)**

<u>Company</u>	<u>Cash and short-term funds</u> RM'000	<u>Derivatives financial instruments</u> RM'000	<u>AFS investment securities</u> RM'000	<u>Amount due from counter parties</u> RM'000	<u>Islamic financing assets</u> RM'000	<u>Mortgage assets- Conventional</u> RM'000	<u>Mortgage assets- Islamic</u> RM'000	<u>Hire purchase assets- Conventional</u> RM'000	<u>Hire purchase assets- Islamic</u> RM'000	<u>Other assets</u> RM'000	<u>Total</u> RM'000
2014											
Government bodies	26	-	597,603	-	-	-	-	-	-	2,966	600,595
Financial institutions:											
- Commercial banks	82,421	68,518	115,902	6,094,425	5,534,165	-	-	-	-	-	11,895,431
- Investment banks	13,911	-	-	-	-	-	-	-	-	-	13,911
Communication, electricity, gas and water	-	-	80,488	-	-	-	-	-	-	-	80,488
Transportation	-	-	263,254	-	-	-	-	-	-	-	263,254
Leasing	-	-	-	445,794	-	-	-	-	-	-	445,794
Consumers	-	-	-	-	-	7,296,732	7,326,436	4	7,268	-	14,630,440
Corporate	-	-	-	-	1,007,025	-	-	-	-	-	1,007,025
Construction	-	-	132,291	-	-	-	-	-	-	-	132,291
Others	-	-	357,146	-	-	-	-	-	-	13,636	370,782
<b>Total</b>	<b>96,358</b>	<b>68,518</b>	<b>1,546,684</b>	<b>6,540,219</b>	<b>6,541,190</b>	<b>7,296,732</b>	<b>7,326,436</b>	<b>4</b>	<b>7,268</b>	<b>16,602</b>	<b>29,440,011</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

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

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

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

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

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

<u>Group and Company</u>	<u>Neither past due nor impaired</u> RM'000	<u>Past due but not individually impaired*</u> RM'000	<u>Total</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Total carrying value</u> RM'000	<u>Credit risk loans</u> RM'000	<u>Coverage ratio</u> %
2015							
Amount due from counterparties	10,970,979	-	10,970,979	-	10,970,979	-	-
Islamic financing assets	5,581,449	-	5,581,449	-	5,581,449	-	-
Mortgage assets:							
- Conventional	6,738,803	83,351	6,822,154	40,387	6,781,767	83,351	48
- Islamic	6,974,277	68,532	7,042,809	36,167	7,006,642	68,532	53
Hire purchase assets:							
- Conventional	1	4	5	1	4	4	33
- Islamic	3,985	190	4,175	70	4,105	190	37
	<u>30,269,494</u>	<u>152,077</u>	<u>30,421,571</u>	<u>76,625</u>	<u>30,344,945</u>	<u>152,077</u>	

\* These assets have been provided for under collective assessment

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

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

<u>Group and Company</u>	Neither past due nor impaired RM'000	Past due but not individually impaired* RM'000	<u>Total</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Total carrying value</u> RM'000	<u>Credit risk loans</u> RM'000	<u>Coverage ratio</u> %
<b>2014</b>							
Amount due from counterparties	6,540,219	-	6,540,219	-	6,540,219	-	-
Islamic financing assets	6,541,190	-	6,541,190	-	6,541,190	-	-
Mortgage assets:							
- Conventional	7,267,791	69,598	7,337,389	40,657	7,296,732	69,598	58
- Islamic	7,304,679	53,500	7,358,179	31,743	7,326,436	53,500	59
Hire purchase assets:							
- Conventional	1	4	5	1	4	4	25
- Islamic	7,153	185	7,338	70	7,268	185	38
	<u>27,661,033</u>	<u>123,287</u>	<u>27,784,320</u>	<u>72,471</u>	<u>27,711,849</u>	<u>123,287</u>	

\*These assets have been provided for under collective assessment

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

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

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

	Group and Company			
	<u>Strong</u>	<u>2015</u> <u>Total</u>	<u>Strong</u>	<u>2014</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Amount due from counterparties	10,970,979	10,970,979	6,540,219	6,540,219
Islamic financing assets	5,581,449	5,581,449	6,541,190	6,541,190
Mortgage assets:				
- Conventional	6,738,803	6,738,803	7,267,791	7,267,791
- Islamic	6,974,277	6,974,277	7,304,679	7,304,679
Hire purchase assets:				
- Conventional	1	1	1	1
- Islamic	3,985	3,985	7,153	7,153
	<u>30,269,494</u>	<u>30,269,494</u>	<u>27,661,033</u>	<u>27,661,033</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 the asset being recovered in full. This comprise amount due from counterparties, Islamic financing assets, mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

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

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

	Group and Company				
	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2015</b>					
Mortgage assets:					
- Conventional	6,046	4,896	5,461	66,948	83,351
- Islamic	6,134	4,323	5,271	52,804	68,532
Hire purchase assets:					
- Conventional	-	-	-	4	4
- Islamic	-	-	-	190	190
	<u>12,180</u>	<u>9,219</u>	<u>10,732</u>	<u>119,946</u>	<u>152,077</u>
<b>2014</b>					
Mortgage assets:					
- Conventional	6,845	4,896	4,489	53,368	69,598
- Islamic	5,048	4,851	5,479	38,122	53,500
Hire purchase assets:					
- Conventional	-	-	-	4	4
- Islamic	1	-	-	184	185
	<u>11,894</u>	<u>9,747</u>	<u>9,968</u>	<u>91,678</u>	<u>123,287</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/Islamic mortgage assets and Islamic hire purchase assets. This may result from administrative delays on the side of the borrower leading to assets being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

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

For the financial year ended 31 December 2015, the Group and the Company have deemed it impracticable to disclose the financial effect of collateral for its mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

The movement in impairment allowance are as follows:

	Group and Company			
	As at 1 January RM'000	Allowance made RM'000	Allowance written-off RM'000	As at 31 December RM'000
<b>2015</b>				
Mortgage assets:				
- Conventional	40,657	2,527	(2,797)	40,387
- Islamic	31,743	5,595	(1,171)	36,167
Hire purchase assets:				
- Conventional	1	-	-	1
- Islamic	70	-	-	70
	<u>72,471</u>	<u>8,122</u>	<u>(3,968)</u>	<u>76,625</u>
<b>2014</b>				
Mortgage assets:				
- Conventional	35,746	7,478	(2,567)	40,657
- Islamic	28,041	4,850	(1,148)	31,743
Hire purchase assets:				
- Conventional	1	-	-	1
- Islamic	67	3	-	70
	<u>63,855</u>	<u>12,331</u>	<u>(3,715)</u>	<u>72,471</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.3 AFS investment securities**

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

	Group and Company			
	Investment grade			Total
	GOM	AAA	AA1 to AA2/ AA+ to AA	
	RM'000	RM'000	RM'000	RM'000
<b>2015</b>				
Private debt securities	-	101,501	251,071	352,572
Malaysian government securities	182,797	-	-	182,797
Government investment issues	392,247	-	-	392,247
Islamic private debt securities	-	298,301	100,615	398,916
Quasi government debt securities	65,574	-	-	65,574
Islamic quasi government debt securities	401,511	-	-	401,511
<b>Total</b>	<b>1,042,129</b>	<b>399,802</b>	<b>351,686</b>	<b>1,793,617</b>
<b>2014</b>				
Private debt securities	-	97,584	191,898	289,482
Malaysian government securities	190,624	-	-	190,624
Government investment issues	229,830	-	-	229,830
Islamic private debt securities	-	305,770	-	305,770
Quasi government debt securities	116,373	-	-	116,373
Islamic quasi government debt securities	414,605	-	-	414,605
<b>Total</b>	<b>951,432</b>	<b>403,354</b>	<b>191,898</b>	<b>1,546,684</b>

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

**37.4 Amount due from related company**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**37 CREDIT RISK (CONTINUED)**

**37.5 Offsetting financial instruments**

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

Group and Company						
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>Financial instrument</u> <u>RM'000</u>	<u>Cash collateral placed</u> <u>RM'000</u>	<u>Net amount</u> <u>RM'000</u>
<b>2015</b>						
Derivatives financial liabilities	<u>(35,240)</u>	<u>-</u>	<u>(35,240)</u>	<u>-</u>	<u>16,600</u>	<u>(18,640)</u>
<b>2014</b>						
Derivatives financial liabilities	<u>(32,743)</u>	<u>-</u>	<u>(32,743)</u>	<u>-</u>	<u>23,190</u>	<u>(9,553)</u>

**38 LIQUIDITY RISK**

**38.1 Funding approach**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 LIQUIDITY RISK (CONTINUED)**

**38.2 Liquidity pool**

The liquidity pool comprised the following cash and unencumbered assets:

	Cash and short term funds with licensed financial institutions RM'000	Derivative financial instruments RM'000	AFS investment securities RM'000	Mortgage assets RM'000	Islamic mortgage assets RM'000	Other available liquidity RM'000	Total RM'000
<u>Group</u>							
2015	243,912	678,847	1,793,617	6,781,767	7,006,642	16,564,846	33,069,631
2014	96,359	68,518	1,546,684	7,296,732	7,326,436	13,096,742	29,431,471
<u>Company</u>							
2015	243,789	678,847	1,793,617	6,781,767	7,006,642	13,096,740	29,601,402
2014	96,358	68,518	1,546,684	7,296,732	7,326,436	13,103,879	29,438,607



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 LIQUIDITY RISK (CONTINUED)**

**38.3 Contractual maturity of financial liabilities**

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

	<u>Contractual maturity dates</u>				
	<u>On demand up to one month RM'000</u>	<u>One to three months RM'000</u>	<u>Three to twelve months RM'000</u>	<u>One to five years RM'000</u>	<u>Over five years RM'000</u>
<u>Group</u>					<u>Total RM'000</u>
2015					
Financial liabilities					
Unsecured bonds and notes	73,168	608,240	2,230,592	13,307,385	5,069,540
Sukuk	44,908	175,525	2,671,253	6,016,729	-
Other liabilities	-	-	-	-	46,239
	<u>118,076</u>	<u>783,765</u>	<u>4,901,845</u>	<u>19,324,114</u>	<u>5,115,779</u>
					<u>30,243,579</u>
Assets held for managing liquidity risk	586,616	432,372	3,589,175	17,878,507	15,757,253
					<u>38,243,923</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 LIQUIDITY RISK (CONTINUED)**

**38.3 Contractual maturity of financial liabilities (continued)**

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

	Contractual maturity dates					Total RM'000
	On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	
Group						
2014						
Financial liabilities						
Unsecured bonds and notes	78,919	60,925	1,090,765	10,224,967	4,835,805	16,291,381
Sukuk	27,428	842,322	2,887,807	6,552,029	6,255,921	16,565,507
Other liabilities	-	-	-	-	48,859	48,859
	<u>106,347</u>	<u>903,247</u>	<u>3,978,572</u>	<u>16,776,996</u>	<u>11,140,585</u>	<u>32,905,747</u>
Assets held for managing liquidity risk	389,498	1,249,125	3,577,563	15,181,831	15,552,326	35,950,343

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 38 LIQUIDITY RISK (CONTINUED)

#### 38.3 Contractual maturity of financial liabilities (continued)

	Company	2015	Contractual maturity dates					Total RM'000
			On demand up to one month RM'000	One to three months RM'000	Three to twelve months RM'000	One to five years RM'000	Over five years RM'000	
Financial liabilities	Unsecured bonds and notes Sukuk		69,770	587,531	2,126,488	8,326,913	5,069,540	16,180,242
			44,908	175,525	2,508,503	6,016,729	-	8,745,665
			3,398	20,709	266,854	4,980,472	-	5,271,433
			-	-	-	-	46,239	46,239
			118,076	783,765	4,901,845	19,324,114	5,115,779	30,243,579
Assets held for managing liquidity risk			586,616	432,372	3,589,175	17,878,507	15,757,253	38,243,923

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 LIQUIDITY RISK (CONTINUED)**

**38.3 Contractual maturity of financial liabilities (continued)**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**38 LIQUIDITY RISK (CONTINUED)**

**38.4 Derivative liabilities**

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

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

	Group and Company					
	On demand up to <u>one month</u> RM'000	One to three <u>months</u> RM'000	Three to twelve <u>months</u> RM'000	One to five <u>years</u> RM'000	Over five <u>years</u> RM'000	<u>Total</u> RM'000
2015						
Derivatives held for hedging						
- IRS/IPRS	-	(4,446)	(3,392)	(26,076)	(20,621)	(54,535)
- CCS	823	1,174	(45,182)	557,536	-	514,351
Derivatives not held for hedging						
- IPRS	-	(150)	(151)	(300)	-	(601)
2014						
Derivatives held for hedging						
- IRS/IPRS	-	(2,988)	(1,762)	(18,436)	(6,515)	(29,701)
- CCS	-	2,091	(36,420)	(72,295)	-	(106,624)

**39 FOREIGN EXCHANGE RISK**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 FOREIGN EXCHANGE RISK (CONTINUED)**

**39.1 Exposure to foreign currency risk**

	Group			
	CNY	HKD	USD	SGD
	RM'000	RM'000	RM'000	RM'000
<b>2015</b>				
Derivatives financial instruments	-	567,089	2,679,599	1,117,065
Amount due from counterparties	990,676	-	-	-
	<u>990,676</u>	<u>567,089</u>	<u>2,679,599</u>	<u>1,117,065</u>
Unsecured bonds and notes	986,794	555,600	2,576,862	610,561
Sukuk	-	-	-	495,083
Derivatives financial instruments	2,828	-	-	-
	<u>989,622</u>	<u>555,600</u>	<u>2,576,862</u>	<u>1,105,644</u>
<b>2014</b>				
Derivatives financial instruments	-	460,426	1,762,059	-
Amount due from counterparties	852,454	-	-	-
	<u>852,454</u>	<u>460,426</u>	<u>1,762,059</u>	<u>-</u>
Unsecured bonds and notes	846,547	452,538	1,749,384	-
Derivatives financial instruments	3,636	-	-	-
	<u>850,183</u>	<u>452,538</u>	<u>1,749,384</u>	<u>-</u>
	Company			
	CNY	HKD	USD	SGD
	RM'000	RM'000	RM'000	RM'000
<b>2015</b>				
Derivatives financial instruments	-	567,089	2,679,599	1,117,065
Amount due from counterparties	990,676	-	-	-
	<u>990,676</u>	<u>567,089</u>	<u>2,679,599</u>	<u>1,117,065</u>
Loans/financing from subsidiary	990,575	555,600	2,580,140	1,109,125
Derivatives financial instruments	2,828	-	-	-
	<u>993,403</u>	<u>555,600</u>	<u>2,580,140</u>	<u>1,109,125</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**39 FOREIGN EXCHANGE RISK (CONTINUED)**

**39.1 Exposure to foreign currency risk (continued)**

	Company			
	CNY	HKD	USD	SGD
	RM'000	RM'000	RM'000	RM'000
2014				
Derivatives financial instruments	-	460,426	1,762,059	-
Amount due from counterparties	852,454	-	-	-
	<u>852,454</u>	<u>460,426</u>	<u>1,762,059</u>	<u>-</u>
Loans/financing from subsidiary	852,427	452,538	1,753,024	-
Derivatives financial instruments	3,636	-	-	-
	<u>856,063</u>	<u>452,538</u>	<u>1,753,024</u>	<u>-</u>

**39.2 Currency risk sensitivity analysis**

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

	Group		Company	
	Equity	Profit	Equity	Profit
	RM'000	RM'000	RM'000	RM'000
2015				
CNY	4	14	4	14
HKD	(5,556)	(95)	(5,556)	(95)
USD	(25,805)	(580)	(25,798)	(580)
SGD	(11,088)	(64)	(11,088)	(64)
	<u>(42,445)</u>	<u>(725)</u>	<u>(42,438)</u>	<u>(725)</u>
2014				
CNY	3	4	3	4
HKD	(4,525)	(13)	(4,525)	(13)
USD	(17,545)	(30)	(17,527)	(30)
	<u>(22,067)</u>	<u>(39)</u>	<u>(22,049)</u>	<u>(39)</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**40.1 Fair value of financial instruments carried at fair value**

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

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

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

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

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

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

	<u>Group and Company</u>			
	<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>
<b>2015</b>				
<b>Assets</b>				
AFS investment				
Securities	-	1,793,617	-	1,793,617
Derivatives				
financial				
instruments	-	678,847	-	678,847
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>				
Derivatives				
financial				
instruments	-	35,240	-	35,240
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>2014</b>				
<b>Assets</b>				
AFS investment				
securities	-	1,546,684	-	1,546,684
Derivatives				
financial				
instruments	-	68,518	-	68,518
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>				
Derivatives				
financial				
instruments	-	32,743	-	32,743
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**40.2 Fair value of financial instruments carried other than fair value**

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

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

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

- (b) Other financial assets

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

- (c) Amount due from related company

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

- (d) Other financial liabilities

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

			Group	
	Carrying value	2015 Fair value	Carrying value	2014 Fair value
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Amount due from counterparties	10,970,979	10,594,275	6,540,219	6,281,970
Islamic financing assets	5,581,449	5,504,046	6,541,190	6,417,928
Mortgage assets:				
- Conventional	6,781,767	7,752,970	7,296,732	7,409,099
- Islamic	7,006,642	8,016,214	7,326,436	7,454,119
Hire purchase assets:				
- Conventional	4	4	4	4
- Islamic	4,105	4,171	7,268	7,309
	<u>30,344,946</u>	<u>31,871,680</u>	<u>27,711,849</u>	<u>27,570,429</u>
<b>Financial liabilities</b>				
Unsecured bearer bonds and notes	17,994,724	18,276,359	13,291,643	13,588,064
Sukuk	11,944,033	12,254,959	13,261,704	13,703,954
	<u>29,938,757</u>	<u>30,531,318</u>	<u>26,553,347</u>	<u>27,292,018</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

			Company	
	Carrying	2015	Carrying	2014
	value	Fair	value	Fair
	RM'000	value	RM'000	value
		RM'000		RM'000
<b>Financial assets</b>				
Amount due from counterparties	10,970,979	10,594,275	6,540,219	6,281,970
Islamic financing assets	5,581,449	5,504,046	6,541,190	6,417,928
Mortgage assets:				
- Conventional	6,781,767	7,752,970	7,296,732	7,409,099
- Islamic	7,006,642	8,016,214	7,326,436	7,454,119
Hire purchase assets:				
- Conventional	4	4	4	4
- Islamic	4,105	4,171	7,268	7,309
	<u>30,344,946</u>	<u>31,871,680</u>	<u>27,711,849</u>	<u>27,570,429</u>
<b>Financial liabilities</b>				
Unsecured bearer bonds and notes	13,264,908	13,546,542	10,243,174	10,549,807
Sukuk	11,448,950	11,759,876	13,261,704	13,703,954
Loans/financing from subsidiary	5,235,440	5,055,007	3,057,989	2,927,269
	<u>29,949,298</u>	<u>30,361,425</u>	<u>26,562,867</u>	<u>27,181,030</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**40 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

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

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

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

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

**41 SEGMENT REPORTING**

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

**(a) PWR**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 SEGMENT REPORTING (CONTINUED)**

**(b) PWOR**

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

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

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

	<u>PWR</u> RM'000	<u>PWOR</u> RM'000	<u>Group</u> <u>Total</u> RM'000
2015			
External revenue	598,610	958,708	1,557,318
External interest/profit Expense	(474,957)	(646,443)	(1,121,400)
Profit from operations	63,252	280,158	343,410
Zakat	(1,600)	(1,177)	(2,777)
Taxation	(15,110)	(69,975)	(85,085)
Profit after taxation and zakat by segment	46,542	209,006	255,548
Segment assets	18,353,539	14,728,201	33,081,740
Segment liabilities	17,536,509	12,530,035	30,066,544
Other information:			
Capital expenditure	467	375	842
Depreciation and amortization	1,440	1,156	2,596

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 SEGMENT REPORTING (CONTINUED)**

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 SEGMENT REPORTING (CONTINUED)**

	<u>PWR</u>	<u>PWOR</u>	<u>Company</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>Total</u>
			<u>RM'000</u>
2015			
External revenue	595,596	958,708	1,554,304
External interest/profit Expense	(475,829)	(646,443)	(1,122,272)
Profit from operations	61,235	280,158	341,393
Zakat	(1,600)	(1,177)	(2,777)
Taxation	(15,090)	(69,975)	(85,065)
Profit after taxation and zakat by segment	44,545	209,006	253,551
Segment assets	18,360,717	14,728,201	33,088,918
Segment liabilities	17,545,764	12,530,036	30,075,800
Other information:			
Capital expenditure	467	375	842
Depreciation and amortization	1,440	1,156	2,596



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**41 SEGMENT REPORTING (CONTINUED)**

	PWR RM'000	PWOR RM'000	Company Total RM'000
2014			
External revenue	461,806	1,001,622	1,463,428
External interest/profit expense	(376,665)	(693,895)	(1,070,560)
Profit from operations	76,577	259,164	335,741
Zakat	(2,868)	(1,244)	(4,112)
Taxation	(18,868)	(64,993)	(83,861)
Profit after taxation and zakat by segment	54,841	192,927	247,768
Segment assets	13,941,997	15,515,667	29,457,664
Segment liabilities	9,378,110	17,325,862	26,703,972
Other information:			
Capital expenditure	243	270	513
Depreciation and amortisation	506	2,479	2,985

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CAPITAL ADEQUACY**

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

- (a) To align with industry best practices and benchmark set by the regulators;
- (b) To safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholder and benefit to other stakeholders; and
- (c) To maintain a strong capital base to support the development of its business.

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

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

The regulatory capital comprise of two tiers:

- (a) Tier I capital: share capital (net of any book values of treasury shares) and other reserves which comprise retained profits and reserves created by appropriations of retained profits; and
- (b) Tier II capital: comprise collective impairment allowances on mortgage assets and hire purchase assets/Islamic mortgage assets and Islamic hire purchase assets.

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

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	%	%	%	%
<u>Before deducting proposed final dividends*</u>				
CET I capital ratio	21.6	23.6	21.6	23.6
Tier I capital ratio	21.6	23.6	21.6	23.6
Total capital ratio	23.6	24.3	23.6	24.3
<u>After deducting proposed final dividends*</u>				
CET I capital ratio	21.5	23.5	21.5	23.5
Tier I capital ratio	21.5	23.5	21.5	23.5
Total capital ratio	23.5	24.2	23.5	24.2

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**42 CAPITAL ADEQUACY (CONTINUED)**

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>CET1/Tier I capital</b>				
Paid-up capital	150,000	150,000	150,000	150,000
Retained profits	2,863,895	2,624,847	2,861,816	2,624,765
	3,013,895	2,774,847	3,011,816	2,774,765
Deferred taxation assets	-	(6,236)	-	(6,236)
Less : Collective allowance	(189,647)	-	(189,647)	-
	2,824,248	2,768,611	2,822,169	2,768,529
<b>Tier II capital</b>				
Allowance for impairment losses	76,625	72,471	76,625	72,471
Add : Collective allowance	189,647	-	189,647	-
<b>Total Tier II capital</b>	266,272	72,471	266,272	72,471
<b>Total capital</b>	3,090,520	2,841,082	3,088,441	2,841,000

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	12,291,272	10,970,406	12,298,514	10,977,505
Operational risk	786,063	737,093	786,063	737,093
<b>Total risk-weighted assets</b>	13,077,335	11,707,499	13,084,577	11,714,598

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

	Note	<u>Group</u>		<u>Company</u>	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	(a)	79,629	10,200	79,628	10,200
Derivative financial instruments		4,270	6,108	4,270	6,108
AFS investment securities	(b)	85,825	50,487	85,825	50,487
Financing assets	(c)	5,581,449	6,541,190	5,581,449	6,541,190
Mortgage assets	(d)	7,000,180	7,319,483	7,000,180	7,319,483
Hire purchase assets	(e)	3,826	6,438	3,826	6,438
Deferred financing fees		-	1,163	-	-
Other assets and prepayments		289,336	289,377	292,303	290,037
<b>TOTAL ASSETS</b>		<b>13,044,515</b>	<b>14,224,446</b>	<b>13,047,481</b>	<b>14,223,943</b>
<b>LIABILITIES</b>					
Sukuk	(f)	11,944,033	13,261,704	11,448,950	13,261,704
Deferred taxation		1,860	1,508	1,860	1,508
Other liabilities	(g)	91,727	51,217	588,774	50,709
<b>TOTAL LIABILITIES</b>		<b>12,037,620</b>	<b>13,314,429</b>	<b>12,039,584</b>	<b>13,313,921</b>
<b>ISLAMIC OPERATIONS' FUNDS</b>		<b>1,006,895</b>	<b>910,017</b>	<b>1,007,897</b>	<b>910,022</b>
<b>TOTAL LIABILITIES AND ISLAMIC OPERATIONS' FUNDS</b>		<b>13,044,515</b>	<b>14,224,446</b>	<b>13,047,481</b>	<b>14,223,943</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Note	Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Total income attributable		673,589	718,197	670,576	718,197
Income attributable to the					
Sukuk holders	(h)	(525,077)	(563,691)	(522,208)	(563,691)
Non-profit (expense)/income		(5,305)	794	(4,170)	794
Total income attributable	(i)	143,207	155,300	144,198	155,300
Administration and general					
expenses		(2,812)	(2,494)	(2,806)	(2,489)
Allowance of impairment losses		(5,595)	(4,855)	(5,595)	(4,855)
<b>PROFIT BEFORE TAXATION AND ZAKAT</b>		<b>134,800</b>	<b>147,951</b>	<b>135,797</b>	<b>147,956</b>
Zakat		(2,777)	(4,112)	(2,777)	(4,112)
Taxation		(37,478)	(37,478)	(37,478)	(37,478)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>94,545</b>	<b>106,361</b>	<b>95,542</b>	<b>106,366</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	94,545	106,361	95,542	106,366
Other comprehensive (loss)/income:				
<b>Items that may be subsequently reclassified to profit or loss</b>				
AFS investment securities				
- Net (loss)/gain on fair value changes before taxation	517	(66)	517	(66)
- Deferred taxation	(124)	16	(124)	16
Cash flow hedge				
- Net (loss)/gain on cash flow hedge before taxation	2,167	(1,214)	2,167	(1,214)
- Deferred taxation	(227)	304	(227)	304
Other comprehensive (loss)/income for the financial year net of taxation	2,333	(960)	2,333	(960)
Total comprehensive income for the financial year	96,878	105,401	97,875	105,406

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

**CONSOLIDATED STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Group						
Balance as at 1 January 2015	294,159	(32)	4,556	-	611,334	910,017
Profit for the financial year	-	-	-	-	94,545	94,545
Other comprehensive income	-	393	1,940	-	-	2,333
Total comprehensive income for the financial year	-	393	1,940	-	94,545	96,878
Transfer to regulatory reserve during the financial year	-	-	-	95,598	(95,598)	-
Balance as at 31 December 2015	<u>294,159</u>	<u>361</u>	<u>6,496</u>	<u>95,598</u>	<u>610,281</u>	<u>1,006,895</u>
Balance as at 1 January 2014	294,159	18	5,466	-	504,973	804,616
Profit for the financial year	-	-	-	-	106,361	106,361
Other comprehensive income -	-	(50)	(910)	-	-	(960)
Total comprehensive income for the financial year	-	(50)	(910)	-	106,361	105,401
Balance as at 31 December 2014	<u>294,159</u>	<u>(32)</u>	<u>4,556</u>	<u>-</u>	<u>611,334</u>	<u>910,017</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF CHANGES IN ISLAMIC OPERATIONS' FUNDS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Company	Allocated capital funds RM'000	AFS reserve RM'000	Cashflow hedge reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2015	294,159	(32)	4,556	-	611,339	910,022
Profit for the financial year	-	-	-	-	95,542	95,542
Other comprehensive Income	-	393	1,940	-	-	2,333
Total comprehensive income for the financial year	-	393	1,940	-	95,542	97,875
Transfer to regulatory reserve during the financial year	-	-	-	95,598	(95,598)	-
Balance as at 31 December 2015	<u>294,159</u>	<u>361</u>	<u>6,496</u>	<u>95,598</u>	<u>611,283</u>	<u>1,007,897</u>
Balance as at 1 January 2014	294,159	18	5,466	-	504,973	804,616
Profit for the financial year	-	-	-	-	106,366	106,366
Other comprehensive Income -	-	(50)	(910)	-	-	(960)
Total comprehensive income for the financial year	-	(50)	(910)	-	106,366	105,406
Balance as at 31 December 2014	<u>294,159</u>	<u>(32)</u>	<u>4,556</u>	<u>-</u>	<u>611,339</u>	<u>910,022</u>



**CAGAMAS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****43 ISLAMIC OPERATIONS (CONTINUED)****STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

Note	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>OPERATING ACTIVITIES</b>				
Profit for the financial year	94,545	106,361	95,542	106,366
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	(2,360)	(7,407)	(2,360)	(7,407)
- Mortgage assets	(125,493)	(127,564)	(125,493)	(127,564)
- Hire purchases	(164)	(226)	(164)	(226)
- Sukuk	107		107	-
Allowance of impairment loss mortgage assets and hire purchase assets	5,596	4,855	5,596	4,855
Income from:				
- AFS investment securities	(1,414)	(1,265)	(1,414)	(1,265)
- Operations	(537,459)	(576,867)	(537,459)	(576,867)
Profit attributable to Sukuk holders	520,313	563,691	519,142	563,691
Wakalah fee expense	37	184	37	184
Gain on disposal of asset	(47)		(47)	-
Taxation	37,478	37,478	37,478	37,478
Zakat	2,777	4,112	2,777	4,112
Operating profit before working capital changes	(6,084)	3,352	(6,258)	3,357
Decrease/(increase) in financing assets	947,574	(427,205)	947,574	(427,205)
Decrease in mortgage assets	430,610	362,320	430,610	362,320
Decrease in hire purchase assets	1,229	2,521	1,229	2,521
Decrease/(increase) in other assets and prepayments	3,524	(1,199)	(1,798)	(696)
Decrease in Sukuk	(1,300,485)	(138,000)	(1,792,040)	(138,000)
Increase in financing from subsidiary company	-	-	497,633	-
Increase in other liabilities	34,230	3,902	33,647	3,394
Cash generated from/(utilised in operating activities)	110,598	(194,309)	110,597	(194,309)

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

Note	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit received from assets	559,764	585,569	559,764	585,569
Profit paid to Sukuk holders	(539,964)	(566,989)	(539,964)	(566,989)
Wakalah fee paid	-	(221)	-	(221)
Payment of:				
- Taxation	(29,864)	(29,864)	(29,864)	(29,864)
- Zakat	(4,112)	(2,028)	(4,112)	(2,028)
Net cash generated from/ (utilised in) operations	96,422	(207,842)	96,421	(207,842)
<b>INVESTING ACTIVITIES</b>				
Purchase of AFS investment securities	(84,367)	(15,080)	(84,367)	(15,080)
Sale of AFS investment securities	51,949	176,781	51,949	176,781
Derivative financial instruments	4,005	(36)	4,005	(36)
Income received/(paid to) from AFS investment securities	1,420	1,207	1,420	1,207
Net cash (utilised in)/generated from investing activities	(26,993)	162,872	(26,993)	162,872
Net increase/(decrease) in cash and cash equivalents	69,429	(44,970)	69,428	(44,970)
Cash and cash equivalents as at 1 January	10,200	55,170	10,200	55,170
Cash and cash equivalents as at 31 December	79,629	10,200	79,628	10,200
Analysis of cash and cash equivalents as at 31 December				
Cash and short-term funds (a)	79,629	10,200	79,628	10,200

## CAGAMAS BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 43 ISLAMIC OPERATIONS (CONTINUED)

		<u>Group and Company</u>	
		2015	2014
		RM'000	RM'000
(a)	<i>Cash and short-term funds</i>		
	Cash and bank balances with bank and other financial institutions	42	49
	Mudharabah money at call and deposit placements maturing within one month	79,587	10,151
		<u>79,629</u>	<u>10,200</u>
(b)	<i>AFS investment securities</i>		
	<i>At fair value:</i>		
	Islamic debt securities	85,825	20,174
	Government investment issues	-	30,313
		<u>85,825</u>	<u>50,487</u>
The maturity structure of AFS investment securities are as follows:			
	Maturing within one year	44,933	15,479
	One year to three years	40,892	35,008
		<u>85,825</u>	<u>50,487</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

		<u>Group and Company</u>	
		2015	2014
		RM'000	RM'000
(c)	<i>Financing assets</i>		
	Relating to:		
	House financing	3,439,157	2,515,704
	Hire purchase financing	1,078,722	2,834,163
	Personal financing	1,063,570	1,191,323
		<u>5,581,449</u>	<u>6,541,190</u>

The maturity structure of financing assets are as follows:

Maturing within one year	1,237,569	2,082,915
One year to three years	3,385,075	4,319,542
Three years to five years	524,092	138,733
More than five years	434,713	-
	<u>5,581,449</u>	<u>6,541,190</u>

(d) *Mortgage assets*

PWOR	<u>7,000,180</u>	<u>7,319,483</u>
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The maturity structure of mortgage assets are as follows:

Maturing within one year	710,261	697,750
One year to three years	899,223	877,255
Three years to five years	916,854	895,722
More than five years	5,519,805	6,015,787
	<u>8,046,143</u>	<u>8,486,514</u>

Less:

Unaccreted discount	(1,009,807)	(1,135,300)
Allowance for impairment losses	(36,156)	(31,731)
	<u>7,000,180</u>	<u>7,319,483</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

		<u>Group and Company</u>	
		2015	2014
		RM'000	RM'000
(e)	<i>Hire purchase assets</i>		
	PWOR	3,826	6,438
The maturity structure of hire purchase assets are as follows:			
	Maturing within one year	2,573	3,643
	One year to three years	1,397	2,989
	Three years to five years	-	114
		3,970	6,746
Less:			
	Unaccreted discount	(94)	(258)
	Allowance for impairment losses	(50)	(50)
		3,826	6,438

		<u>Group</u>		<u>Company</u>	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
(f)	<i>Sukuk</i>				
	Medium-term notes	11,944,033	13,261,704	11,448,950	13,261,704
The maturity structure of Sukuk are as follows:					
	Maturing within one year	2,838,966	3,359,704	2,343,883	3,359,704
	One year to three years	3,073,067	4,160,000	3,073,067	4,160,000
	Three years to five years	1,592,000	1,057,000	1,592,000	1,057,000
	More than five years	4,440,000	4,685,000	4,440,000	4,685,000
		11,944,033	13,261,704	11,448,950	13,261,704

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

*(g) Other liabilities*

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Zakat	2,777	4,112	2,777	4,112
Other payables	88,950	47,105	88,364	46,597
Financing from subsidiary company	-	-	497,633	-
	<u>91,727</u>	<u>51,217</u>	<u>588,774</u>	<u>50,709</u>

*(h) Income attributable to the Sukuk holders*

	<u>Group and Company</u>	
	2015	2014
	RM'000	RM'000
Mortgage assets	328,255	343,481
Hire purchase assets	435	470
Financing assets	196,331	219,563
Deposits and placements of financial institutions	56	177
	<u>525,077</u>	<u>563,691</u>

Income attributable to Sukuk holders analysed by concept:

Bai Al-Dayn	525,021	563,514
Mudharabah	56	177
	<u>525,077</u>	<u>563,691</u>

*(i) Total income attributable*

	<u>Group</u>		<u>Company</u>	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income from:				
Mortgage assets	119,278	122,448	119,278	122,448
Hire purchase assets	(48)	99	(48)	99
Financing assets	21,892	19,266	21,692	19,266
AFS investment securities	3,835	8,735	3,835	8,735
Deposit and placements with financial institutions	3,611	3,958	3,611	3,958
Non-profit income/(expense)	(5,361)	794	(4,170)	794
	<u>143,207</u>	<u>155,300</u>	<u>144,198</u>	<u>155,300</u>

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

(i) *Total income attributable (continued)*

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total net income analysed by concept are as follows:				
Bai Bithaman Ajil	303	1,009	303	1,009
Murabahah	(4,306)	248	(3,114)	248
Bai Al-Dayn	141,122	142,607	140,921	142,607
Mudharabah	6,088	11,436	6,088	11,436
	<u>143,207</u>	<u>155,300</u>	<u>144,198</u>	<u>155,300</u>

(j) *Capital adequacy*

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
<u>Before deducting proposed final dividend*</u>				
CET I	18.2	16.4	18.2	16.4
Tier I capital ratio	18.2	16.4	18.2	16.4
Total capital ratio	<u>20.9</u>	<u>17.0</u>	<u>20.9</u>	<u>17.0</u>
<u>After deducting proposed final dividend</u>				
CET I capital ratio	18.2	16.4	18.2	16.4
Tier I capital ratio	18.2	16.4	18.2	16.4
Total capital ratio	<u>20.9</u>	<u>17.0</u>	<u>20.9</u>	<u>17.0</u>

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CET I/Tier I capital:				
Allocated capital funds	294,159	294,159	294,159	294,159
Other reserves	705,884	611,334	706,881	611,339
	<u>1,000,043</u>	<u>905,493</u>	<u>1,001,040</u>	<u>905,498</u>
Less: Collective allowance	(95,598)	-	(95,598)	-
Deferred tax liabilities	-	1,508	-	1,508
Total CET I/Tier I capital	<u>904,445</u>	<u>907,001</u>	<u>905,442</u>	<u>907,006</u>

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

**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**43 ISLAMIC OPERATIONS (CONTINUED)**

*(j) Capital adequacy (continued)*

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tier II capital:				
Add: Collective allowance	95,598	-	95,598	-
Allowance for impairment losses	36,236	31,781	36,236	31,781
Total Tier II capital	131,834	31,781	131,834	31,781
Total capital	1,036,279	938,782	1,037,276	938,787
	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
The breakdown of risk-weighted assets by each major risk category is as follows:				
Credit risk	4,656,965	5,248,138	4,659,931	5,248,798
Operational risk	302,816	273,567	302,816	273,567
Total risk-weighted assets	4,959,781	5,521,705	4,962,747	5,522,365

The Group and the Company are not subject to the BNM Guidelines on the Capital Adequacy Guidelines. However, disclosure of the capital adequacy ratios is made on a voluntary basis for information purposes.

*(k) Shariah advisor*

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



**CAGAMAS BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

There were no significant events during the financial year.

**45 APPROVAL OF FINANCIAL STATEMENTS**

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

Company No.

157931

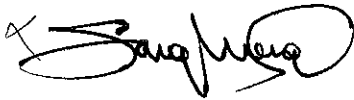
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CAGAMAS BERHAD  
(Incorporated in Malaysia)

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

We, Dato' Ooi Sang Kuang and Chung Chee Leong, the two Directors of Cagamas Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 6 to 119 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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



DATO' OOI SANG KUANG  
CHAIRMAN



CHUNG CHEE LEONG  
DIRECTOR

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

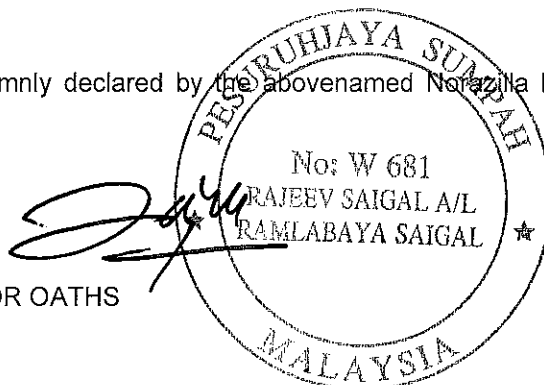
I, Norazilla Md Tahir, the Officer primarily responsible for the financial management of Cagamas Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 119 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



NORAZILLA MD TAHIR

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

Before me,  
COMMISSIONER FOR OATHS



NO. A-31-11, LEVEL 31,  
TOWER A, MENARA UOA BANGSAR,  
NO. 5, JALAN BANGSAR UTAMA 1,  
BANGSAR, 59000 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 6 to 119, which comprise the statements of financial position as at 31 December 2015 of the Group and the Company, the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 45.

**Directors' Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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



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

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualifications or any adverse comment made under Section 174(3) of The Act.



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

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, appearing to read "Ritchie Lee".

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Soo Hoo Khooon Yean".

SOO HOO KHOON YEAN  
(No. 2682/10/17 (J))  
Chartered Accountant

Kuala Lumpur  
21 March 2016