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Chairman's Statement



Ooi Sang Kuang
Chairman

On behalf of the Board of Directors, I am pleased to present the Sixteenth Annual Report and the Financial Statements of Cagamas Berhad, the National Mortgage Corporation, for the financial year ended 31 December 2002.

The year 2002 presented a challenging environment of excess liquidity in the banking system and low interest rates. The commercial banks were generally less forthcoming in selling their housing loans to Cagamas. However, to hedge their fixed rate portfolio, the finance companies took advantage of the low fixed Cagamas rates to sell their hire purchase and leasing debts, which accounted for 62.8% of total purchases by Cagamas during the year.

In the face of a more challenging environment, Cagamas embarked on an aggressive marketing strategy to promote its products. In addition, the

Company began to diversify more aggressively into hire purchase and leasing debts and Islamic hire purchase debts. This strategy yielded positive results as evidenced by the achievement of a higher volume of purchases of loans and debts and higher profitability in 2002. The diversification strategy has further enhanced the resilience of Cagamas.

Highlights

During the year, the Company recorded purchases of loans and debts amounting to RM10,992 million, the highest volume of purchases in any single year. By end 2002, Cagamas had purchased 15.9% of the housing loans and 18.6% of the hire purchase and leasing debts outstanding in the banking system. Today, Cagamas is well-positioned to continue its lead and prominent role in providing competitively priced funds to the banking system.

The Company will continue to support Bank Negara Malaysia's promotion of a dual banking system, with an Islamic banking system operating parallel with the conventional banking system. During the year, Cagamas purchased RM610 million of Islamic assets, RM500 million of which consisted of Islamic hire purchase debts. This represented the highest volume of purchases of Islamic assets since the introduction of Islamic products in 1994.

Outstanding Cagamas bonds as at end of December 2002 stood at RM22,595 million which accounted for 16.5% of the private debt securities or 7.9% of the total bonds (including public sector securities) outstanding in the capital market.

Reflecting the financial strength of the Company and its prudent risk management practices, bonds and notes issued by Cagamas in 2002 continued to be assigned the highest ratings of AAA and P1 by Rating Agency Malaysia Berhad and AAA and MARC-1 by Malaysian Rating Corporation Berhad.

Financial Performance

During the year 2002, Cagamas achieved a pre-tax profit of RM208 million, a sharp improvement of 26.1% over the previous year's pre-tax profit of RM165 million. This is a significant achievement as the Company was able to reverse the declining trend in profit over the past three years. The rise in profit was attributed to the higher volume of loans and debts purchased during the year, with a significant portion of the total purchases amounting to 64.1% made in the first half of 2002.

The after-tax return per share increased from 79 sen in 2001 to 100 sen in 2002, providing an after-tax return of 13.6% on average shareholders' funds, compared with 11.9% in the previous year. Correspondingly, the Company's shareholders' funds increased by 12.4% from RM1,036 million in 2001 to RM1,164 million in 2002, while net tangible assets per share increased from RM6.91 at the end of 2001 to RM7.76 at the end of 2002. The larger volume of new purchases in 2002 also contributed to an increase in the Company's total assets from RM22,812 million as at the end of 2001 to RM26,383 million as at the end of 2002.

Dividend

For the half-year ended 30 June 2002, the Board of Directors had declared an interim dividend payment of 10 sen per share less income tax. To reflect the healthy financial performance of the Company, the Board recommended a final dividend payment of 15 sen per share less income tax. In view of the large reserves totalling RM1,014.3 million and the high risk-weighted capital ratio of 22.3% as at the end of 2002 as well as to commemorate the Fifteenth Anniversary of the Company, the Board also recommended a special dividend of 93 sen per share tax exempt, bringing the total dividend for the financial year ended 31 December 2002 to 25 sen per share less income tax and 93 sen per share tax exempt, as against 20 sen per share less income tax in 2001. The total dividend proposed for the financial year 2002 represented a dividend cover of 0.9 times.

Initiatives in 2002

Applying and leveraging on state-of-the-art technology will continue to be a challenge for the Company, particularly in integrating such technology into mainstream business. Towards this end, the Company has embarked on the first phase of the implementation of a 3-year Information and Communications Technology (ICT) Master Plan. During the year, the Loans Processing System and Treasury Management System were implemented to enhance productivity, ensure efficient work processes, deliver new products and services more effectively and undertake effective risk management.

Mindful of the need to be prepared for any unforeseen developments, a comprehensive Business Continuity Plan (BCP) to minimise the impact from any potential disruptions arising from internal and external disasters was put in place. The BCP will be regularly updated and tested to ensure that the Company is able to mobilise its resources speedily to undertake recovery operations.

The Company observes high standards of transparency, accountability and integrity in its business dealings, operations and corporate disclosure. Cagamas is committed to adhering and applying the relevant principles and best practices of

the Malaysian Code on Corporate Governance in its policies and procedures. During the year, the Company also put in place a risk management framework to effectively evaluate risk while achieving maximisation of shareholders' value and sustainability of business performance.

Prospects

The ongoing financial and economic liberalisation will bring forth new opportunities as well as challenges for Cagamas. The continued success of the Company will hinge on the strength of its professionalism, leadership, financial creativity and innovation in developing new products in response to the rapidly changing demands of the capital market in an increasingly competitive environment.

The Company will be increasing its product offering with the introduction of the purchase of credit card receivables from financial institutions on with recourse basis in January 2003. Going forward, the Company would continue to step up its efforts in enhancing its existing products, developing new products and exploring new business opportunities in order to sustain its growth and meet the increasingly sophisticated needs of the market.

In order to improve the competitiveness and enhance the attractiveness of its products, efficient delivery channels via ICT will be emphasised to better serve and extend its services directly to its customers, especially with the use of Internet and web-based applications. The Company will continue to leverage on technology to introduce new products, streamline operations and expand business opportunities.

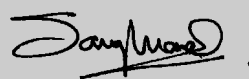
With the risk management framework already in place, the Company plans to develop and implement an enterprise-wide risk management strategy for quantifying the various risks inherent in the Company's business. This involves aligning business strategies with the corporate risk management policy, developing risk models, systems and data management capabilities and the use of multi-disciplinary teams and committees as a mechanism to facilitate risk management processes.

Over the years, Cagamas has gained international recognition as a model for developing countries considering the establishment of a secondary mortgage market. As testimony to this, in 2002, Cagamas received representatives from a number of countries interested to study the set-up and operations of Cagamas. The World Bank also invited Cagamas to present its model and experience at conferences held in Bangladesh and Pakistan.

Acknowledgement

On behalf of the Board of Directors, I would like to take this opportunity to record my appreciation to our customers and shareholders for their continued support towards our commendable performance in 2002. The Board also wishes to extend its sincere appreciation to the regulatory authorities, in particular, the Ministry of Finance, the Securities Commission, Bank Negara Malaysia and the Companies Commission of Malaysia for their continuous and invaluable support and contributions towards enabling the Company to successfully achieve its goal as a premier secondary market institution.

On behalf of the Board, I am pleased to welcome Encik Michael Andrew Hague who joined the Board in July 2002. I would like to express the Board's gratitude to Y. Bhg. Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, who relinquished her post as Chairman and Director of the Company in October 2002. Cagamas is much indebted to Y. Bhg. Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz for her stewardship in leading the Company towards greater heights and rapid and sustainable growth. I would also like to record the Board's appreciation of the contributions made by Puan Yvonne Chia, Dato' Huang Sin Cheng and Encik Lee Kam Chuen who resigned from the Board in March, June and December 2002 respectively.



Ooi Sang Kuang
Chairman

Evolution of Cagamas

Cagamas was established in December 1986 for the purpose of serving as a special vehicle to mobilise low-cost funds to support the national home ownership policy and to spearhead the development of the private debt securities market in Malaysia. The Company has been in operation for 15 years since commencement of business in October 1987. As at end December 2002, total volume of outstanding housing loans purchased by Cagamas amounted to RM14,823 million, while total Cagamas debt securities outstanding amounted to RM24,970 million.

The Malaysian Mortgage and Debt Securities Market Prior to the Establishment of Cagamas

Since the 1970s, the Malaysian Government has been actively promoting widespread ownership of housing, especially amongst the low and middle-income groups. This national objective can only be realised if these groups have ready access to credit facilities. Such access is only possible if there are willing lenders and the cost of paying the interest and principal is within the means of the borrowers. However, the principal providers of housing loans would only be willing lenders if they were able to secure the necessary funds at an economical cost, and sell some of the existing housing loans so that such long-term loans do not constitute an excessive proportion of their total assets.

In the early 1980s, the financial institutions were experiencing a tight liquidity situation as reflected by their loans to deposits ratio which deteriorated to 98.0% as at 30 September 1986, from 89.0% as at the end of 1980. Hence, the financial institutions were reluctant to give out housing loans which are considered to be long-term illiquid assets.

In addition, as the financial institutions borrow short-term (largely in the form of deposits of 12 months or less) and housing loans were long-term (10 to 15 years), the financial institutions were subject to liquidity risk arising from the mismatch of maturities of the funds and the housing loans. The financial institutions also faced financial risk if their source of funds became more expensive than the rate of return on their housing loans, especially in view of the fact that the interest rates on the loans for low and medium-cost houses costing RM100,000 and below were fixed at controlled levels.

Moreover, the private debt securities market was virtually absent until the creation of Cagamas. Up to the 1980s, the debt securities market was dominated by Malaysian Government Securities.

Characteristics of Housing Loans in Malaysia

Presently, housing loans in Malaysia have the following characteristics:

- (a) Housing loans have maturities ranging from 15 to 30 years, as against the deposits of the financial institutions (where maturities are primarily 12 months or less), thus exposing the banks to interest rate risk; and
- (b) Housing loans have low default rates and foreclosure losses are minimal. Hence, the financial institutions are reluctant to sell them outright.

The Cagamas Model: A Unique Secondary Mortgage Market Conduit for Emerging Economies

The scheme to purchase mortgages formulated by Cagamas was designed to suit domestic conditions and to overcome barriers that could prevent the scheme from taking off.

The following are some of the special features of Cagamas' model that has been accepted in the financial market:

(a) Purchase with Recourse

Under this scheme, Cagamas purchases housing loans with recourse to the primary lender i.e. the latter is responsible for any loss arising from the default of the borrower. As there was a lack of information regarding the credit risks involved in a housing loan, it was prudent for the Company to purchase loans without taking the credit risk. Although Cagamas introduced the purchase of housing loans without recourse in 1999, the financial institutions have not sold any of their housing loans under this scheme. The reluctance to sell is due to the concern that their non-performing loans ratio would deteriorate if good quality loans are taken off from their balance sheet.

In addition, the financial institutions are well capitalised, having a risk-weighted capital ratio of 12.8% as at the end of December 2002 as against the minimum requirement of 8.0%.

(b) Purchase Based on Interest Review Periods

Cagamas purchases housing loans based on an agreed interest review period, whereby, at the end of the period, the primary lenders have the option to repurchase the loans sold to Cagamas if they do not agree to the new interest rate offered by Cagamas. As the financial institutions are reluctant to sell their housing loans on an outright basis, the option to repurchase the loans at a later date was, therefore, a good inducement for them to sell.

(c) Liquid Asset Status for Cagamas Papers

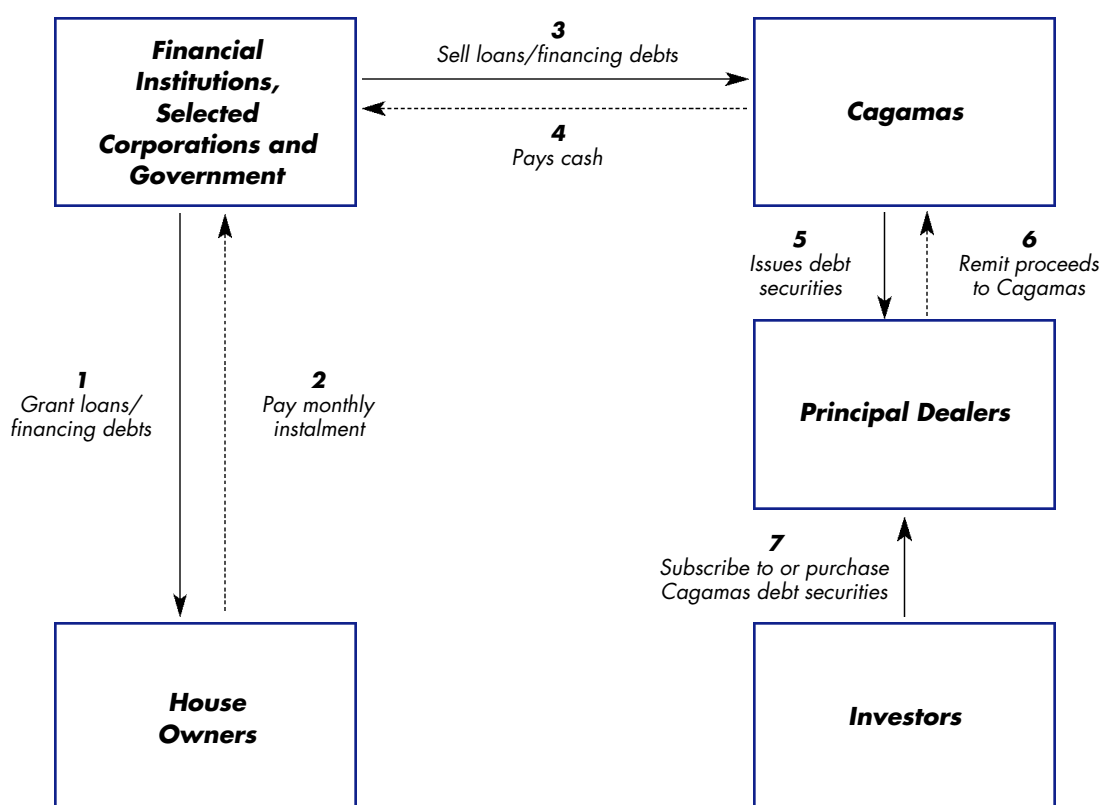
On the funding side, Bank Negara Malaysia (BNM) recognises Cagamas bonds as liquid assets for the purpose of meeting the liquidity requirements imposed on financial institutions.

Since a substantial proportion of the housing loans in the country is subject to a ceiling interest rate imposed by BNM, liquid asset status ensures that funds could be raised by Cagamas at a sufficiently low cost to encourage the sale of such loans to Cagamas.

(d) Exemption from Statutory Reserve and Liquidity Requirements

To make it even more attractive for the financial institutions to sell their loans, BNM permitted funds obtained from Cagamas to be free from the statutory reserve and liquidity requirements. This effectively lowered the cost of funds obtained from Cagamas, compared with, say, fixed deposits and thus made it attractive for the primary lenders to sell their loans. This incentive is still in place to enable the Company to continue to pass on low cost funds to financial institutions so that they can grant housing loans at low mortgage rates thereby encouraging home ownership.

**Chart 1
The Cagamas Model**



Cagamas purchases housing loans from the institutions which originate the loans at the primary level and issues Cagamas debt securities to finance the purchases. In effect, Cagamas turns the housing loans into debt securities at the secondary level through a process, which is tailored to suit the Malaysian market environment.

The process is shown in Chart 1. The originators, namely, the commercial banks and the finance companies, grant housing loans to the house buyers. They subsequently sell these loans to Cagamas with recourse. Cagamas then raises funds from the market to finance these purchases by issuing debt securities, in the form of Cagamas bonds and short-term Cagamas notes, to investors.

Investors include financial institutions, insurance companies, pension funds, non-resident companies and others who are interested in investing in short- and medium-term papers to obtain an income either at a fixed or adjustable interest rate. In essence, this is the way the secondary mortgage market currently operates in Malaysia.

The Cagamas Model: Its Success Story

In its unique way, the Cagamas model can be considered a success as it has benefited both house buyers and institutional players involved in its operations.

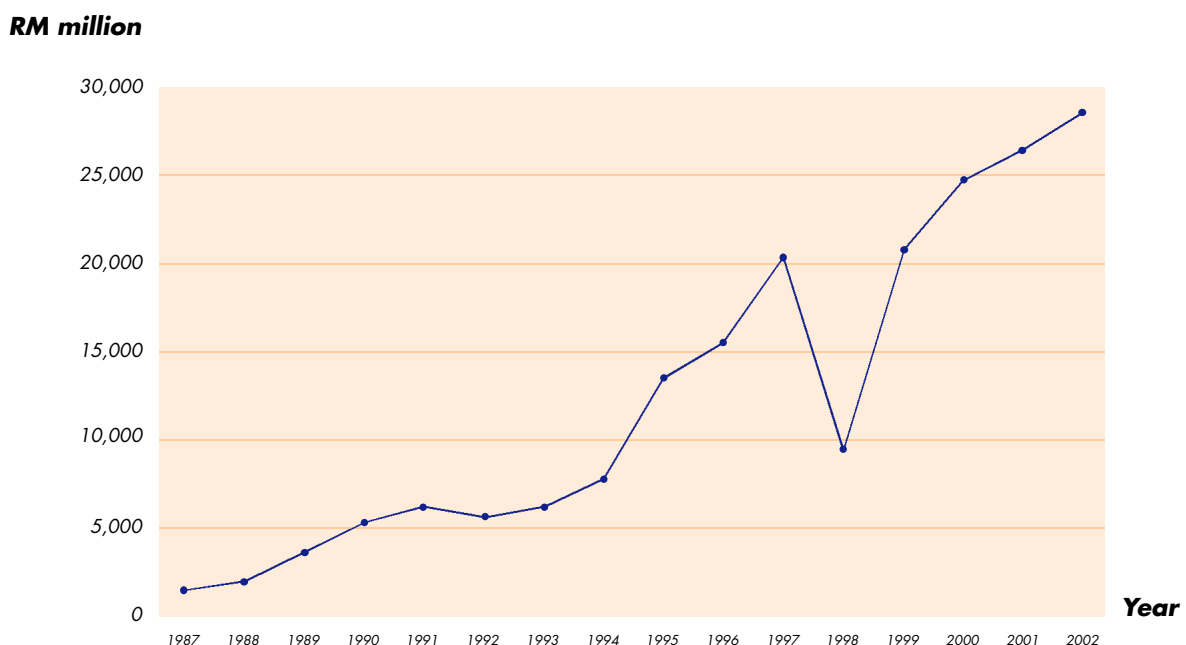
(a) House Buyers

The competitively-priced funds made available to the primary lenders through Cagamas' scheme have enabled house buyers to obtain easy access to housing loans at a reasonable cost. This has in turn encouraged home ownership and helped the development of the housing industry.

(b) Financial Institutions

By selling their housing loans to Cagamas, the financial institutions are able to obtain the necessary liquidity at a competitive cost to enable them to further originate housing loans and enhance their lending operations. This can be seen from the increase in housing loans approved by the commercial banks and finance companies, by more than a thousand-fold from RM1.8 billion in 1987 to RM29.2 billion as at 31 December 2002, as shown in Chart 2. The only exception was 1998 where the amount of housing loans approved dropped sharply as a result of the economic contraction.

Chart 2
Total Housing Loans Approved by the Financial Institutions



Source: BNM Annual Reports and Monthly Statistical Bulletins

The competitively-priced funds obtained from Cagamas also enabled the financial institutions to price their loan products competitively and this provided them with an edge in their business operations. By selling their housing loans to Cagamas, the primary lenders were also able to hedge their interest rate risks, particularly if they had granted fixed rate loans.

(c) Investors

Cagamas securities have been given the highest rating by the two domestic rating agencies in Malaysia. This reflects the high quality of Cagamas papers which provide investors a safe and reasonable return on their investments. Pension and provident funds, insurance companies and commercial banks with large surplus funds find Cagamas securities an attractive investment.

(d) Government and the Economy

The secondary mortgage market has helped the Government to achieve its policy of encouraging home ownership, particularly amongst the low and middle-income groups. This is because in Malaysia, loans to finance the purchase of houses costing RM100,000 or less are subject to an interest rate ceiling of 9.0% per annum imposed by BNM. Cagamas funds, which are competitively priced, enable the financial institutions to meet the policy objective of BNM to make housing loans more affordable to the lower income group without any interest subsidy being incurred by the authorities.

The Cagamas Model: Initial Obstacles and Challenges

The initial years of Cagamas were not without difficulties. The unfamiliarity of its operations and its limited product line were obstacles to its development. It was only after a slow start-up phase of five years that the Company has been able to establish its market niche.

(a) Start-up Phase (1987 - 1991)

When Cagamas commenced operations in October 1987, it only purchased one product, namely housing loans on fixed rate basis for a 5-year period. In 1988, Cagamas began to purchase housing loans from the Government of Malaysia. In 1989 and 1990, Cagamas also extended the purchases on fixed rates for 3- and 7-year periods. The first five years were characterised by low volumes of housing loans being sold to Cagamas. This was due to the following reasons:

- (i) The financial institutions were not familiar with Cagamas' operations and the advantages of selling their housing loans to Cagamas; and
- (ii) Cagamas only purchased on fixed rate basis. Hence, the financial institutions were not prepared to sell their loans, particularly in 1991 when interest rates were declining rapidly.

As at the end of December 1991, outstanding housing loans with Cagamas amounted to only RM2 billion.

(b) Take-off and Growth Phase (1992 - to date)

This take-off phase which started in 1992 was characterised by active marketing of its products to the financial institutions and the innovation of new products to suit the needs of the market. In 1992, in response to the continued downward trend in interest rates, Cagamas introduced floating rate purchases. In 1993, Cagamas introduced the convertible rate purchases whereby the sellers were given the option to switch from fixed rate to floating rate or vice-versa half way through their purchase period. In addition, Cagamas also started to widen its client base by purchasing housing loans from selected corporations in 1994, in addition to purchases from the financial institutions and the Government.

From its initial product of purchasing housing loans, the Company has extended its range of products as shown in Table 1 below:

Table 1
Range of Cagamas' Products (1992 - to date)

Year Introduced	Product	Purpose
Purchase With Recourse:		
1994	Islamic house financing debts	<ul style="list-style-type: none"> • provides liquidity to the Islamic institutions • promotes the creation of more Islamic house financing debts
1996	Industrial property loans	<ul style="list-style-type: none"> • encourages the development of the manufacturing sector, especially the small and medium-scale enterprises • provides the financial institutions an additional avenue to lock-in their funding position in order to hedge their longer term fixed rate loans
1998	Hire purchase and leasing debts	<ul style="list-style-type: none"> • provided the finance companies with a much needed source of medium-term financing during the 1997-98 economic crisis • serves as a hedging mechanism for such debts which are granted on a fixed rate basis • eventually enables the finance companies to lower the rates charged to their customers • alleviates the funding mismatch problem and provides the finance companies an avenue to minimise their interest rate risks
2002	Islamic hire purchase debts	<ul style="list-style-type: none"> • provides Islamic institutions with an avenue to raise fixed rate funds at low cost to hedge their fixed rate assets
2003	Credit card receivables	<ul style="list-style-type: none"> • provides liquidity to financial institutions which generate credit card receivables • allows the financial institutions to diversify their funding sources
Purchase Without Recourse:		
1999	Housing loans	<ul style="list-style-type: none"> • introduced in tandem with the thrust towards asset-backed securitisation • improves the risk-weighted capital adequacy ratio of the financial institutions as Cagamas will bear the credit risk on the housing loans sold to the Company for the remaining life of the loans

Conclusion

Malaysia was the first country in the region and one of the earliest amongst the developing economies, to establish a secondary mortgage market. At the time of the establishment of the market, the business and financial community in Malaysia was not familiar with the concept of a secondary mortgage market and the bond market was still under-developed. Today, Cagamas has established the foundation and framework for other institutions to further develop the mortgage market and to enhance the private debt securities market. Its success today has been recognised by other countries such as Indonesia, Thailand, Kazakhstan, Ghana and Jordan as well as the World Bank and the Asian Development Bank.

With rapidly rising income levels and increased urbanisation, demand for housing will continue to increase. Thus, the availability of housing finance at reasonable mortgage rates will continue to play an important role in ensuring home affordability. In line with its mission to promote home ownership, Cagamas on its part, will continually refine, modify and introduce new products to meet the challenges of ensuring easy accessibility to housing loans at an affordable cost. In addition, the Company will also continue to refine and enhance its existing non-housing loans products to cater to the needs of its customers.



The Company purchased a record volume of housing loans and hire purchase and leasing debts in 2002, which is by far the largest volume ever purchased in a single year.

Operations

Purchase Activities

The Company purchased a record volume of housing loans and hire purchase and leasing (HP&L) debts amounting to RM10,992 million in 2002. This was 50.1% higher than the volume of RM7,321 million of housing loans, HP&L debts and industrial property loans (collectively known as loans and debts) purchased in 2001 and by far the largest volume ever purchased in a single year. The record purchases in 2002 were achieved in spite of the excess liquidity in the banking system and low interest rates. This reflects the success of concerted efforts made to market the Company's facilities.

The financial institutions, especially the finance companies, capitalised on the low fixed Cagamas rate to hedge their fixed rate portfolio, leading to a significant increase in the purchase of HP&L debts by 75.3% from RM3,940 million in 2001 to RM6,907 million in 2002. Purchases of housing loans increased by 22.0% from RM3,349 million in 2001 to RM4,085 million in 2002. As in the previous year, financial institutions continued to lock in for longer tenures to take advantage of the low Cagamas rates. Of the total purchases, 74.8% or RM8,225 million were for longer tenures of four to 10 years as compared with 59.6% in 2001.

Following the introduction of the scheme to purchase Islamic hire purchase (IHP) debts in December 2001, the Company made its maiden purchase of IHP debts amounting to RM500 million in April 2002. In

addition, the Company also purchased RM110 million of Islamic house financing (IHF) debts for tenures ranging from five to seven years. The RM610 million of Islamic assets acquired by Cagamas in 2002 represents the single largest volume of purchases of Islamic assets since Cagamas introduced its Islamic product in 1994.

Table 2 shows the Company's purchases of conventional housing loans and IHF debts from financial institutions in 2002 by geographical distribution. About three-quarters of the total number and value of conventional housing loans and IHF debts purchased from the financial institutions were originated in Kuala Lumpur, Johor, Selangor and Penang.

During the year under review, a total of RM4,196 million of loans and debts were repurchased by financial institutions and selected corporations. Of this amount, RM3,711 million represented housing loans and industrial property loans, whilst another RM485 million consisted of HP&L debts. Under the terms for the sale of loans and debts, the selling institutions undertake to repurchase the loans and debts in Cagamas' portfolio if the loans and debts are redeemed by the borrowers or are found to be defective. In addition, the selling institutions are also required to repurchase the loans and debts sold to Cagamas at the price review date if they do not agree to the revised price offered by Cagamas for the rollover of the purchase contract.

Table 2
Purchases of Conventional Housing Loans and IHF Debts by Geographical Distribution

State	Purchase Value		Number of	
	RM million	%	Loans	%
Kuala Lumpur	1,753	45.5	22,334	38.1
Johor	701	18.2	10,794	18.4
Selangor	431	11.2	6,572	11.3
Penang	186	4.8	3,870	6.6
Kedah	184	4.8	3,909	6.7
Negeri Sembilan	119	3.1	2,050	3.5
Perlis	109	2.8	2,860	4.9
Melaka	94	2.4	1,519	2.6
Sarawak	77	2.0	1,005	1.7
Perak	76	2.0	1,704	2.9
Sabah	53	1.4	658	1.1
Pahang	38	1.0	778	1.3
Kelantan	18	0.5	296	0.5
Terengganu	11	0.3	243	0.4
Labuan	0	0.0	1	0.0
Total	3,850	100.0	58,593	100.0

Table 3
Purchases of Loans and Debts

	2002		2001	
	RM million	%	RM million	%
Loan Type				
• Housing Loans	4,085	37.2	3,349	45.8
– Conventional-Preferred	1,645	15.0	381	5.2
– Conventional-Standard	2,330	21.2	2,968	40.6
– Islamic	110	1.0	–	–
• Hire Purchase & Leasing Debts	6,907	62.8	3,940	53.8
– Conventional	6,407	58.3	3,940	53.8
– Islamic	500	4.5	–	–
• Industrial Property Loans	–	–	32	0.4
Sellers				
• Commercial Banks	2,839	25.9	3,125	42.7
• Finance Companies	7,853	71.4	4,066	55.5
• Merchant Banks	65	0.6	130	1.8
• Government	–	–	–	–
• Corporations	235	2.1	–	–
Option Type				
• On Fixed Rate	10,792	98.2	7,032	96.1
• On Floating Rate	100	0.9	289	3.9
• On Convertible Rate	100	0.9	–	–
Total	10,992	100.0	7,321	100.0

An analysis of Table 3 shows the following:

(a) HP&L debts (including IHP debts) purchased from finance companies increased by 75.3% from RM3,940 million in 2001 to RM6,907 million in 2002. As a result, total HP&L debts (including IHP debts) accounted for 62.8% of total purchases in 2002 compared with 53.8% in 2001. Purchases of housing loans (including IHF debts) increased by 22.0% from RM3,349 million in 2001 to RM4,085 million in 2002.

(b) Since the introduction of the HP&L debts scheme in late 1998, there has been an increasing trend in annual purchases from the finance companies vis-a-vis the commercial banks. Purchases from finance companies increased from 55.5% in 2001 to 71.4% in 2002 whilst purchases from commercial banks declined from 42.7% in 2001 to 25.9% in 2002.

(c) A total of RM610 million of Islamic debts were purchased from Islamic banking institutions comprising RM500 million of IHP debts and RM110 million of IHF debts.

(d) Merchant banks sold RM65 million of loans under the back-to-back arrangement.

(e) During the year, one corporation sold its staff housing loans to Cagamas amounting to RM235 million for tenures ranging from three to 10 years.

(f) 98.2% of the loans and debts were purchased on fixed rate basis as against 96.1% in the previous year.

Outstanding Portfolio

As at 31 December 2002, total outstanding loans and debts held by the Company amounted to RM26,033 million, representing an increase of 16.9% over the loans and debts outstanding at the end of 2001. The record volume of RM10,992 million of loans and debts purchased during the year was partly offset by repurchases amounting to RM4,196 million and repayments totalling RM3,029 million. As at 31 December 2002, the outstanding portfolio of loans and debts comprised mainly conventional housing loans (RM14,579 million or 56.0%), conventional HP&L debts (RM10,513 million or 40.4%), IHF debts and IHP debts (RM703 million or 2.7%) and industrial property loans (RM238 million or 0.9%).

Table 4 shows the composition of outstanding loans and debts in the books of the Company as at 31 December 2002.

Table 4
Outstanding Loans and Debts Portfolio

Types	As at 31 December 2002		As at 31 December 2001	
	RM million	%	RM million	%
Housing Loans	14,823	56.9	15,452	69.4
– Conventional	14,579	56.0	15,309	68.8
– Islamic	244	0.9	143	0.6
Hire Purchase & Leasing Debts	10,972	42.2	6,437	28.9
– Conventional	10,513	40.4	6,437	28.9
– Islamic	459	1.8	–	–
Industrial Property Loans	238	0.9	377	1.7
Total	26,033	100.0	22,266	100.0

Initiatives in 2002

The Company continued to broaden its customer base to include new business opportunities with the development financial institutions (DFI) which have since 15 February 2002 come under the direct supervision of Bank Negara Malaysia. During the second half of 2002, Board approval was obtained to purchase IHF debts from a DFI. The Company also widened its product base by introducing a scheme for the purchase of credit card receivables in January 2003 to meet the needs of the financial institutions.

Cagamas Rates

Through a large part of the year, Cagamas was able to fund its operations at relatively stable and low bond yields. Overall, during the period January to

December 2002, there were 17 revisions to the Cagamas Rate as compared with 12 revisions in 2001.

Table 5 shows the revisions to the benchmark 3-year Cagamas Fixed Rate.

The 3-year Preferred Cagamas Rate was at its highest in January 2002 when it was raised by 30 basis points to 4.30% p.a. in response to the firming of bond yields in the secondary market. Since then, the 3-year Preferred Cagamas Rate was steadily reduced to 3.30% p.a. by 3 December 2002, in tandem with the reduction in yields of Cagamas debts securities.

Table 5
3-year Cagamas Fixed Rate for Purchase with Recourse

Effective Date	Preferred Rate % p.a.	Standard Rate % p.a.
10 December 2001	3.65	3.70
12 January 2002	4.00	4.05
17 January 2002	4.00	4.05
26 January 2002	4.30	4.35
4 February 2002	4.00	4.05
21 February 2002	3.90	3.95
20 March 2002	3.90	3.95
1 April 2002	3.90	3.95
21 May 2002	3.80	3.85
3 June 2002	3.70	3.75
19 June 2002	3.60	3.65
3 July 2002	3.55	3.60
18 July 2002	3.45	3.50
5 September 2002	3.45	3.50
1 October 2002	3.40	3.45
16 October 2002	3.40	3.45
20 November 2002	3.35	3.40
3 December 2002	3.30	3.35

Credit Card Receivables on With Recourse Basis

The Scheme

Cagamas introduced a scheme for the purchase of credit card receivables from financial institutions on with recourse basis in January 2003.

Under this scheme, Cagamas will purchase credit card receivables from eligible accounts. Financial institutions that originate these accounts will retain full control and ownership of the accounts to enable the financial institutions to change the terms and conditions of the credit card agreement, whenever necessary.

The credit card receivables are purchased on a fixed rate basis for price review periods ranging from three to five years. The purchase price is based on the book value of the receivables less finance charges and any other charges incurred.

After the sale, the financial institutions will continue to administer the receivables on behalf of Cagamas, including collection of outstanding receivables and follow-up actions on delinquent accounts. Credit card receivables that become defective will be repurchased and an equivalent amount of receivables from new accounts will be offered for sale to Cagamas as replacements for the repurchased receivables on a periodic basis.

The financial institutions will remit to Cagamas on a monthly basis, the Cagamas instalment which comprises interest only until the price review date. At the end of the price review date, the financial institutions have the option to roll-over the contract for a further review period at the then prevailing Cagamas rate or to repurchase the credit card receivables sold to Cagamas.

Special Features of the Scheme

- As credit card accounts are revolving in nature, the financial institutions are required to automatically add new receivables from designated accounts or newly designated accounts, as the case may be, on a periodic basis. This is to ensure that the principal outstanding of the credit card receivables sold to Cagamas be maintained at the purchase value throughout the tenure of the contract.
- The financial institutions will hold all payments, both principal and interest made by their customers in a collection account held in trust for Cagamas.

- The monthly principal collections from the designated accounts will not be remitted to Cagamas but will be used to purchase new receivables until the price review date.

Eligibility Criteria of Credit Card Accounts

Cagamas purchases receivables generated only from eligible credit card accounts. To be eligible the accounts should:

- be related to receivables in connection with the utilisation of credit or charge cards.
- be serviced for at least 12 months.
- not be more than 60 days past the due date at the time of sale.
- not be closed, terminated or written off.
- not be assigned, pledged or sold to any other parties.
- comply with all other criteria specified in the Cagamas Credit Card Receivables Guide.

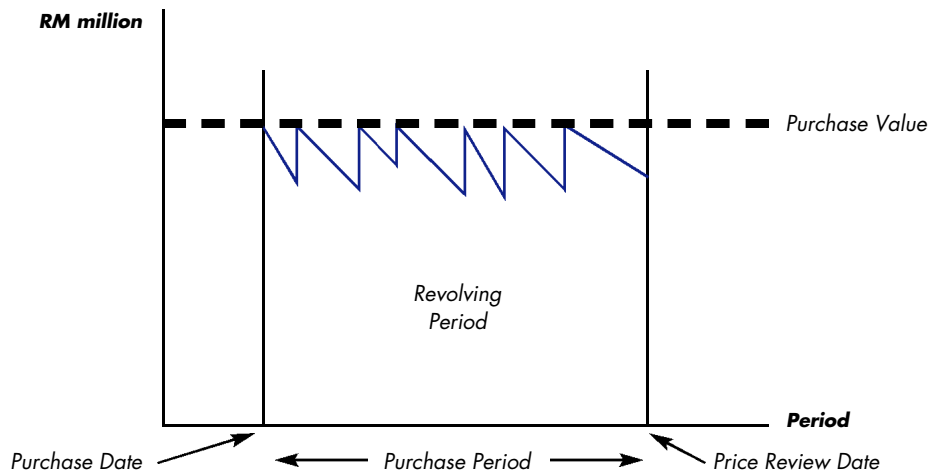
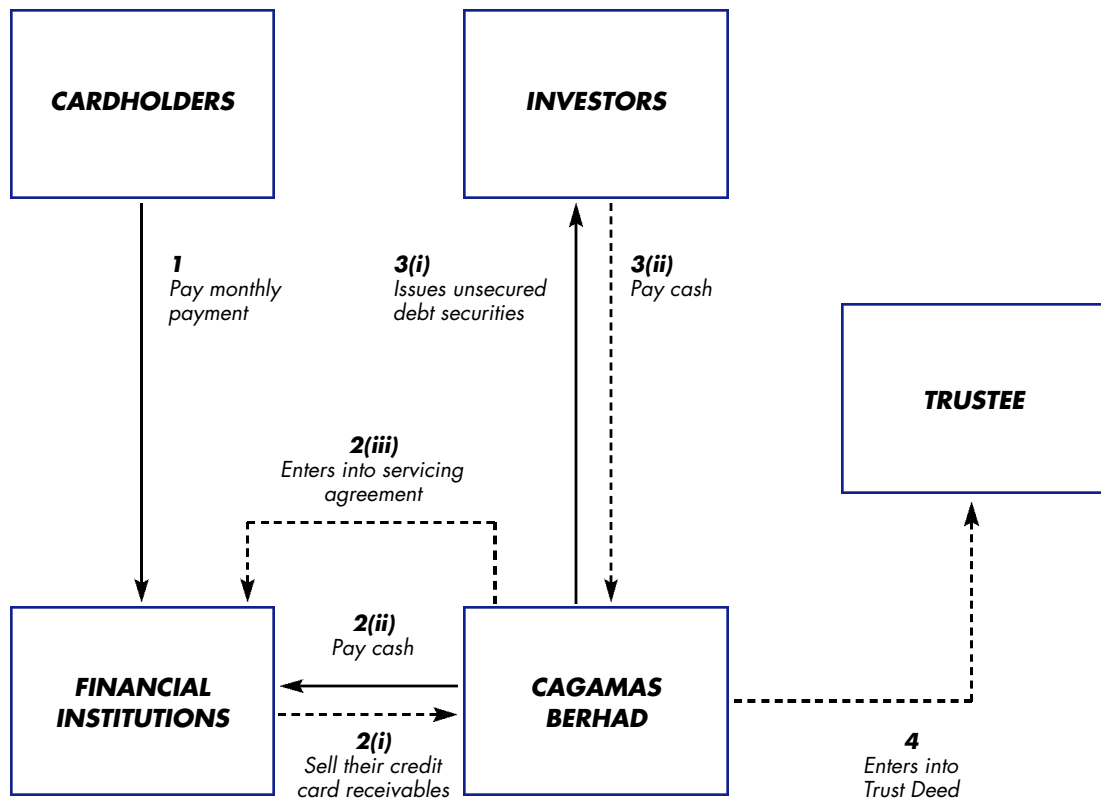
Regulatory Treatment

- The proceeds from the sale of credit card receivables are subject to the statutory reserve requirement.
- Unsecured debt securities issued by Cagamas to fund the purchase of credit card receivables are accorded the following status:
 - Class 1 liquefiable asset status;
 - 10% risk weight under the Risk-Weighted Capital Requirement framework; and
 - Low risk asset status for insurance companies.

Benefits of the Scheme to the Financial Institutions

- Illiquid credit card receivables become liquid assets as the receivables can be sold to Cagamas.
- Low cost funds obtained from Cagamas can be used to lower the financial institutions' weighted average cost of funds.
- The financial institutions may diversify their funding sources.
- The sale of credit card receivables to Cagamas is exempted from ad valorem stamp duty, thereby providing substantial savings.

Chart 3
Purchase of Credit Card Receivables on With Recourse Basis





In 2002, Cagamas issued the largest amount of fixed rate bonds to fund its conventional purchases and a record amount of Sanadat Mudharabah Cagamas to fund its purchases of Islamic debts.

Cagamas Debt Securities

Issuance of Cagamas Debt Securities

Cagamas maintained its position as an active issuer in the private debt securities market in 2002. Outstanding Cagamas bonds as at the end of 2002 amounting to RM22,595 million accounted for 16.5% of the outstanding private debt securities.

During the year, 37 issues of debt securities with a total nominal value of RM19,550 million (including four re-opening exercises) were made compared with 44 issues amounting to RM17,400 million in 2001. Of these, 18 issues involving an aggregate face value of RM10,015 million were in the form of short-term Cagamas discount notes with maturities of up to 12 months. This represents 51.2% of the total value of new Cagamas debt securities issued in 2002. The balance comprised 16 issues of fixed rate bonds valued at RM8,925 million and three issues of Sanadat Mudharabah Cagamas (SMC) valued at RM610 million, representing 45.7% and 3.1% respectively of the total amount of new debt securities issued during the year.

All the new issues in 2002 were offered by way of tender to the Principal Dealers. Bids submitted by the Principal Dealers amounted to RM45,991 million which represents a weighted average over-subscription rate of 2.56 times against the total amount of Cagamas debt securities issued. During the year, Cagamas re-opened four of its existing fixed rate bonds amounting to RM1,365 million with remaining tenures ranging from three to five years. The re-opening exercises enabled the Company to enlarge the size of its existing issues, thereby enhancing the liquidity of Cagamas debt securities in the secondary market. In 2002, Cagamas issued the largest amount of fixed rate bonds in a single year amounting to RM8,925 million. Cagamas also issued a record amount of SMC amounting to RM610 million to fund its purchases of Islamic debts.

Redemption of Cagamas Debt Securities

Redemption of Cagamas debt securities amounted to RM16,117 million in 2002, comprising RM5,367 million of fixed rate bonds and RM10,750 million of short-term discount notes, as compared with a total redemption of RM17,342 million in the previous year.

Outstanding Cagamas Debt Securities

As at 31 December 2002, outstanding Cagamas debt securities amounted to a total nominal value of RM24,970 million, as compared with RM21,537 million at the end of 2001. This represents the largest amount of Cagamas debt securities outstanding in a year. Fixed rate bonds which amounted to RM21,841 million or 87.5%, represented the largest portion of

the total debt securities outstanding. This was followed by short-term discount notes, which amounted to RM2,375 million or 9.5%. The remaining RM754 million or 3.0% were SMC.

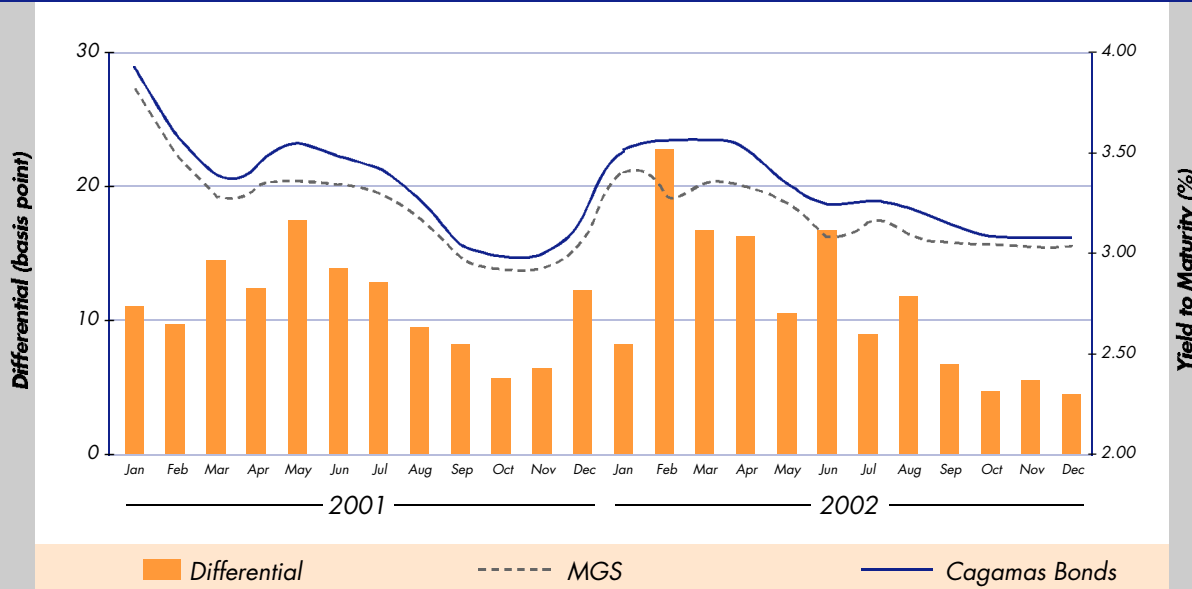
Market Turnover

During the year, the volume of secondary market trading of Cagamas debt securities increased by 21.9% from RM35.2 billion in 2001 to RM42.9 billion. Secondary market trading of Cagamas debt securities was moderate during the first quarter of 2002 with a volume of RM10.2 billion. However, volume of Cagamas debt securities traded in the second quarter increased by 41.2% to RM14.4 billion due to the larger issuance of Cagamas debt securities amounting to RM6.6 billion. The volume traded for Cagamas debt securities declined by 31.3% to RM9.9 billion in the third quarter as players shifted their investments from private debt securities to Government papers. In the last quarter, Cagamas debt securities traded in the secondary market declined further by 15.2% to RM8.4 billion due to the smaller issuance of Cagamas debt securities amounting to RM2.5 billion.

Among the major debt instruments being traded in the secondary market, comprising Malaysian Government Securities (MGS), Treasury Bills, Negotiable Instruments of Deposits, Bankers Acceptances and Bank Negara Bills, Cagamas debt securities accounted for 9.7% of the total turnover in the secondary market in 2002, as compared with 9.1% in 2001.

Yields on Cagamas Debt Securities

There was a steady decline in the yields of Cagamas 3-year debt securities in 2002, a continuation of the declining trends in yields in 2001. The decline was due to market perception of further reduction in interest rates, continued high liquidity in the market and the shift of investments from equities to bonds. At the beginning of the first quarter of 2002, the 3-year Cagamas bond yield increased by about 50 basis points, reaching a high of 3.72%. The increase was mainly due to sell-down of Government papers arising from the reduction in holdings requirement of low risk assets by insurance companies. However, in view of the general perception that a low interest rate policy would continue to be adopted, the yield subsequently dropped before stabilising at 3.51% at the end of the first quarter. The yield declined sharply by 26 basis points in the second quarter from 3.51% to 3.25% due to uncertainty in the equity market which resulted in a shift of investments from the equity market to the bond market. In the third quarter, the yields declined further by 10 basis points from 3.25% to 3.15% due to the worsening performance of the equity market coupled with the smaller than expected issuance of MGS. However, in the fourth quarter, the yields of 3-year Cagamas bonds stabilised at about 3.09% to 3.10%.

Chart 4**Yield Differential between 3-year Cagamas Bonds and Malaysian Government Securities**

The yield differential between Cagamas bonds and MGS in the secondary market during the year as shown in Chart 4, was between 5 to 22 basis points. In the first quarter of the year, the yield differential was relatively volatile as compared with the yield differential in 2001, reaching a high of 22 basis points before settling at 17 basis points. This was due to uncertainty on the impact of a reduction in the holdings requirement of low risk assets by insurance companies from 20.0% to 10.0%. The differential was between 11 to 17 basis points as a result of the lacklustre equity market in the second quarter. In the third quarter, the differential narrowed to 7 basis points due to an increase in demand for high quality liquid asset papers such as Cagamas debt securities following the lower than expected volume of issuance of MGS during the same period. The spread between Cagamas bonds and MGS further narrowed to 5 basis points in the fourth quarter due to the lack of issuance of MGS during the same period.

Holders of Cagamas Debt Securities

Holders of Cagamas debt securities as at end of December 2002 are shown in Table 6.

Table 6
Distribution of Cagamas Debt Securities Holders

Holders	2002		2001	
	RM million	%	RM million	%
Banking Institutions	12,697	50.8	10,828	50.3
Insurance Companies	2,172	8.7	2,596	12.1
Pension and Provident Funds	8,902	35.7	5,457	25.3
Other Investors	1,199	4.8	2,656	12.3
Total	24,970	100.0	21,537	100.0

Holdings of Cagamas debt securities by banking institutions as at 31 December 2002 increased to 50.8% of the total holdings from 50.3% as at the end of 2001. Conversely, the holdings of Cagamas debt securities by the non-banking institutions declined from 49.7% in 2001 to 49.2% as at 31 December 2002. However, there was an increase of holdings by pension and provident funds, whose holdings of Cagamas papers increased from 25.3% of the total holdings as at the end of December 2001 to 35.7% as at the end of December 2002. This reflects the increase in demand for high quality investment papers by the pension and provident funds.

General Outlook

Cagamas continued to receive strong demand for its primary market issues in 2002 as evidenced by the weighted average over-subscription rates of 1.94 and 3.33 times for Cagamas notes and bonds respectively. The yield differential between Cagamas bonds and MGS which narrowed substantially during the year has enabled the Company to continue to play its role in providing low cost funds to the financial institutions.

Business Continuity Plan

Introduction

Cagamas implemented a Business Continuity Plan (BCP) in 2002 to minimise the impact from potential internal and external disaster disruptions to the Company's operations. In this respect, the Company has formulated a comprehensive plan that will cover all actions to be taken before, during and after a disaster. The Company will achieve this through a combination of efforts, which are:

- Advance preparation and preventive controls;
- Early detection and impact minimisation procedures;
- Effective organisation and communication;
- Operational business recovery procedures and minimisation of operational downtime;
- Specific operational Contingency Procedures and Recovery Actions (CPRA) for key processes;
- Mobilisation of human and information resources; and
- Working towards restoring full processing capabilities as soon as possible.

Scope of the BCP

This BCP which incorporates the CPRA has been designed to manage Cagamas' risks based on the

Business Risk Assessment for each department and Cagamas as a whole. These include the following key areas:

- Key business processes;
- IT-related systems and infrastructure used; and
- Facilities, utilities and external party dependencies.

Disaster Situation

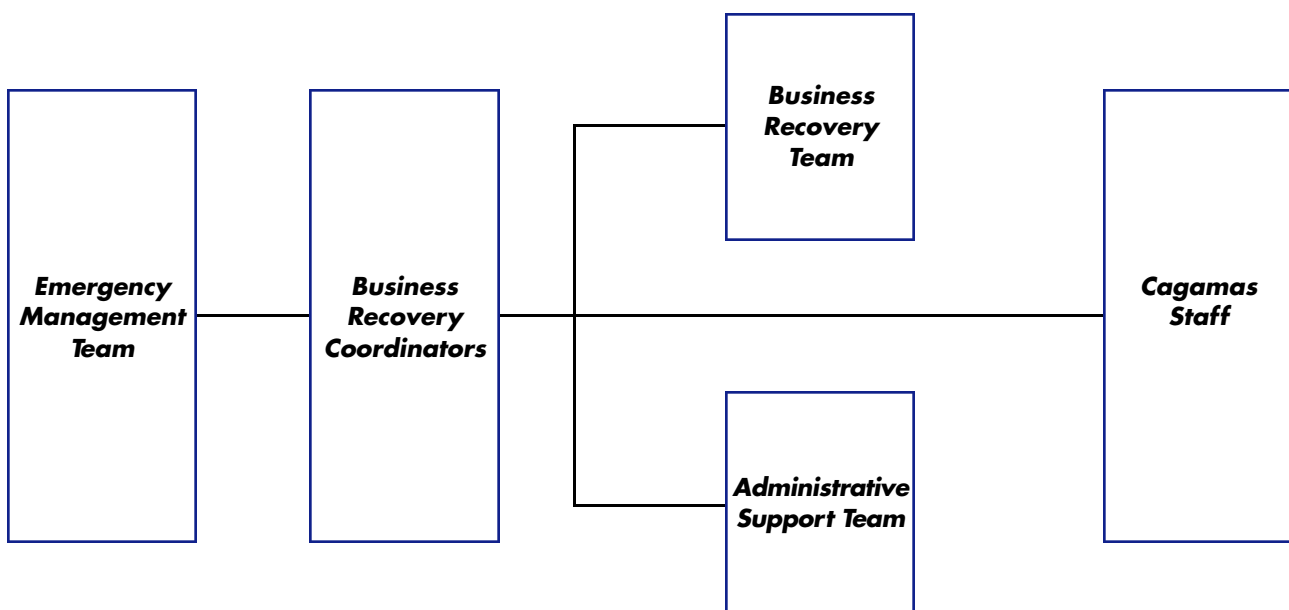
The Company may declare a disaster under the following circumstances:

- Prolonged interruption of power supply at Cagamas' premises;
- Prolonged breakdown of communication to host system;
- Hardware failure or other equipment becoming inaccessible; and
- Fire, flood and other natural disasters to Cagamas' premises.

Business Recovery Teams

In the event of a disaster, the various Business Recovery Teams will be activated. The Organisation Chart for Business Recovery is set out below:

Business Recovery Organisation



The various teams that will be activated to expedite business recovery are as follows:

(a) **Emergency Management Team (EMT)**

A disaster can only be authorised and declared by the EMT and its primary tasks are:

- (i) to review the extent of the impact to the business arising from the damage to the Company's operations including computer facilities;
- (ii) to issue directives to activate the recovery site; and
- (iii) to provide a channel for key decisions during the recovery operations.

The EMT is only activated when the situation renders an inoperative status or total destruction in the primary business premises.

(b) **Business Recovery Coordinators (BRC)**

The BRC are responsible for executing, coordinating and monitoring the BCP when a disaster is declared by the EMT.

(c) **Business Recovery Team (BRT)**

The BRT is responsible for carrying out the various CPRA established by the Company.

(d) **Administrative Support Team (AST)**

The AST is responsible for arranging transportation and accommodation (if necessary), dealing with financial matters, security, public relations, insurance and other corporate matters.

(e) **Cagamas Staff**

All Cagamas staff in general are responsible to assist in the execution of the BCP.

Other Areas of BCP

In addition to the above, the BCP also covers the following areas:

- Immediate activities to be performed during a disaster such as evacuation procedures, declaration of disaster/full business shutdown, alert/activate recovery centre and alert/activate disaster recovery teams;
- Setting up a working environment at the recovery centre;
- Retrieval of files and documents;
- Resumption of operations;
- Migration to Cagamas' premises; and
- Return to normal operations.

Testing and Updating of BCP

All the above-mentioned critical systems recovery procedures will be tested on a periodic basis. The BRC are responsible for updating the BCP on a regular basis to ensure that the BCP remains relevant. The BCP will continuously be updated to be in line with the implementation of the Company's Information and Communications Technology Master Plan and business operations.

Business Recovery Site

The Business Recovery Site will be activated upon declaration of a disaster for the specific purpose of managing the BCP for Cagamas. The recovery site will also serve as the Command Centre for business and recovery operations. Besides business work area, the Company will be able to recover the use of key computer systems for operations, treasury and payments.

Statement on Corporate Governance

The Board of Directors (the Board) of Cagamas is committed to ensuring that the Company practises the highest standards of corporate governance so that its affairs are conducted with integrity and professionalism with the objectives of safeguarding shareholders' value and the financial performance of the Company.

The Board is pleased to report that the Company has applied the principles and best practices of the Malaysian Code on Corporate Governance (the Code), as set out below.

1. The Board of Directors

1.1 Composition

As at 31 December 2002, the Board comprised 11 Non-Executive Directors, which consisted of senior officers from Bank Negara Malaysia (BNM) and Chief Executives or Directors of selected financial institutions nominated by The Association of Banks in Malaysia, the Association of Finance Companies of Malaysia and the Association of Merchant Banks in Malaysia (collectively referred to as the Associations).

Based on the Code's broad description, Cagamas' Directors are considered independent as they are independent of management and do not participate in the day-to-day running of the Company's business. The Directors do not hold shares in their personal capacity and are not influenced by any significant shareholder of the Company. There is no one group of Directors or any individual Director to dominate the Board's discussions or its decision-making process. The Directors bring an objective and independent view to the Board's deliberations.

The Board is effective in leading and controlling the Company as the Directors have varied and in-depth experience in the financial sector which the Company is involved in. The Directors bring to the Board a diverse set of skills and knowledge in banking, accounting, economics, information technology and general management. Cagamas was set up to promote the

secondary mortgage market and to broaden and deepen the domestic debt securities market. A combination of nominees from BNM and financial institutions ensures that the Company's national and social objectives are met and at the same time, the Company remains profit-motivated to gain market credibility amongst its investors and shareholders.

The Board has developed position descriptions for the Board, the Board Committees and the Chief Executive Officer including the delegation of authority and assignment of limits on the scope and responsibilities of the Board Committees and the Chief Executive Officer. The Chairman heads the Board and during meetings, leads the discussions on overall strategies, policies and the conduct of the Company's business while the Chief Executive Officer is responsible for the implementation of these strategies and policies as well as the day-to-day running of the business.

1.2 Duties and Responsibilities

The Board oversees the conduct and performance of the Company's business by reviewing and approving the Company's annual strategic business plan as well as the annual budget. Updates on the key operations of the Company are provided to the Board for review at every Board meeting.

The Board has the overall responsibility to ensure that there is proper oversight of the management of risks in the Company. During the year, the Board has approved a Risk Management Framework which sets out the Company's overall approach to managing risks, including the identification of relevant risks, the risk methodology used by the Company and responsibilities and reporting structures of parties involved in the management of risks.

The Board, based on the recommendations of the Board Staff Compensation and Organisation Committee, also approves the appointment and replacement of Senior Management staff and reviews their performance and compensation.

In carrying out its duties and responsibilities, the Board is committed to transparency and seeks to avoid any conflict of interest situations arising from transactions that may raise questions as to the integrity of its decisions.

2. Board Meetings

During the financial year ended 31 December 2002, the Board met four times to deliberate on a wide range of matters, including the Company's business performance, business plans and other strategic issues that affect the Company's business. Details of Directors' attendance at Board meetings held during the year 2002 are set out on page 5 of this Annual Report.

The Board meetings are structured with a pre-set agenda. Board papers providing updates on operational, financial and corporate developments are sent to the Directors prior to each meeting to provide them adequate time to study the matters to be discussed at the meeting.

In furtherance of their duties, the Directors, in their individual capacity and as members of the various Board Committees, are empowered to seek independent professional advice at the Company's expense, as and when deemed necessary.

All Directors have direct access to the advice of Senior Management and the services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with.

3. Appointment and Re-election of Directors

The Directors are nominated by BNM and the Associations to be members of the Board. These nominations are then presented to the Board for its approval. In view of the independent decisions of BNM and the Associations and the adequacy of the present procedure, the Board is of the view that a nomination committee to nominate Directors to the Board is not necessary.

A separate annual assessment of Directors on the Board is not conducted by Cagamas since the Directors representing the Associations are either Chief Executives or Directors of financial institutions and are subject to supervision and periodic review by BNM.

In accordance with the Company's Articles of Association, at least one-third of the Directors shall retire from office at each Annual General Meeting of the Company and they can offer themselves for re-election. The Articles also state that Directors appointed by the Board during a particular year are subject to election by the shareholders at the next Annual General Meeting held following their appointments.

4. Directors' Training

Most of the Directors are Directors of public-listed companies and have attended the Kuala Lumpur Stock Exchange (KLSE) accredited training programme as required under the KLSE's guidelines on training for Directors. Notwithstanding this, the Directors are regularly updated on the relevant new laws and regulations at Board meetings.

5. Directors' Remuneration

The Board, as a whole, determines the remuneration of each Director based on the recommendation of the Board Finance Committee. The level of the Directors' remuneration is determined based on their role assumed in the Board. The Chairman abstains during discussions on the Chairman's fee.

During the year 2002, a review of the Directors' fees was carried out and subject to the shareholders' approval, the Directors' fees proposed are RM7,000 per annum for each Director and RM10,000 per annum for the Chairman. In addition, the Directors are paid a meeting allowance of RM500 for each meeting that they attend. The aggregate remuneration payable to the Directors is RM125,500, comprising Directors' fees of RM90,000 and meeting allowances of RM35,500.

6. Board Committees

In discharging its duties, the Board is assisted by four Committees, which operate within specified terms of reference. The Committees comprise the Board Executive Committee, Board Finance Committee, Board Audit Committee and Board Staff Compensation and Organisation Committee. The Board Executive Committee has the authority to decide and act on behalf of the Board on all matters in between Board meetings. The other Committees are assigned to examine particular issues and are empowered by the Board to either approve or report back to the Board with their recommendations. The final decision on all matters, however, rests with the entire Board.

7. Investor Relations and Shareholders' Communication

The Board recognises the importance of effective and timely communication with all its shareholders and investors. The Company's strategies, plans, financial information and new products are communicated to the shareholders and investors through the Annual Report sent to them. For Cagamas, the principal forum for dialogue with shareholders continues to be at the Annual General Meeting. At this Meeting, the Chairman highlights the performance of the Company and provides the shareholders every opportunity to raise questions and seek clarifications on the business and performance of the Company.

As all the Company's shareholders are represented through the Associations which nominate Directors to the Board, the Board is of the view that the identification of a senior independent non-executive Director is not necessary since shareholders' concerns can be raised through the Associations.

The Company also publishes half-yearly and yearly financial results and disseminates press releases on its debt securities issuance activities in major newspapers and wired services. In addition, the Company also maintains a website at www.cagamas.com.my which provides comprehensive up-to-date information on the Company's products, rates and operations.

8. Accountability and Audit

8.1 Financial Reporting

The Board aims to present a balanced and understandable assessment of the Company's financial position and prospects in its annual financial statements to shareholders and investors.

The Companies Act, 1965, requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company. Following discussions with the External Auditors, the Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies which are consistently applied and supported by reasonable judgements and estimates and that all accounting standards which they consider applicable have been followed.

8.2 Internal Control

The Company's Statement on Internal Control is set out on page 78 of this Annual Report.

8.3 Relationship with Auditors

The Report on the role of the Board Audit Committee in relation to the Internal and External Auditors is described on pages 75 to 77 of this Annual Report.

Through the Board Audit Committee, the Company has established transparent and professional relationship with the Company's Internal and External Auditors. The Company's External Auditors attended two meetings during the year to report on the audits for financial year ended 31 December 2001 and half-year ended 30 June 2002 and to present the Audit Plan for 2002.

Auditors' remuneration is as shown on page 145 of this Annual Report.

Report of the Board Audit Committee

1. Members

The Board Audit Committee (the Committee) comprises:

- Dato' Tan Teong Hean (Chairman)
- Encik Mohamed Azmi Mahmood
- Encik Michael Andrew Hague

Based on the Malaysian Code on Corporate Governance's broad description, all the members are considered independent Non-Executive Directors as they do not participate in the day-to-day running of the Company's business and are independent of Management. The Directors do not hold shares in their personal capacity and are not influenced by any significant shareholder of the Company. There is no one group of Directors or any individual Director to dominate the Committee's discussions or decision-making. The Directors bring an independent view to the Committee's deliberations.

2. Terms of Reference

2.1 Authority

- (a) The Committee shall have unlimited access to all information and documents relevant to its activities, to the Internal and External Auditors, and to Management of the Company.
- (b) The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise to attend meetings whenever it deems necessary.
- (c) The Committee is authorised by the Board to investigate any activity within its purview and members of the Committee shall direct all employees to co-operate as they may deem necessary.

2.2 Size and Composition

- (a) The Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall comprise a minimum of three members, a majority of whom shall be independent Directors.
- (b) If for any reason the number of members is reduced to below three, the Board must fill the vacancies within three months.
- (c) The members of the Committee shall elect a Chairman from amongst their members who shall be an independent Director.
- (d) At least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
- (e) No member of the Committee shall have a relationship, which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the Committee.

2.3 Meetings

- (a) Meetings will be held once a quarter or at a frequency to be decided by the Chairman and the Committee may invite any person to be in attendance to assist in its deliberations.
- (b) The Chief Executive Officer, the Chief Operating Officer, the Company Secretary and the Head of Internal Audit shall normally attend the meetings. At least once a year, the Committee shall meet with the External Auditors.
- (c) The quorum shall be two members.
- (d) The Secretary to the Committee shall be the Head of Internal Audit.

2.4 Duties and Responsibilities

- (a) Review the half-yearly and annual financial statements of the Company prior to submission to the Board, to ensure compliance with disclosure requirements and the adjustments suggested by the External Auditors. These include:
- (i) Review of the auditors' report and qualifications (if any) which must be properly discussed and acted upon to remove the auditors' concerns in future audits;
 - (ii) Significant changes and adjustments in the presentation of financial statements;
 - (iii) Major changes in accounting policies and principles;
 - (iv) Compliance with accounting standards and other legal requirements;
 - (v) Material fluctuations in statement of balances;
 - (vi) Interim financial reports and preliminary announcements;
 - (vii) Significant variations in audit scope; and
 - (viii) Significant commitments or contingent liabilities.
- (b) Review the scope and results of Internal Audit procedures including:
- (i) Compliance with internal auditing standards, the Company's internal controls, policies and other legal requirements;
 - (ii) Adequacy of established policies and procedures and internal controls;
 - (iii) Co-ordination between the Internal and External Auditors;
 - (iv) Exercising independence and professionalism in carrying out Internal Audit work;
 - (v) Restrictions placed on Internal Audit by Management;
 - (vi) Reporting of results;
 - (vii) Recommending changes in accounting policies to the Board; and
 - (viii) Recommending and ensuring the implementation of appropriate remedial and corrective actions regularly.
- (c) Responsible for the establishment of the Internal Audit functions which include:
- (i) Approval of the Internal Audit Charter;
 - (ii) Approval of the Internal Audit Plan;
 - (iii) Reviewing the performance of the Head of Internal Audit, in consultation with Management;
 - (iv) Approval of the appointment or termination of the Head of Internal Audit;
 - (v) Notification of resignation of Internal Audit staff and to provide opportunity for such staff to submit reasons for resigning;
 - (vi) Reviewing the adequacy of the scope and functions of Internal Audit;
 - (vii) Ensuring that the Internal Audit functions have appropriate standing within the Company;
 - (viii) Alignment of goals and objectives of the Internal Audit functions with the Company's overall goals;
 - (ix) Placing Internal Audit under the direct authority and supervision of the Committee; and
 - (x) Reviewing the assistance given by the Company's officers to the Auditors.
- (d) Recommend to the Board the appointment of External Auditors, the audit fee and any question of resignation and dismissal of the External Auditors.
- (e) Discuss matters arising from the previous year's audit, review with the External Auditors the scope of their current year's audit plan, their evaluation of the accounts and internal control systems, including their findings and recommended actions.
- (f) Review changes in statutory requirements and any significant audit problems that can be foreseen as a result of previous year's experience or because of new developments.
- (g) Evaluate and review the role of Internal and External Auditors from time to time.
- (h) Review any significant related party transactions or conflict of interest situation that may arise within the Company.

- (i) Review any significant transactions, which are not a normal part of the Company's business.
- (j) Perform any other functions as may be delegated by the Board from time to time.

3. Meetings

The Committee held four meetings during the financial year ended 31 December 2002 with the Chief Executive Officer, the Chief Operating Officer, the Company Secretary and the Head of Internal Audit in attendance. The attendance of the members was as follows:

Member	Attendance
• Dato' Tan Teong Hean	4/4
• Encik Mohamed Azmi Mahmood	2/4
• Encik Michael Andrew Hague (appointed on 24.7.2002)	2/2
• Puan Yvonne Chia (resigned on 23.3.2002)	1/1
• Encik Lee Kam Chuen (resigned on 16.12.2002)	4/4
• Dato' Mohd Razif Abdul Kadir (resigned on 23.1.2003)	3/4

The Company's External Auditors attended two meetings during the year to report on the audits for financial year ended 31 December 2001 and half-year ended 30 June 2002 and to present the Audit Plan for 2002.

4. Summary of Activities

During the financial year, the Committee carried out its duties, as set out in the terms of reference. Summary of its main activities is as follows:

- (a) Reviewed and approved the Internal Audit Plan for 2003;
- (b) Reviewed Internal Audit methodology in assessing and rating risks of the auditable areas with emphasis on critical risk areas;
- (c) Reviewed the results of the internal audit procedures, i.e. the Internal Auditor's audit findings and recommendations and Management's responses to the audit findings and recommendations;

- (d) Monitored the progress of the Internal Audit Plan and the implementation of the audit recommendations in order to ensure that appropriate actions have been taken or are being taken on the audit recommendations;
- (e) Reviewed the performance of Head of Internal Audit, in consultation with Management;
- (f) Reviewed the scope of the audit by the External Auditors and Audit Plan for 2002;
- (g) Reviewed the results of the half-yearly and year-end audits by the External Auditors and discussed the findings and other concerns of the External Auditors;
- (h) Reviewed the audited half-yearly and the year-end financial statements and ensured compliance with disclosure requirements of relevant authorities; and
- (i) Reviewed the audit programmes (for the External Auditors) on loans and debts sold to Cagamas.

5. Internal Audit Function

The Company has a well-established Internal Audit Department, which reports to the Committee and assists the Board in discharging its responsibilities to ensure that the Company manages its risks and maintains a sound and effective system of internal control.

The Internal Audit Department undertakes the internal audit functions of the Company in accordance with the approved Audit Charter and the annual Audit Plan approved by the Committee.

The Audit Plan was derived from the results of the systematic risk assessment process, whereby the Company's risks are identified, prioritised and linked to the key processes and auditable areas.

Overall, the audits conducted during the financial year emphasised on the review of the adequacy of the Company's system of internal controls, risk management, financial reporting and compliance with laws and regulations. The internal audit reports are presented to the Committee for its consideration and to the Board for its information.

Statement on Internal Control

The Board of Directors has overall responsibility for ensuring that the Company maintains a sound and effective system of internal control and for reviewing its adequacy and integrity. The system on internal control cover, inter alia, risk management, financial, organisational, operational and compliance controls. The Board however, recognises that such a system cannot eliminate the risk of failure to achieve business objectives, rather, it is designed to manage and control the risks to acceptable levels. Accordingly, it can only provide reasonable, but not absolute assurance, against material misstatement or loss.

The Directors and Senior Management of the Company are committed to maintaining a culture of corporate risk awareness in all areas of operations. During the year, a Risk Management Unit was set up to formulate, review and implement sound risk management policies, strategies and procedures within the Company. In September 2002, the Board of Directors approved the Risk Management Framework for the Company, which amongst others, defines the sources of key business risks, outlines the roles and responsibilities of the Board of Directors and the key committees in managing specific areas of risks and sets out the Company's overall approach to managing risks. Further details on risk management are set out in pages 79 to 81 of this Annual Report.

The Internal Audit Department provides assurance to the Board by conducting an independent review on the adequacy, effectiveness and integrity of the Company's system of internal control. It adopts a risk-based approach in accordance with the annual audit plan approved by the Board Audit Committee. The results of the audits are submitted to the Board Audit Committee, which meets four times a year. The audit plan and audit reports are also submitted to the Board to keep the Board informed of any weaknesses in the Company's internal control system. Where weaknesses are identified, new procedures have been or are being put in place to strengthen controls. During the financial year, none of the weaknesses highlighted have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

Other key elements of the Company's system of internal control are:

- Clearly defined lines of responsibility and delegation of authority to Committees of the Board, Management and staff of the Company;
- Clearly documented internal policies and procedure manuals such as Treasury Management Policy. These manuals are reviewed at least once every quarter;
- An annual business plan and detailed budget which are approved by the Board. The Company also monitors monthly actual results against the budget, with major variances being followed up;
- Regular reporting to the Board. Reports on the Company's financial position, status of loans and debts purchased, bonds and notes issued and interest rate swap transactions are provided to the Board at least once a quarter. Where necessary, other issues such as legal, accounting or strategic matters will also be reported to the Board; and
- Regular and comprehensive information is provided to Management, covering financial and operational reports, at least once a month.

Risk Management

The volatile and rapidly changing environment has made it imperative for Cagamas to review its past practices and implement sound risk management strategies not only to protect the Company's profitability but also to sharpen its competitive edge to remain resilient.

Towards this end, in September 2002, the Board of Directors had formalised the Company's Risk Management Framework which sets out the Company's overall approach to managing risks, including the identification of relevant risks, the risk management methodology used by the Company and responsibilities and reporting structures of parties involved in the management of risks.

The Company's primary objective of risk management is to effectively manage and link risks with reward in order to maximise the Company's shareholders' value as well as to ensure that the Company is able to sustain its performance.

To achieve its objective, the Company's plan is to develop and implement an enterprise-wide risk management strategy. This strategy entails:

- aligning business strategy with the corporate risk management policy;
- establishing a risk assessment and audit plan;
- developing risk models, systems and data management capabilities to support the management of risks on a consistent basis;
- inculcating a corporate risk awareness culture; and
- improving risk transparency to stakeholders.

Risks Faced by the Company

The Company faces the following risks:

- Market risk;
- Liquidity risk;
- Credit risk; and
- Operational risk.

Market Risk

Market risk is the exposure of the Company's financial position to adverse movements in market interest rates or prices. The principal risk faced by the Company in its operations is mainly due to interest rate movements. The types of market risks related to the Company's operations are pipeline risk, funding mismatch risk, reinvestment risk, basis risk, price risk and overcrowding risk.

To facilitate the control of these risks, the Company monitors closely the secondary market trading of bonds and prevailing market expectations on interest rates and bond yields. The Company has the ability to issue debt securities within the shortest possible time. To minimise the impact of repurchases on its cash flow, the Company has also incorporated compulsory replacement of all repurchased loans and debts, with the exception of housing loans, where it remains optional.

In December 2001, the Board of Directors has approved the Treasury Management Policy as a framework within which the Company's exposures to various treasury risks are managed. The Treasury Management Policy sets out, inter alia, the structure and functions of the Treasury Department, policies regarding liquidity management, funding and investment, the management of risks relevant to treasury activities, authorised transactions and limits for treasury activities.

To strengthen the Company's management of market risk, the Company has implemented an Asset Liability Management System which enables the Company to simulate and perform gap, margin, duration and sensitivity analysis using rate scenario and assumption builders on its total portfolio (including all balance sheet items). Duration and sensitivity analysis of the Company's forecast net interest income are used for decision-making purposes and to manage the Company's exposure to changes in interest rates.

The Company also uses derivative financial instruments such as interest rate futures and interest rate swaps to manage and hedge its exposure to fluctuations in market interest rates. The Company does not undertake any treasury activity that is unrelated to its underlying cash flows or is purely speculative in nature.

Liquidity Risk

Liquidity risk arises when the Company does not have sufficient funds to meet its liabilities as and when they fall due. This includes the risk that in the event borrowed funds may not be available when the Company requires them or that they will not be available for the required period or at an acceptable cost.

The Company mitigates its liquidity risk by matching the timing of purchases of loans and debts with the issuance of debt securities. The Company maintains adequate undrawn funding sources for possible use to meet its debt obligations. Close monitoring and planning of cash flows and the Company's ability to issue notes for short-term funding needs also helps to mitigate the Company's liquidity risk.

Credit Risk

Credit risk is the potential earnings volatility caused by the failure of the Company's customers or counter parties to fulfil their financial obligations in a timely manner. As a result, Cagamas may have to replace the transaction with a different counter party or borrow from the interbank money market.

Another form of credit risk arises from the investments made by the Company, where changes in the market's perception and assessment of the issuer's financial strength and credit quality may result in adverse price movements of the investments. The Company may face financial losses when the investments are liquidated prior to their maturity.

The Company purchases loans and debts on with recourse basis. Most of the Company's purchases of loans and debts are from financial institutions which are supervised by Bank Negara Malaysia. The Company's loans and debts are also subject to an annual audit to ensure the loans and debts purchased are of the quality required by Cagamas. Hence, the likelihood of default by the selling institutions is minimised.

The Company also mitigates its credit risk through credit policies and limits approved by the Board of Directors. The parameters in setting credit limits are reviewed by the Board of Directors from time to time. The credit limits for counter parties for purchases of

loans and debts, investments and money market transactions are regularly reviewed and monitored. There are strict guidelines and limits on permitted investments and these investments are restricted to high quality papers. The primary objective of investments is to manage the Company's funds by optimising the return on investments, within the constraints of safety and liquidity, to match the benchmark set by the Board. It is the Company's policy to liquidate its investments only under limited circumstances and within a reasonable time period as specified in the Company's Treasury Management Policy.

Operational Risk

Operational risk is the potential exposure to financial or other damages resulting from inadequate or failed internal processes, human behaviour, systems or from external events. It also includes human resources, legal and reputation risks.

The Company mitigates its operational risk by having comprehensive internal controls, systems and procedures which are reviewed on a regular basis and are subjected to regular audits by the internal auditors. The Company has also set in place a comprehensive Business Continuity Plan (BCP) to minimise the impact from potential internal and external disaster disruptions to the Company's operations. The BCP is updated on a regular basis in line with changes in business processes and tested to ensure that the BCP remains relevant.

The Company is moving towards computerisation of most of its operations. In this connection, the Company is in the process of implementing a fully integrated Treasury Management System and Loans Processing System to enhance efficiency, processing and reporting capabilities and to minimise the likelihood of errors due to manual processes. The systems have built-in controls and validations which will enable the Company to maintain and monitor limits and receive alerts on any breach of limits.

Organisational Structure of Risk Management

In line with best practices and good corporate governance, the Board of Directors has the overall responsibility to ensure that there is proper oversight of the management of risks in the Company. The Board sets the risk appetite and tolerance level that is consistent with the Company's overall business objectives and desired risk profile. The Board also regularly reviews and approves all significant risk management policies and risk exposures.

The Board has delegated the day-to-day responsibility for risk management to Senior Management (Chief Executive Officer, Chief Operating Officer and Senior Manager) and risk committees to manage and control specific risk areas. Senior Management's responsibility is to carry out the policies laid down by the Board by ensuring that there are adequate and effective operational procedures, internal controls and systems for measuring, monitoring and controlling risks. Senior Management actively participates in the deliberation and decision-making of the risk committees, with the Chief Executive Officer chairing the Risk Management Committee (RMC), Credit Risk Committee (CRC), Investment Committee (IC), Bond Tender Committee (BTC) and Information and Communications Technology (ICT) Steering Committee.

The RMC is responsible for the Company's asset liability management, pricing and funding strategies as well as management of market and liquidity risks. The RMC comprises Senior Management and senior staff of the Treasury, Operations and Accounts Departments. The RMC meets at least once a month and representatives of the Internal Audit Department (IAD) and Risk Management Unit (RMU) are invited to be in attendance.

The CRC is responsible for the management of credit risk. On a regular basis, the CRC sets and reviews credit risk policies and limits and deliberates on credit risk issues. The CRC comprises Senior Management and senior staff of the Treasury and Operations Departments.

The IC is responsible to ensure that the Company's investments are made in accordance with the policies approved by the Board of Directors. The IC also sets and reviews investment limits and policies and meets at least once a quarter. The IC comprises Senior Management and senior staff of the Treasury and Accounts Departments.

There are several committees in place which look into specific aspects of operational risk. The Product Development Committee was established to assess and develop new products and review current products and markets, in line with the Company's strategies and business plan.

The BTC was established to oversee and approve the debt securities tender procedures. The Safety and Health Committee was established to foster co-operation between Senior Management and staff to identify, evaluate and control hazards at the workplace.

The ICT Steering Committee is responsible for developing and establishing strategies and policies for the Company's ICT activities including reviewing systems development and hardware acquisitions.

The IAD assists in overseeing the management of operational risk through regular reporting to the Board Audit Committee to provide independent assurance that risks have been identified and there are sufficient and effective controls on all aspects of the Company's operations.

The departments and units are primarily responsible for managing risks in their respective functional areas. The RMU was set up to centralise the management of risks and to ensure that there is adequate independent oversight i.e. for RMU to be independent of other departments and units in the Company which are involved in risk-taking activities. The RMU's role is to assist Senior Management and the risk committees in controlling, monitoring and reporting of risks.

Polisi Keselamatan dan Kesihatan Pekerjaan

Occupational Safety and Health Policy

Sebuah Jawatankuasa Keselamatan dan Kesihatan (Jawatankuasa) telah ditubuhkan oleh Cagamas dalam bulan Julai 2000 sejajar dengan usaha Kerajaan untuk menimbulkan kesedaran terhadap keselamatan dan kesihatan pekerja di dalam komuniti perniagaan.

Selaras dengan Visi Cagamas untuk menyemai budaya korporat yang penyayang dan bertanggungjawab, Jawatankuasa tersebut telah menyediakan Garis Panduan Kesedaran Keselamatan dan Kesihatan yang antara lain merangkumi Penyata Polisi Keselamatan dan Kesihatan Syarikat.

Cagamas adalah komited untuk melaksanakan Penyata Polisi tersebut dan akan mengambil langkah-langkah yang perlu dan praktikal, menurut Akta Keselamatan dan Kesihatan Pekerjaan 1994 (OSHA), untuk:

- Menyediakan dan mengekalkan suasana kerja yang selamat dan sihat untuk para pekerja;
- Mengekalkan tempat kerja dan peralatan pejabat di dalam keadaan yang selamat dan tanpa risiko kepada kesihatan;
- Memberikan maklumat, panduan, latihan dan pengawasan sepertimana yang diperlukan dan praktikal bagi memastikan keselamatan dan kesihatan para pekerja Syarikat dan pelawat; dan
- Mematuhi keperluan-keperluan lain OSHA.

In support of the Government's efforts to create awareness of occupational safety and health in the business community, Cagamas had established a Safety and Health Committee (Committee) in July 2000.

In keeping with the Cagamas Vision of inculcating a caring and responsible corporate culture, the Committee issued Safety and Health Awareness Guidelines, which amongst others, include a Safety and Health Policy Statement for the Company.

Cagamas is committed to this Policy Statement and will take all necessary steps, as far as practicable, in compliance with the Occupational Safety and Health Act 1994 (OSHA), to:

- *Provide and maintain a safe and healthy working environment for its employees;*
- *Maintain its premises and equipment in a condition that is safe and without risk to health;*
- *Provide information, instruction, training and supervision as is necessary and practicable to ensure the safety and health of its employees and visitors; and*
- *Adhere to all other requirements of the OSHA.*

Maklumat Perangkaan

Statistical Information

Pinjaman dan Hutang Belum Lunas dalam Pegangan

Outstanding Loans and Debts Held

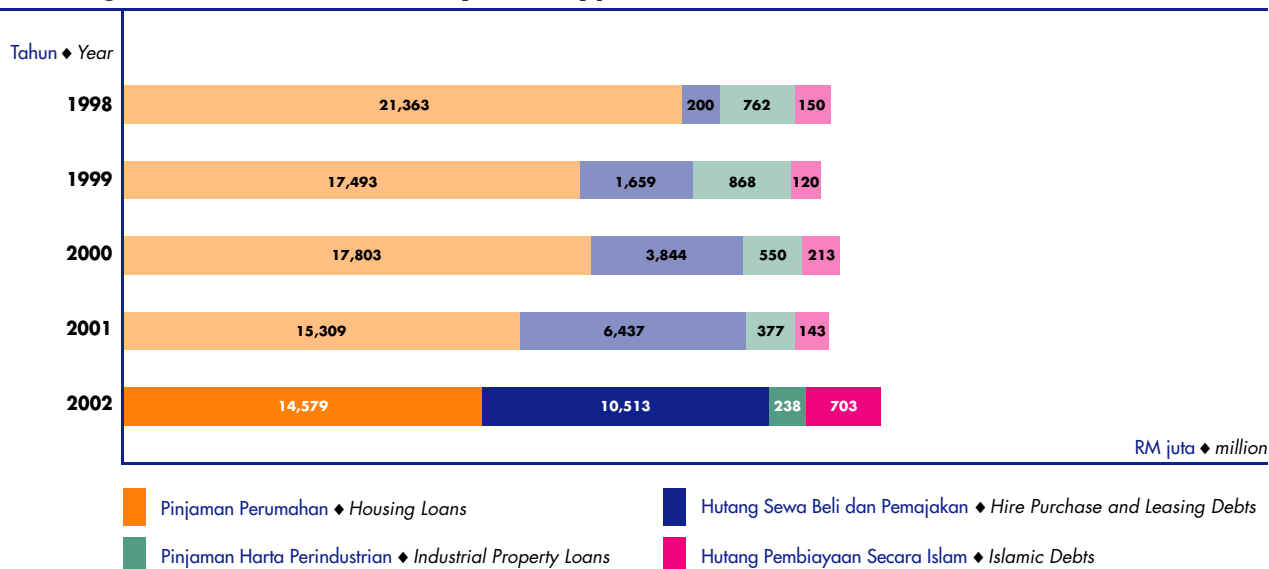
	1998		1999		2000		2001		2002	
	RM juta	%	RM juta	%	RM juta	%	RM juta	%	RM juta	%
	RM million		RM million		RM million		RM million		RM million	
Jenis Pinjaman ♦ Loan Type										
Pinjaman Perumahan ♦ Housing Loans										
– Konvensional ♦ Conventional	21,363	95.0	17,493	86.9	17,803	79.4	15,309	68.8	14,579	56.0
– Secara Islam ♦ Islamic	150	0.7	120	0.6	213	1.0	143	0.6	244	0.9
Hutang Sewa Beli dan Pemajakan Hire Purchase and Leasing Debts										
– Konvensional ♦ Conventional	200	0.9	1,659	8.2	3,844	17.2	6,437	28.9	10,513	40.4
– Secara Islam ♦ Islamic	–	–	–	–	–	–	–	–	459	1.8
Pinjaman Harta Perindustrian Industrial Property Loans	762	3.4	868	4.3	550	2.4	377	1.7	238	0.9
Jumlah ♦ Total	22,475	100.0	20,140	100.0	22,410	100.0	22,266	100.0	26,033	100.0
Penjual ♦ Sellers										
Bank Perdagangan ♦ Commercial Banks	13,276	59.0	10,868	54.0	11,147	49.7	10,332	46.4	9,888	38.0
Syarikat Kewangan ♦ Finance Companies	5,721	25.5	5,687	28.2	8,105	36.2	9,851	44.2	13,910	53.4
Bank Saudagar ♦ Merchant Banks	246	1.1	88	0.4	300	1.3	344	1.6	365	1.4
Kerajaan ♦ Government	2,515	11.2	2,844	14.1	2,169	9.7	1,493	6.7	847	3.3
Perbadanan ♦ Corporations	567	2.5	533	2.7	476	2.1	103	0.5	320	1.2
Institusi Perbankan Islam Islamic Banking Institutions	150	0.7	120	0.6	213	1.0	143	0.6	703	2.7
Jumlah ♦ Total	22,475	100.0	20,140	100.0	22,410	100.0	22,266	100.0	26,033	100.0
Jenis Opsyen ♦ Option Type										
Kadar Tetap ♦ Fixed Rate	15,178	67.5	14,320	71.1	17,077	76.2	18,418	82.8	22,516	86.5
Kadar Terapung ♦ Floating Rate	3,771	16.8	2,486	12.3	2,580	11.5	3,050	13.7	2,014	7.7
Kadar Boleh Tukar ♦ Convertible Rate	3,376	15.0	3,214	16.0	2,540	11.3	655	2.9	800	3.1
Secara Islam ♦ Islamic	150	0.7	120	0.6	213	1.0	143	0.6	703	2.7
Jumlah ♦ Total	22,475	100.0	20,140	100.0	22,410	100.0	22,266	100.0	26,033	100.0

Jumlah Pembelian Pinjaman dan Hutang

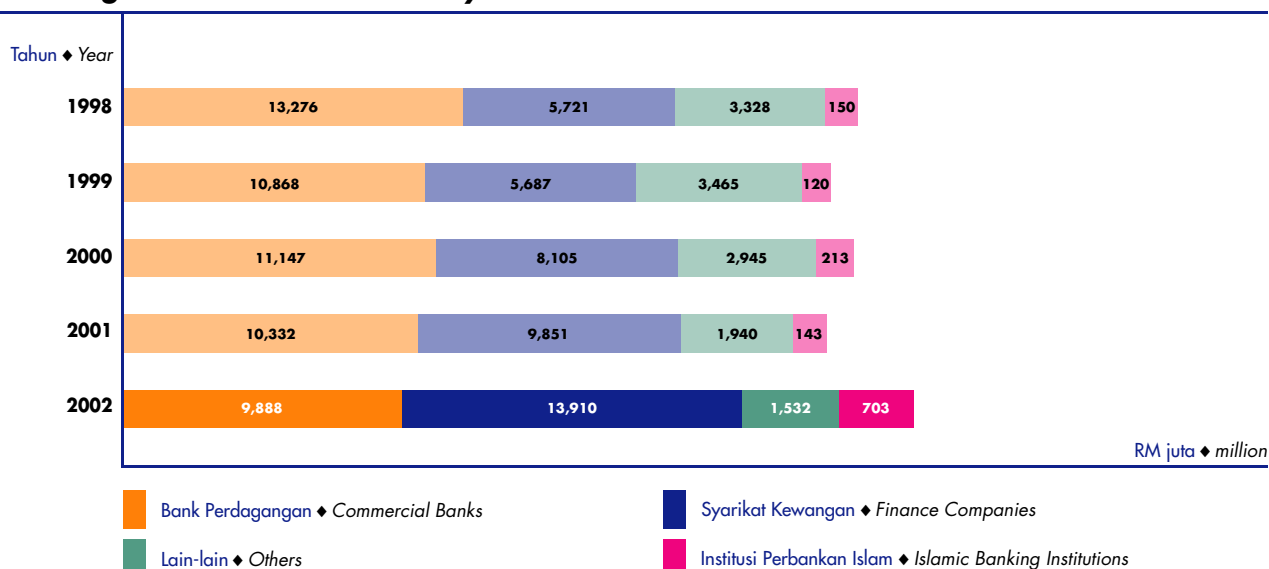
Total Loans and Debts Purchases

Jenis Pinjaman ♦ Loan Type										
Pinjaman Perumahan ♦ Housing Loans										
– Konvensional ♦ Conventional	4,688	91.5	4,880	72.6	7,591	69.6	3,349	45.8	3,975	36.2
– Secara Islam ♦ Islamic	70	1.4	–	–	149	1.4	–	–	110	1.0
Hutang Sewa Beli dan Pemajakan Hire Purchase and Leasing Debts										
– Konvensional ♦ Conventional	200	3.9	1,676	24.9	2,930	26.8	3,940	53.8	6,407	58.3
– Secara Islam ♦ Islamic	–	–	–	–	–	–	–	–	500	4.5
Pinjaman Harta Perindustrian Industrial Property Loans	164	3.2	170	2.5	239	2.2	32	0.4	–	–
Jumlah ♦ Total	5,122	100.0	6,726	100.0	10,909	100.0	7,321	100.0	10,992	100.0
Penjual ♦ Sellers										
Bank Perdagangan ♦ Commercial Banks	2,713	53.0	2,811	41.8	4,969	45.5	3,125	42.7	2,729	24.8
Syarikat Kewangan ♦ Finance Companies	1,032	20.1	2,664	39.6	5,515	50.5	4,066	55.5	7,353	66.9
Bank Saudagar ♦ Merchant Banks	75	1.5	17	0.2	224	2.1	130	1.8	65	0.6
Kerajaan ♦ Government	1,232	24.0	1,167	17.4	–	–	–	–	–	–
Perbadanan ♦ Corporations	–	–	67	1.0	52	0.5	–	–	235	2.1
Institusi Perbankan Islam Islamic Banking Institutions	70	1.4	–	–	149	1.4	–	–	610	5.6
Jumlah ♦ Total	5,122	100.0	6,726	100.0	10,909	100.0	7,321	100.0	10,992	100.0
Jenis Opsyen ♦ Option Type										
Kadar Tetap ♦ Fixed Rate	3,591	70.1	4,971	73.9	8,915	81.7	7,032	96.1	10,182	92.6
Kadar Terapung ♦ Floating Rate	338	6.6	1,167	17.4	945	8.7	289	3.9	100	0.9
Kadar Boleh Tukar ♦ Convertible Rate	1,123	21.9	588	8.7	900	8.2	–	–	100	0.9
Secara Islam ♦ Islamic	70	1.4	–	–	149	1.4	–	–	610	5.6
Jumlah ♦ Total	5,122	100.0	6,726	100.0	10,909	100.0	7,321	100.0	10,992	100.0

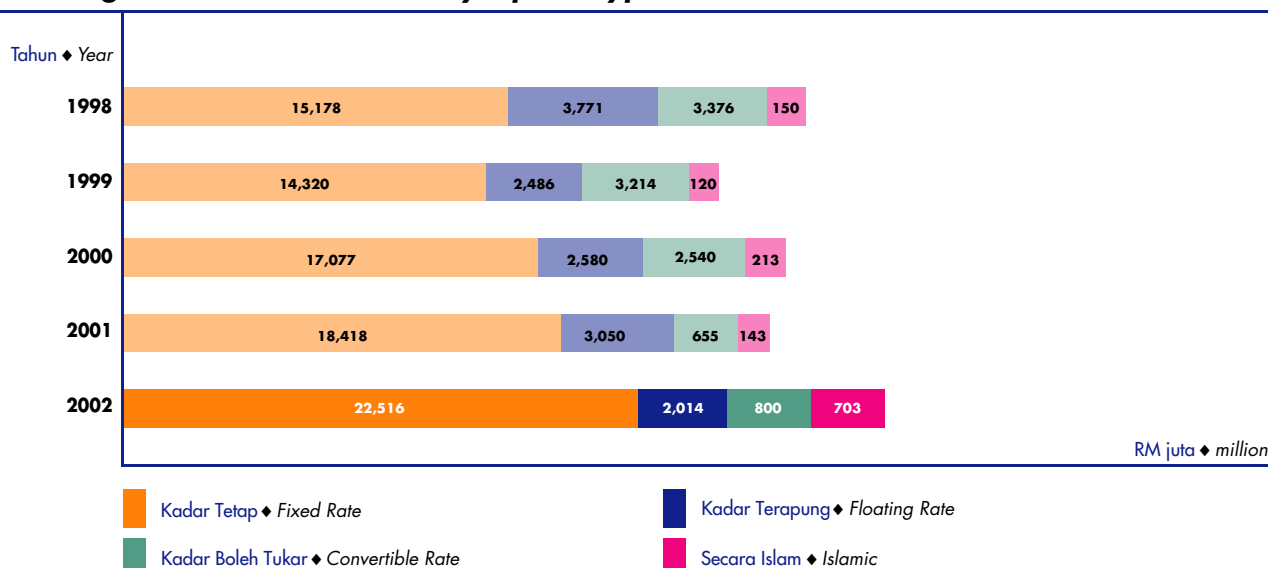
Pinjaman dan Hutang Belum Lunas dalam Pegangan mengikut Jenis Pinjaman Outstanding Loans and Debts Held by Loan Type



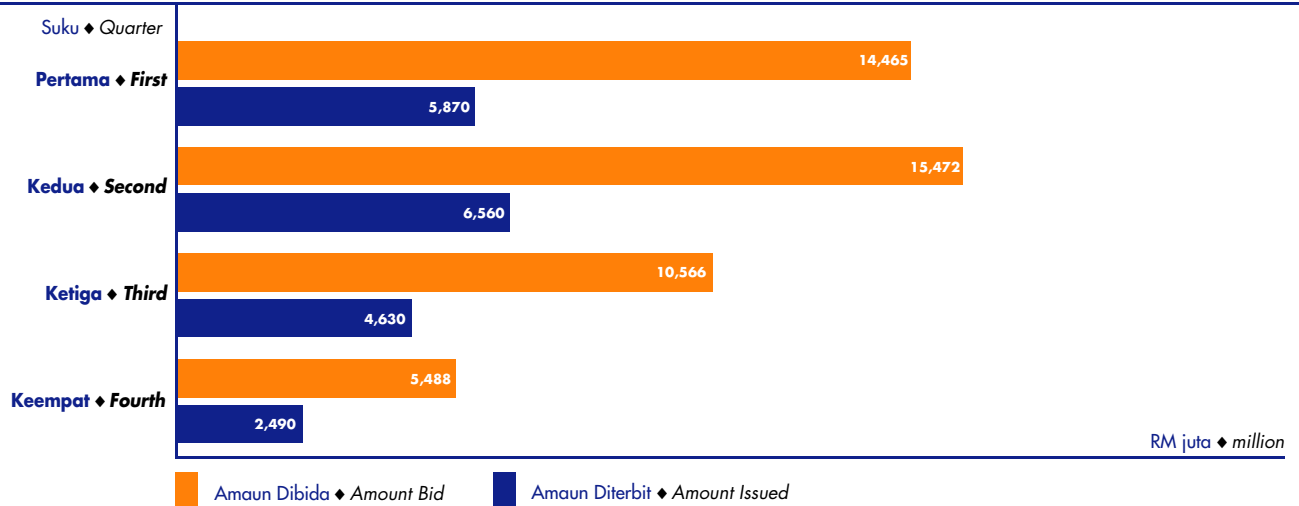
Pinjaman dan Hutang Belum Lunas dalam Pegangan mengikut Penjual Outstanding Loans and Debts Held by Sellers



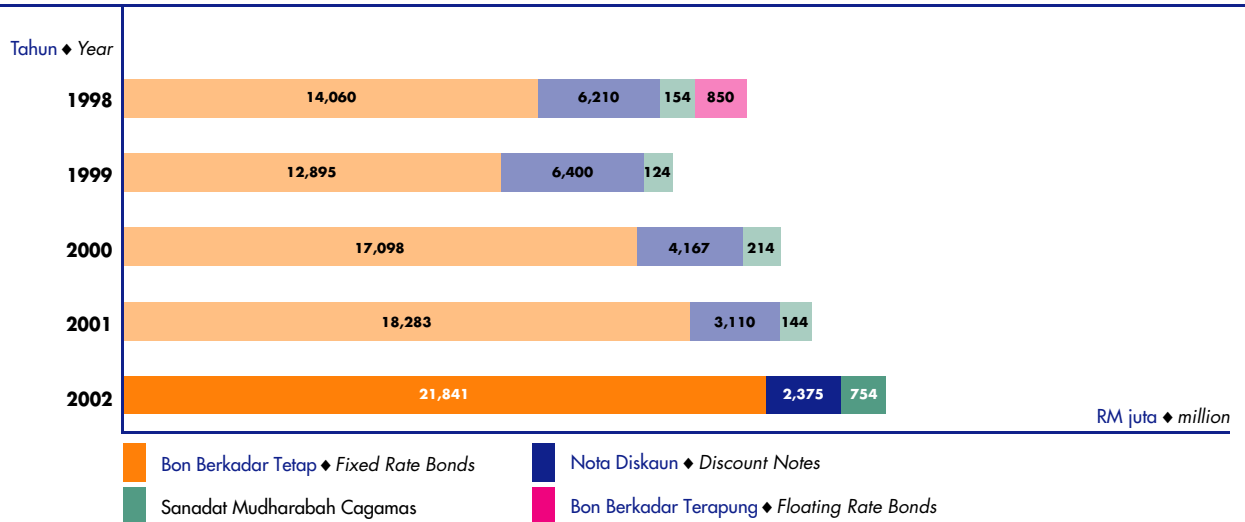
Pinjaman dan Hutang Belum Lunas dalam Pegangan mengikut Jenis Opsyen Outstanding Loans and Debts Held by Option Type



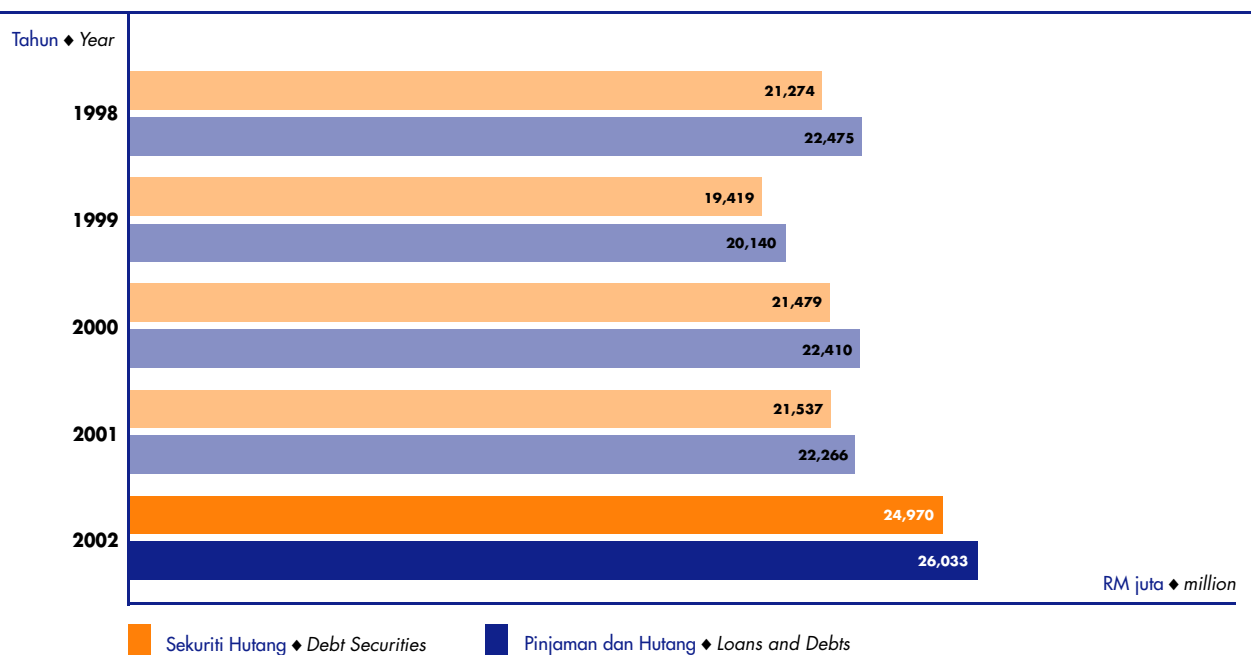
Sekuriti Hutang Cagamas yang Dibida dan Diterbit dalam Tahun 2002 Cagamas Debt Securities Bid and Issued in 2002



Sekuriti Hutang Cagamas Belum Tebus mengikut Jenis Outstanding Cagamas Debt Securities by Type



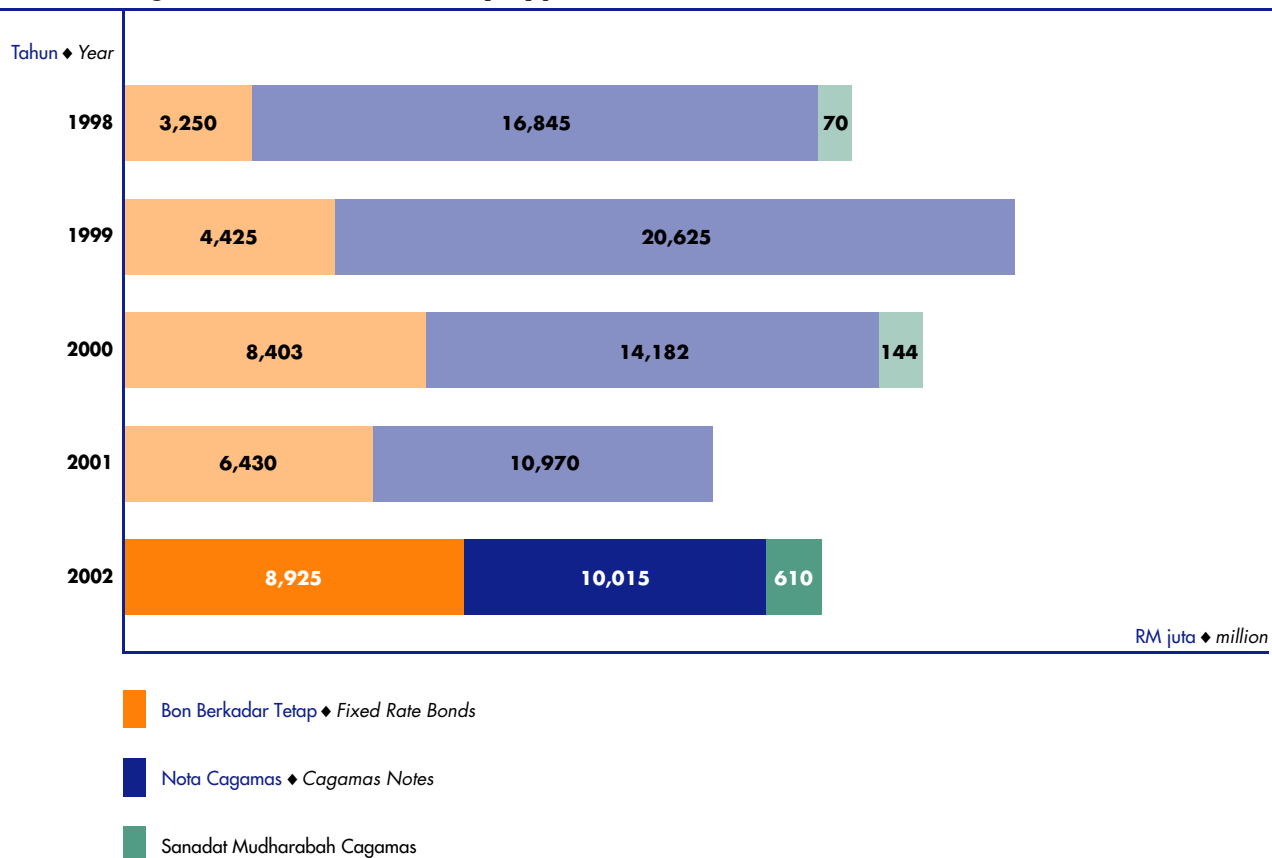
Perbandingan di antara Sekuriti Hutang Cagamas Belum Tebus dengan Pinjaman dan Hutang dalam Pegangan Comparison between Outstanding Cagamas Debt Securities and Loans and Debts Held



Sekuriti Hutang Cagamas Belum Tebus pada 31 Disember 2002
Cagamas Debt Securities Outstanding as at 31 December 2002

Tarikh Diterbitkan	Tempoh (Tahun)	Kadar Kupon (% setahun)	Tarikh Matang	Baki Tempoh (Tahun)	Bon Berkadar Tetap	Nota Cagamas	Sanadat Mudharabah Cagamas
Date Issued	Tenure (Years)	Coupon Rate (% per annum)	Maturity Date	Remaining Maturity (Years)	Fixed Rate Bonds	Cagamas Notes	
					RM juta ♦ million		
1999							
20.07.1999	5.00	6.054	20.07.2004	1.55	250		
2000							
20.01.2000	3.00	3.983	20.01.2003	0.05	465		
04.02.2000	3.00	4.354	04.02.2003	0.10	250		
10.03.2000	3.00	4.544	10.03.2003	0.19	812		
10.03.2000	5.00	5.449	10.03.2005	2.19	250		
14.04.2000	3.00	4.766	14.04.2003	0.28	917		
21.07.2000	3.00	4.369	21.07.2003	0.55	855		
03.08.2000	4.00	5.054	03.08.2004	1.59	837		
03.08.2000	5.00	5.302	03.08.2005	2.59	850		
18.08.2000	3.00	4.894	18.08.2003	0.63	1,000		
09.11.2000	4.00	-	09.11.2004	1.86			144
2001							
15.03.2001	3.00	3.515	15.03.2004	1.21	1,000		
15.03.2001	4.00	3.713	15.03.2005	2.21	500		
15.03.2001	5.00	3.875	15.03.2006	3.21	842		
18.04.2001	2.00	3.131	18.04.2003	0.30	853		
19.04.2001	3.00	3.268	19.04.2004	1.30	750		
25.05.2001	6.00	4.351	25.05.2007	4.40	130		
12.07.2001	3.00	3.448	12.07.2004	1.53	655		
12.07.2001	4.00	3.690	12.07.2005	2.53	110		
20.09.2001	3.00	3.133	20.09.2004	1.72	780		
06.12.2001	3.00	3.136	06.12.2004	1.93	330		
06.12.2001	5.00	3.311	06.12.2006	3.93	260		
06.12.2001	10.00	3.912	06.12.2011	8.94	220		
2002							
20.02.2002	2.00	3.302	20.02.2004	1.14	1,000		
20.02.2002	3.00	3.544	18.02.2005	2.14	810		
26.02.2002	7.00	-	26.02.2009	6.16			50
28.02.2002	1.00	2.774	28.02.2003	0.16		350	
21.03.2002	4.00	3.928	21.03.2006	3.22	560		
12.04.2002	2.00	3.232	12.04.2004	1.28	520		
12.04.2002	3.00	3.513	12.04.2005	2.28	615		
12.04.2002	4.00	3.862	12.04.2006	3.28	700		
23.04.2002	5.00	-	23.04.2007	4.31			500
07.05.2002	2.00	3.206	07.05.2004	1.35	900		
07.05.2002	4.00	3.834	05.05.2006	3.35	570		
16.05.2002	1.00	2.819	16.05.2003	0.37		400	
18.07.2002	3.00	3.132	18.07.2005	2.55	790		
18.07.2002	4.00	3.254	18.07.2006	3.55	1,000		
22.08.2002	5.00	-	22.08.2007	4.64			60
12.09.2002	1.00	2.780	12.09.2003	0.70		200	
12.09.2002	5.00	3.253	12.09.2007	4.70	910		
24.10.2002	1.00	2.769	23.10.2003	0.81		220	
15.11.2002	0.25	2.716	14.02.2003	0.12		300	
21.11.2002	1.00	2.767	21.11.2003	0.89		375	
21.11.2002	4.00	3.104	21.11.2006	3.89	550		
20.12.2002	0.09	2.830	21.01.2003	0.06		530	
Jumlah ♦ Total					21,841	2,375	754
					24,970		

Terbitan Sekuriti Hutang Cagamas mengikut Jenis Issuance of Cagamas Debt Securities by Type



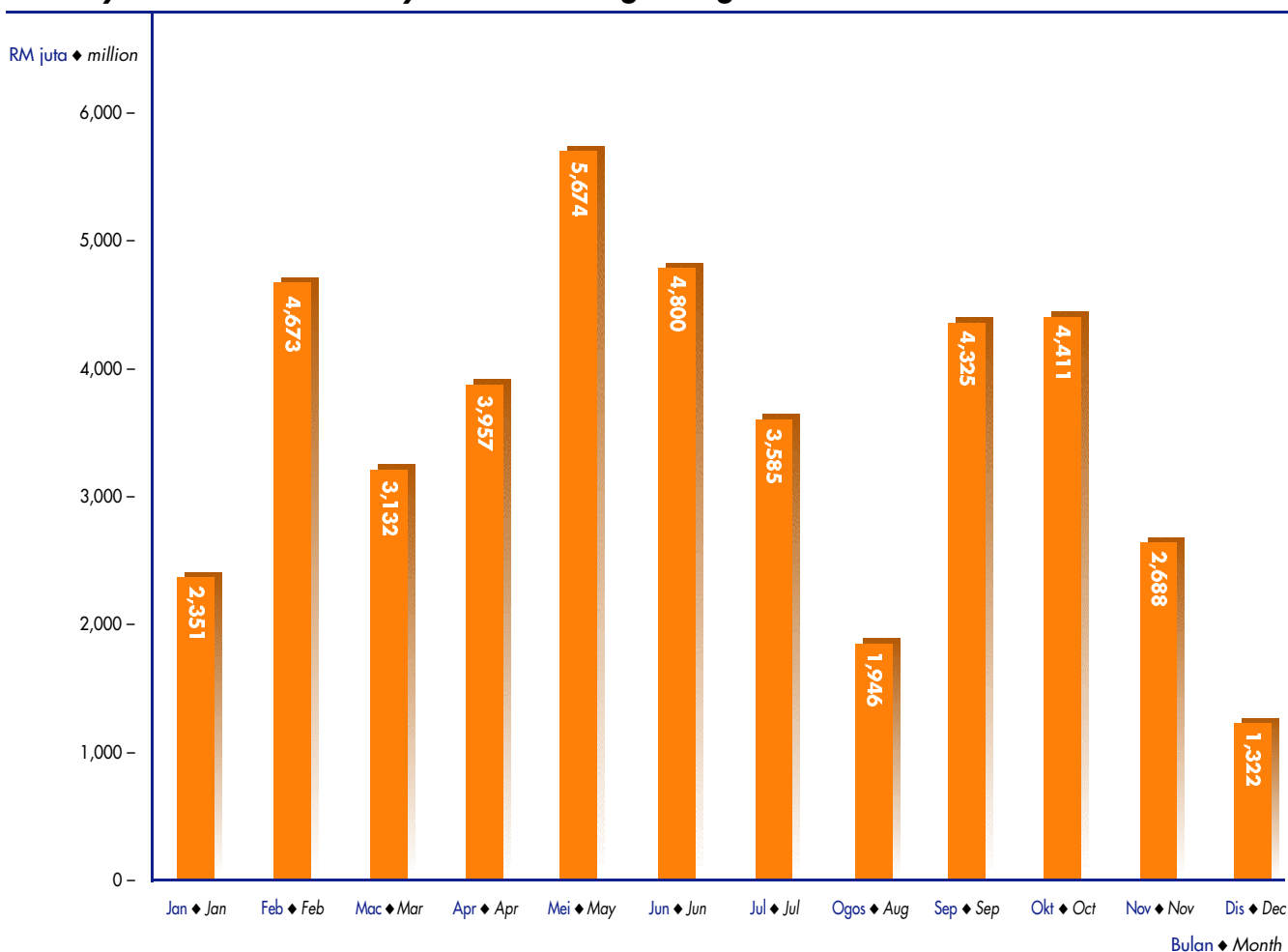
Pemegang Sekuriti Hutang Cagamas Holders of Cagamas Debt Securities

Pemegang Holders	1998		1999		2000		2001		2002	
	RM juta RM million	%	RM juta RM million	%	RM juta RM million	%	RM juta RM million	%	RM juta RM million	%
Bank Perdagangan Commercial Banks	13,324	62.6	11,347	58.4	9,543	44.4	7,516	34.9	8,847	35.4
Syarikat Kewangan Finance Companies	2,385	11.2	1,543	8.0	1,872	8.7	1,312	6.1	906	3.6
Bank Saudagar Merchant Banks	1,225	5.7	782	4.0	679	3.2	928	4.3	1,341	5.4
Rumah Diskaun Discount Houses	248	1.2	479	2.5	1,311	6.1	1,072	5.0	1,603	6.4
	17,182	80.7	14,151	72.9	13,405	62.4	10,828	50.3	12,697	50.8
Syarikat Insurans Insurance Companies	2,827	13.3	2,895	14.9	2,953	13.7	2,596	12.1	2,172	8.7
Kumpulan Wang Pencen Pension Funds ¹	634	3.0	1,746	9.0	4,394	20.5	5,457	25.3	8,902	35.7
Institusi Kewangan Lain Other Financial Institutions	60	0.3	48	0.2	275	1.3	1,167	5.4	874	3.5
Perbadanan Bukan Kewangan Non-financial Corporations	53	0.2	133	0.7	282	1.3	1,072	5.0	250	1.0
Syarikat Pemegang Amanah Trust Companies ²	57	0.3	6	0.0	10	0.0	10	0.0	20	0.1
Agensi Kerajaan Government Agencies	89	0.4	322	1.7	140	0.7	382	1.8	5	0.0
Syarikat Bukan Residen Non-resident Companies	372	1.8	118	0.6	20	0.1	20	0.1	50	0.2
Pelabur Perseorangan Individual Investors	-	-	-	-	-	-	5	-	-	0.0
	4,092	19.3	5,268	27.1	8,074	37.6	10,709	49.7	12,273	49.2
Jumlah ♦ Total	21,274	100.0	19,419	100.0	21,479	100.0	21,537	100.0	24,970	100.0

¹ Termasuk PERKESO, Kumpulan Wang Pencen dan Simpanan
Including SOCSO, Pension and Provident Funds

² Termasuk Amanah Saham dan Amanah Harta
Including Unit Trusts and Property Trusts

Urus Niaga Bulanan Sekuriti Hutang Cagamas dalam Pasaran Sekunder dalam Tahun 2002 Monthly Volume of Secondary Market Trading in Cagamas Debt Securities in 2002



Urus Niaga dalam Pasaran Sekunder bagi Sekuriti Terpilih Secondary Market Trading Volume of Selected Securities

Instrumen Instruments	1998	1999	2000	2001	2002
	% Jumlah Pusing Ganti % of Total Turnover				
Sekuriti Kerajaan Malaysia Malaysian Government Securities	15.9	28.3	26.3	49.6	55.6
Sekuriti Hutang Cagamas Cagamas Debt Securities	8.9	17.4	24.2	9.1	9.7
Bil Perbendaharaan Treasury Bills	3.9	4.7	4.9	3.7	1.9
Instrumen Simpanan Boleh Niaga Negotiable Instruments of Deposits	25.1	14.2	7.2	8.9	8.7
Penerimaan Jurubank Bankers Acceptances	46.2	35.4	21.9	15.7	11.7
Bil Bank Negara Bank Negara Bills	-	-	15.5	13.0	12.4
Jumlah / Total	100.0	100.0	100.0	100.0	100.0

Sumber / Source: Bank Negara Malaysia

Urus Niaga Sekuriti Hutang Cagamas dalam Pasaran Sekunder Secondary Market Trading in Cagamas Debt Securities

Tempoh Period	Urus Niaga dalam Nilai Nominal Volume In Nominal Value RM juta ♦ million	Bahagian Pusing Ganti Pasaran Share of Market Turnover %
1998		
Suku Pertama ♦ First Quarter	3,660	11.0
Suku Kedua ♦ Second Quarter	2,067	5.8
Suku Ketiga ♦ Third Quarter	3,802	8.1
Suku Keempat ♦ Fourth Quarter	5,651	10.2
Jumlah ♦ Total	15,180	8.9
1999		
Suku Pertama ♦ First Quarter	10,280	16.3
Suku Kedua ♦ Second Quarter	9,597	15.9
Suku Ketiga ♦ Third Quarter	5,759	17.2
Suku Keempat ♦ Fourth Quarter	7,783	22.4
Jumlah ♦ Total	33,419	17.4
2000		
Suku Pertama ♦ First Quarter	20,073	34.4
Suku Kedua ♦ Second Quarter	14,823	20.7
Suku Ketiga ♦ Third Quarter	15,893	25.8
Suku Keempat ♦ Fourth Quarter	19,390	19.7
Jumlah ♦ Total	70,179	24.2
2001		
Suku Pertama ♦ First Quarter	9,429	10.0
Suku Kedua ♦ Second Quarter	7,085	7.4
Suku Ketiga ♦ Third Quarter	13,484	11.5
Suku Keempat ♦ Fourth Quarter	5,205	6.5
Jumlah ♦ Total	35,203	9.1
2002		
Suku Pertama ♦ First Quarter	10,156	10.7
Suku Kedua ♦ Second Quarter	14,431	14.4
Suku Ketiga ♦ Third Quarter	9,856	8.2
Suku Keempat ♦ Fourth Quarter	8,421	6.8
Jumlah ♦ Total	42,864	9.7

Sumber ♦ Source: Bank Negara Malaysia