



Cagamas Berhad

National Mortgage Corporation of Malaysia

London Sukuk Summit 2015

Sukuk - A Tool for Unlocking Liquidity in Islamic Mortgages : The Case of Cagamas Berhad

Datuk Chung Chee Leong
President/Chief Executive Officer
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Growth of Islamic Financial System

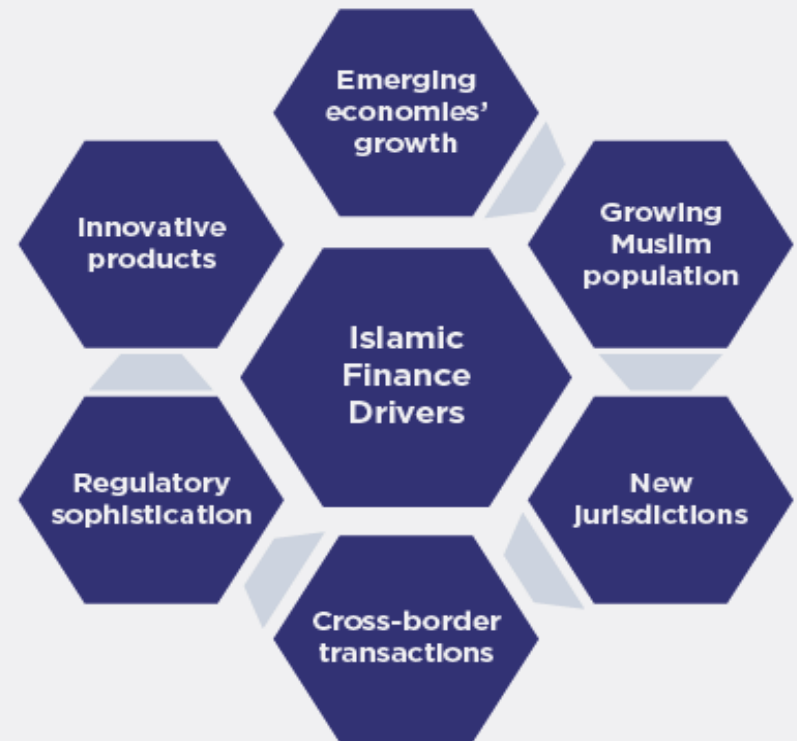
*...the global Islamic finance industry continues to experience double digit growth (CAGR 2010-2014 of 17.3%) with the Shariah compliant assets now estimated breaching the **USD2 trillion** mark at the end of 2014...*

*In Malaysia, growth of Islamic banking assets has **outpaced** the growth of Islamic banking deposits*

*In Malaysia, growth of Islamic deposits **consistently outpaced** the growth of deposits for the whole banking system (26.6% in 2013 vs 20.7% in 2012)*

*Islamic finance is increasingly becoming part of the **growth strategies** of an increasing number of global financial institutions*

Key Growth Drivers for Islamic Finance (2015-2020)

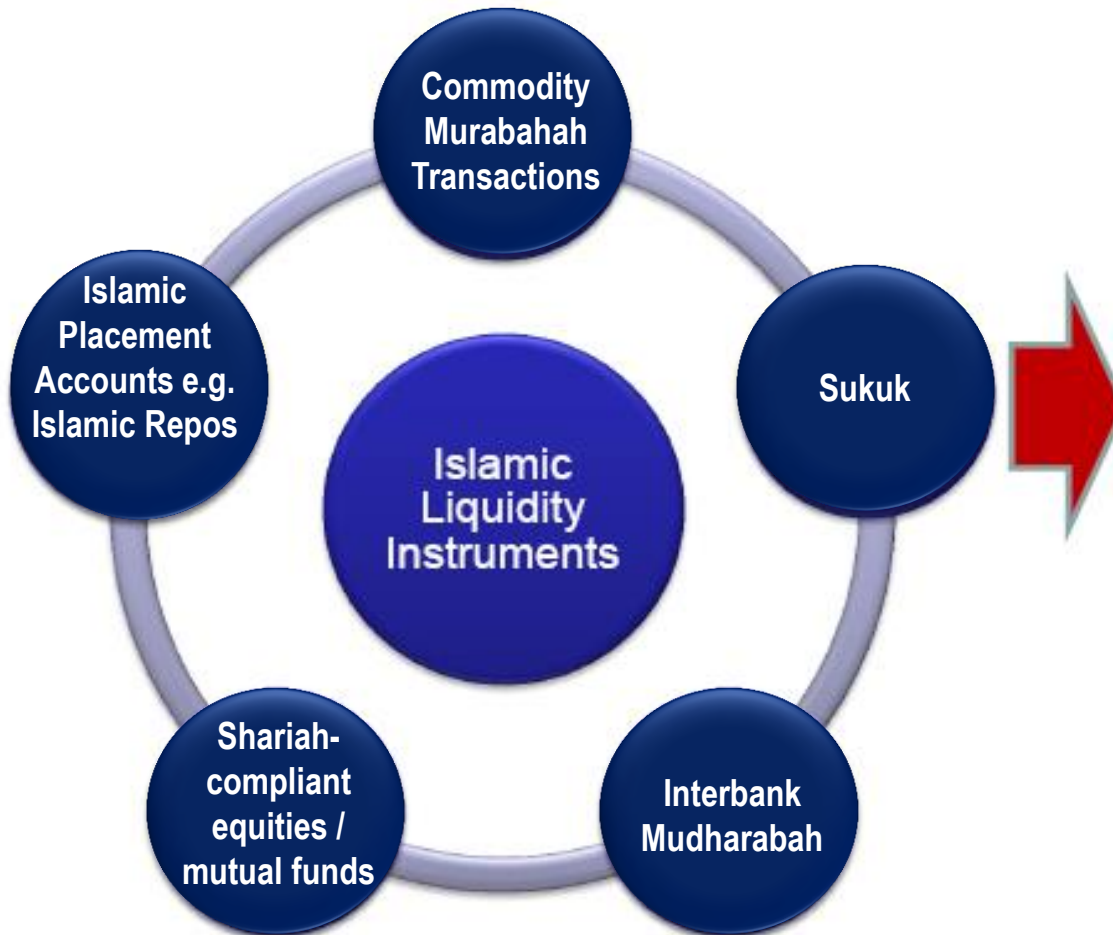


Source: Various, KFH Research Database



Islamic Liquidity Instruments

Common sources of liquidity for Islamic Financial Institutions...



Cagamas, being the largest issuer of corporate Sukuk in Malaysia, will continue to play an active role in advancing the presence and the diversity of Islamic finance by introducing new and innovative Islamic products in the financial market



Cagamas Background

Roles

- ✓ Promote home ownership/home accessibility and affordability in Malaysia
- ✓ Develop the Islamic financial sector
- ✓ Develop the Malaysian Capital Market
- ✓ Enhance and support in the stabilisation of the financial sector

Prolific Issuer

- ✓ 2nd largest issuer of debt securities after the Government of Malaysia
- ✓ Largest issuer of AAA debt securities in the Malaysian market
- ✓ Have issued more than RM280 billion of debt securities (no default experience)
- ✓ Regarded by World Bank as most successful secondary mortgage liquidity facility model

Multi Currency Funding

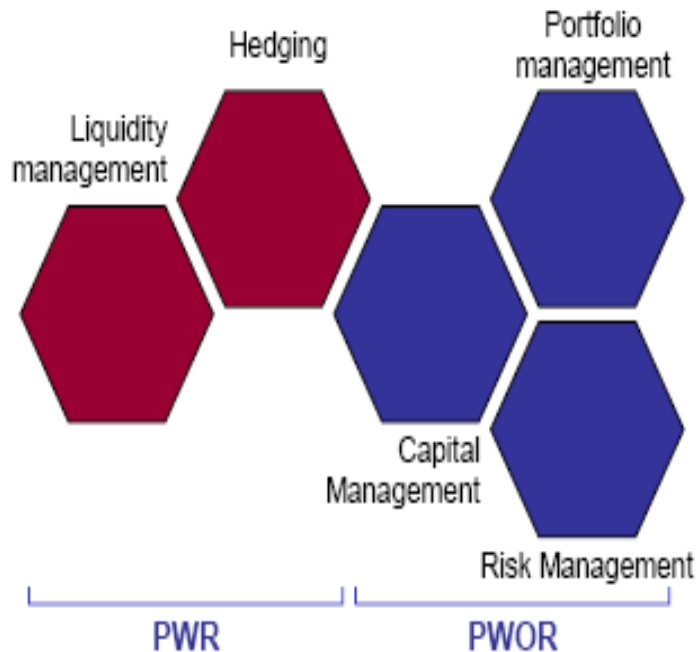
- ✓ Assigned A3 rating by Moody's Investors Service (on par with Malaysia's sovereign rating)
- ✓ An alternative funding source and allows for widening of investor base to include foreign investors

Outstanding Credit Standing

- ✓ Cagamas debt securities continue to be assigned credit ratings of AAA by RAM Rating Services Berhad (RAM) and Malaysian Rating Corporation Berhad (MARC)
- ✓ No rating downgrade even during the Asian financial crisis
- ✓ Tenure of up to 20 years and serves as benchmark for other Private Debt Securities (PDS)



Unlocking Liquidity With Cagamas' Business Model



- Cagamas purchases **Islamic financing assets** and fund the purchases through the issuance of **Islamic securities**
- Financing debts are purchased either on a with recourse basis (**Purchase with Recourse**) or on a without recourse basis (**Purchase without Recourse**)

We Purchase

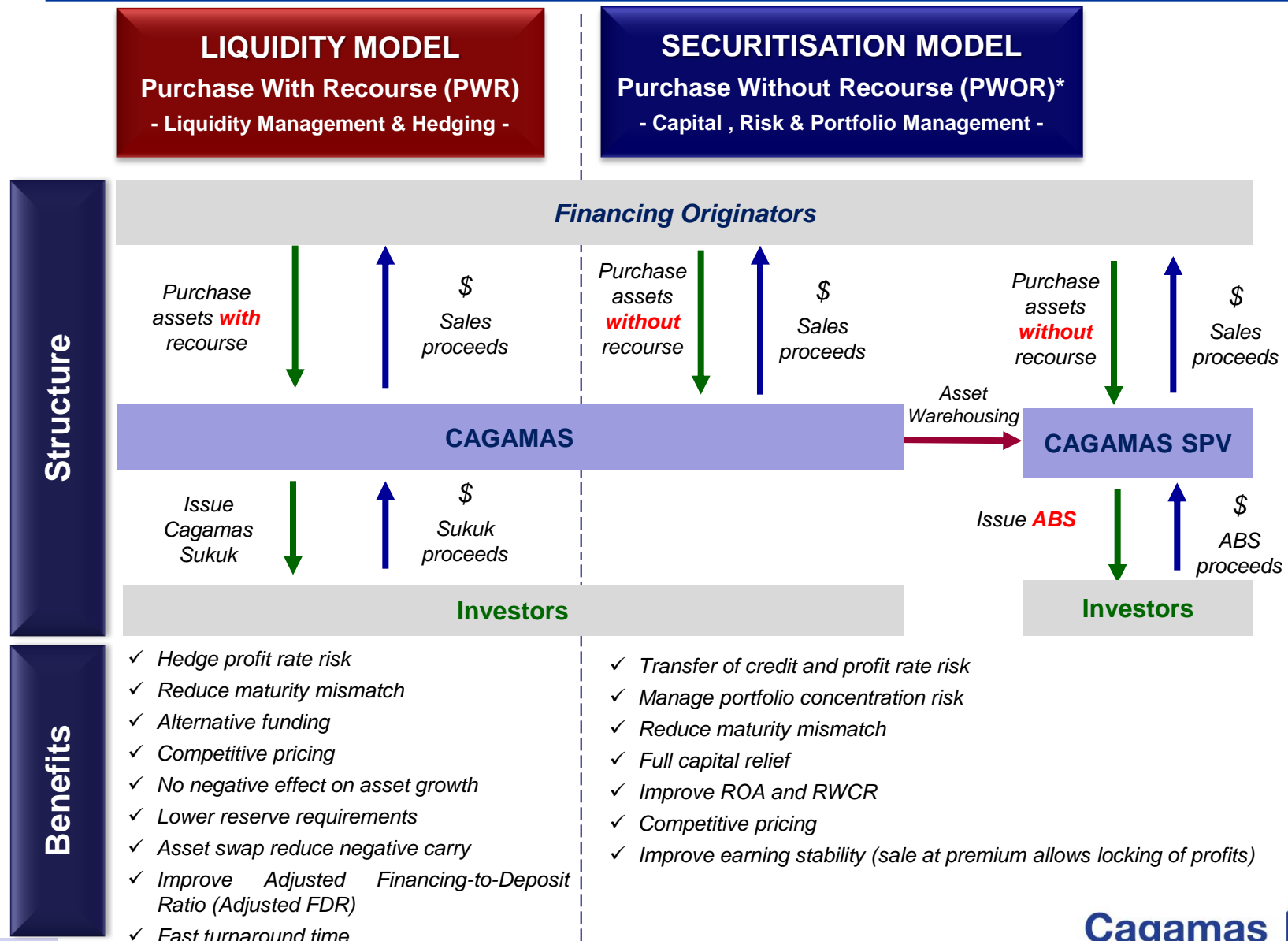
- *Islamic House Financing*
- *Islamic Hire Purchase/Leasing*
- *Islamic Personal Financing*
- *Rahn Financing*
- *Small and Medium Enterprise (SME) Financing*

We Issue

- *Sukuk Mudharabah*
- *Sukuk Commodity Murabahah*
- *Sukuk al-Amanah li al-Istithmar*
- *Islamic RMBS*
- *Sukuk Wakalah Bil Istithmar*



Unlocking Liquidity With Cagamas' Business Model





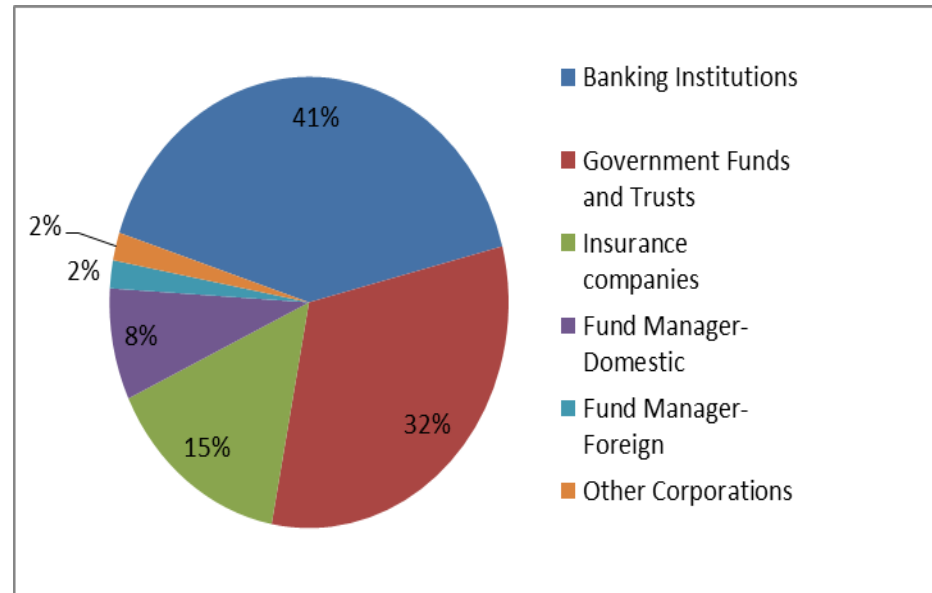
Cagamas Experience: Sukuk Murabahah 2013

| | |
|-----------------------------------|---|
| Transaction | Purchase of Staff Islamic House Financing by Cagamas Berhad |
| Transaction Value | RM3.8 billion <ul style="list-style-type: none"> • book opened at initial size of RM2.5 billion • Strong order book of approx. RM8.0 billion (more than 50 investors) • Subscribed more than 3.2 times • Cagamas' single largest book building exercise to-date |
| Liquidity-Generating Asset | Staff Islamic House Financing |
| Asset Seller | Government of Malaysia |
| Liquidity Tool | Purchase Without Recourse (PWOR) |
| Fund raising tool | Sukuk Murabahah Issuance |

Issuance Breakdown by Tenure

| Tranche | Issue Size (Nominal Value) (RM million) | Tenure (Year) | Profit Rate (%) |
|--------------|---|------------------|--------------------|
| 1 | 360 | 1 | 3.40 |
| 2 | 275 | 3 | 3.65 |
| 3 | 330 | 5 | 3.95 |
| 4 | 390 | 7 | 4.15 |
| 5 | 645 | 10 | 4.30 |
| 6 | 450 | 12 | 4.55 |
| 7 | 675 | 15 | 4.75 |
| 8 | 675 | 20 | 5.00 |
| Total | 3,800 | | |

Investor Breakdown by Allocation





Cagamas' Islamic Multi-currency MTN Programme

Programme Highlights

Multi-currency Islamic MTN Programme (established November 2014)

| | |
|-------------------------|--|
| Type | <i>Islamic</i> |
| Programme Size | <i>USD2.5 billion</i> |
| Programme Tenure | <i>Perpetual</i> |
| Rating | <i>A3 by Moody's Investors Service, Inc.</i> |
| Issue Format | <i>Regulation S</i> |
| Governing Laws | <i>English Laws</i> |
| Structure | <i>Wakalah</i> |

Benefits to Cagamas

- *Mitigate over-reliance on a single benchmark for pricing (MGS for MYR)*
- *Potential cheaper cost of funding through diversification of funding sources*
- *Access liquidity from larger international Islamic capital market*
- *Additional avenue to support business expansion*
- *Mitigate potential limit constraints of local investors*
- *Overcrowding effect from competing with local issuers*



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Contact us



Cagamas Berhad (157931-A)

Level 32, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Tel: +603-2262 1800

Fax: +603-2282 9125

www.cagamas.com.my