



Cagamas Berhad

National Mortgage Corporation of Malaysia

Investor Presentation

Middle East Non Deal Roadshow 2015
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Agenda



Section 1 Company Overview

Section 2 Business Overview

Section 3 Financial Highlights

Section 4 Key Credit Strengths





SECTION 1

Company Overview



Cagamas at a Glance



Background



Entity Name	Cagamas Berhad
Shareholders	Cagamas Holdings Berhad (100%)
Credit Rating	A3 Positive (Moody's)
Date of Incorporation	2 December 1986
Objectives	<ul style="list-style-type: none"> Established by Bank Negara Malaysia to support the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets Development and promotion of Islamic finance within Malaysia Through the issuance of conventional and Islamic securities, Cagamas funds the purchase of housing loans and house financings through its Purchase With Recourse (PWR) and Purchase Without Recourse (PWOR) schemes
Business Model	<ul style="list-style-type: none"> By doing this, Cagamas is able to provide liquidity to financial institutions at a competitive cost, encouraging them to provide additional housing loans and house financings to new applicants at an affordable price The PWR and PWOR schemes have now been expanded to include other loans and financings such as hire purchase / leasing receivables and personal loans and financings

Recent Awards and Accolades

Transaction

Awards Won

- Cagamas Global RMB 1.5 billion Tiger Emas bonds



- Best Renminbi (Offshore) Offering for 2014



- Best Foreign Currency Deal of the Year 2014

- Cagamas MYR 3.8 billion multi-tenor Sukuk



- Best Deal-Highly Commended (Malaysia)

- Cagamas Berhad



- Most Outstanding Securitisation House

- Cagamas MYR500 million multi-tenor Sukuk Wakala Bil Istithmar



- Highly Commended / Most Innovative Deal

- Cagamas MYR1.0 billion Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm)



- Islamic Deal of the Year
- Best Islamic Deal, Malaysia
- Country Deal of the Year
- Malaysia Innovation of the Year



- Cagamas MYR230 million Variable Rate Sukuk Commodity Murabahah



- Tawarruq Deal of the Year

- Cagamas MYR915 million Sukuk Commodity Murabahah



- Tawarruq Deal of the Year
- Most Innovative Deal of the Year



Strategies and Key Objectives



Strategies and Key Objectives

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

How Cagamas meets its Objectives

- *Providing innovative facilities at a competitive cost to primary home lenders*
- *Widening and deepening the scope of securitisation with innovative instruments*
- *Nurturing and maintaining a competent workforce of the highest integrity and professionalism*
- *Harnessing technology to enhance productivity and efficiency*
- *Valuing staff for their commitment and loyalty*
- *Corporate culture: inculcating a caring and responsible corporate culture*

Future Plans

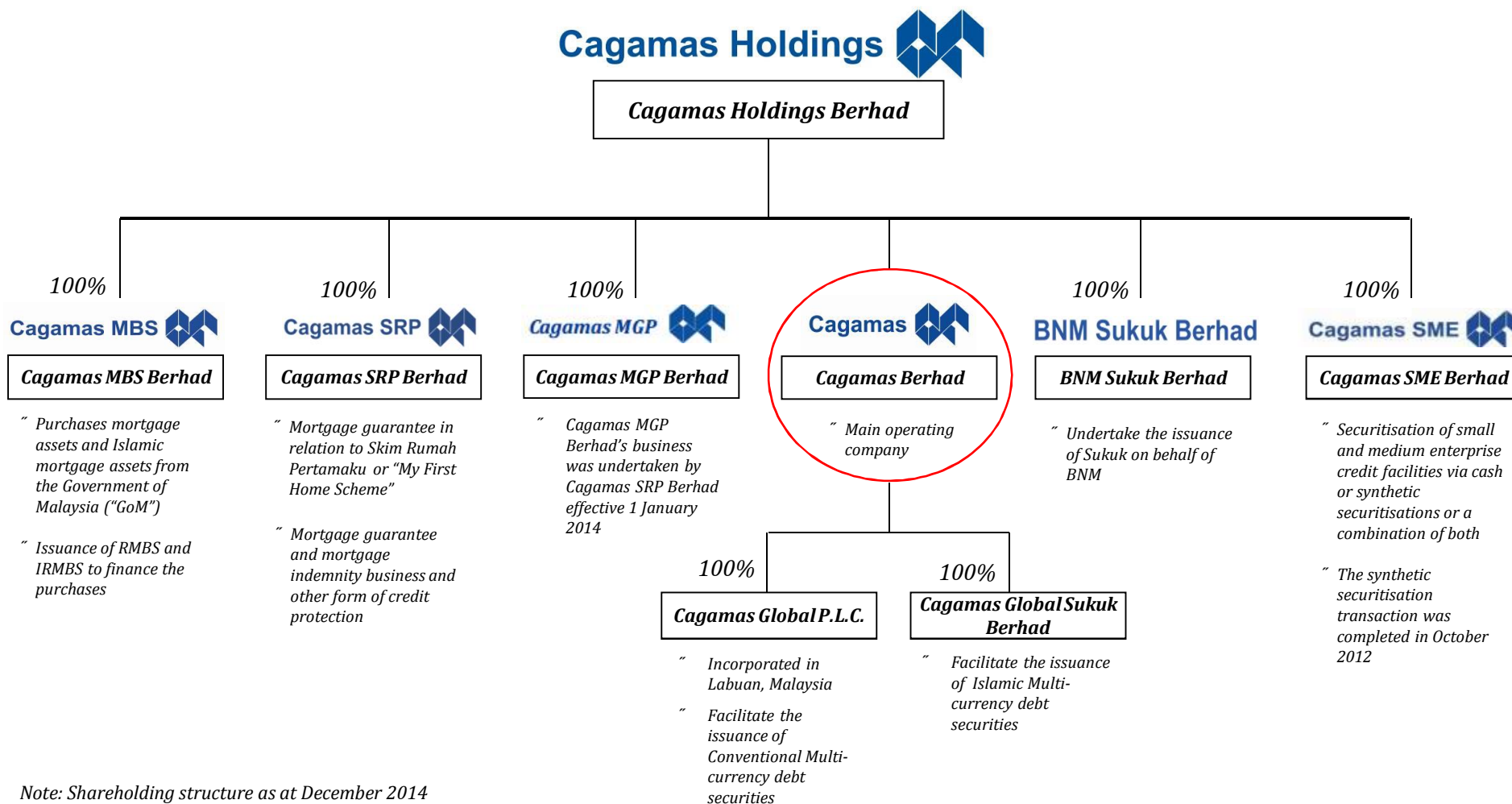
- *Continuing to help Malaysians gain access to competitive house financing*
- *Developing risk and capital management solutions to assist financial institutions especially in light of Basel III*
- *Enhancing product offering participation in Development Financial Institutions to further spur the growth of SMEs*
- *Providing competitively priced funding through diversification of funding sources and widening of investor base*
- *Exploring opportunities to replicate Cagamas' business model in SE Asia to complement Malaysian financial institutions expanding abroad*



Structure of the Cagamas Group of Companies



Cagamas Berhad is a wholly owned subsidiary of Cagamas Holdings Berhad and remains the core revenue and profit generator for Cagamas Group



Shareholding Structure for Cagamas Holdings



➤ Shareholders Demographics:

BNM 20%

Commercial Banks 71%

Investment Banks 9%

Top Shareholders as at January 2015



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Shareholding: 20.0%



Shareholding: 3.1%



Shareholding: 16.5%



Shareholding: 2.9%



Shareholding: 14.2%



Shareholding: 2.2%



Shareholding: 8.6%



Shareholding: 2.0%



AmBank

Shareholding: 8.0%



Bank of Tokyo-Mitsubishi UFJ

Shareholding: 0.5%



PUBLIC BANK

Shareholding: 7.0%



HONG LEONG BANK

Shareholding: 6.0%



Shareholding: 4.1%



Shareholding: 0.2%



ALLIANCE BANK

Shareholding: 3.7%



Shareholding: 0.2%





SECTION 2

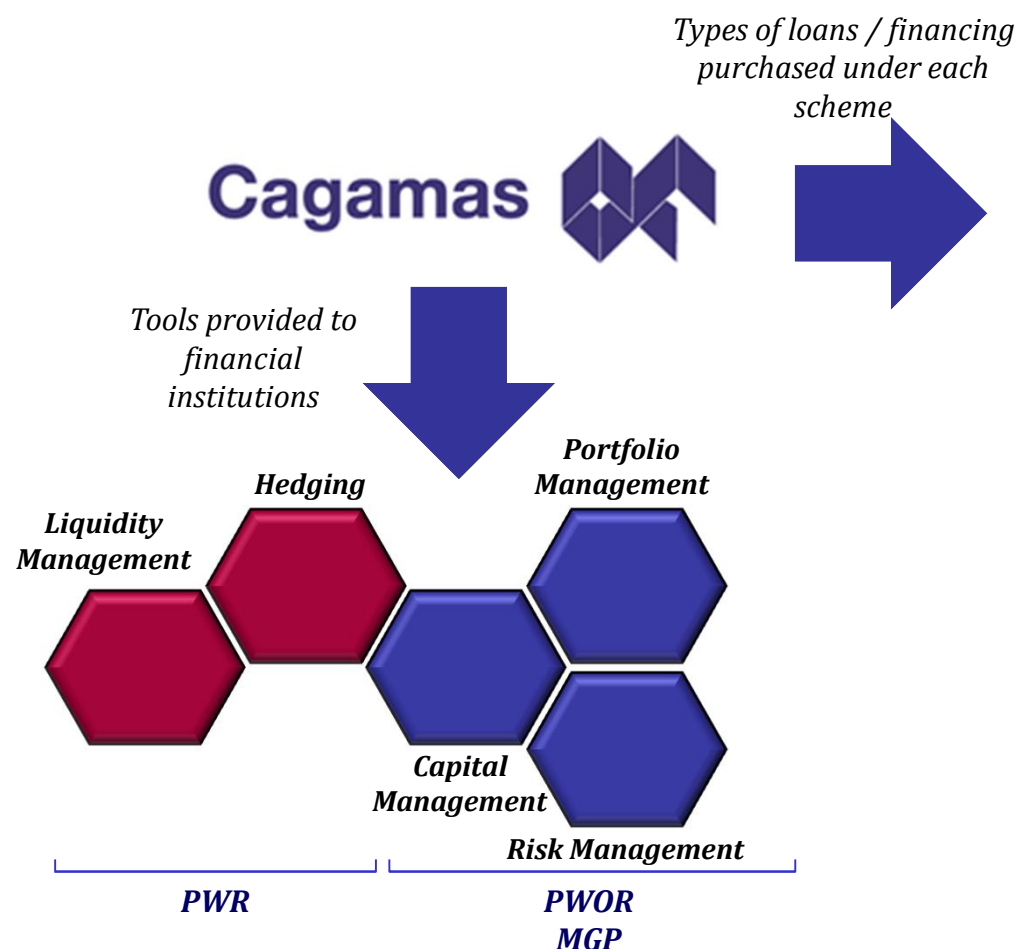
Business Overview



Business Overview



Cagamas is primarily engaged in the purchasing of loans and financings from financial and non-financial institutions under the Purchase with Recourse (PWR), Purchase without Recourse (PWOR) and guaranteeing housing loans and house financings under Mortgage Guarantee Programme (MGP) schemes



Purchase with Recourse (PWR)

- Housing Loans
- Islamic House Financing
- Commercial and Industrial Property Financing
- Hire Purchase and Leasing Debts
- Islamic Hire Purchase
- Personal Loans
- Islamic Personal Financing
- Rahn Financing

Purchase without Recourse (PWOR)

- Housing Loans
- Islamic House Financing
- Hire Purchase
- Islamic Hire Purchase Leasing

Mortgage Guarantee Programme (MGP)*

- Housing Loans
 - Islamic House Financing
 - Skim Rumah Pertamaku ("SRP")/My First Home Scheme
- MGP offers "first loss" protection on a mortgage portfolio while the mortgage assets remain on the originator's books

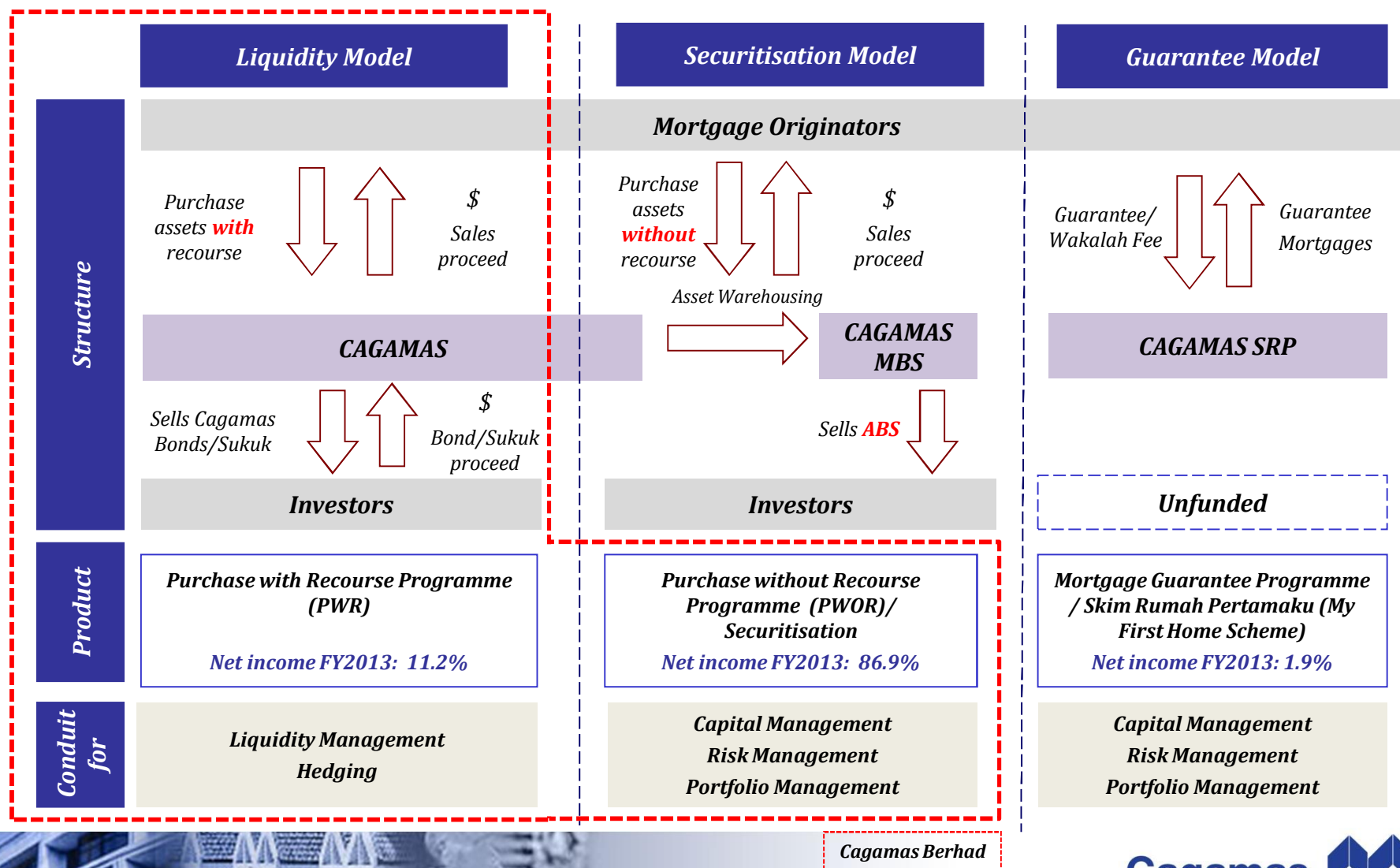
* Under Cagamas SRP Berhad



Business Model



Cagamas purchases loans and financing under 2 schemes – Purchase with Recourse and Purchase without Recourse



Regulatory Environment of Cagamas



Cagamas is governed by the following regulations under the respective authorities



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA)

- Subject to certain provisions of FSA and IFSA

Real Time Electronic Transfer of Funds and Securities (RENTAS)

Member of RENTAS

- Subject to RENTAS trading rules

Fully Automated System for Issuing/Tendering (FAST)

- Operational Procedures For Securities Services
- Participation and Operation Rules For Payments and Securities Services

Bank Negara Malaysia



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Capital Markets and Services Act 2007 (CMSA)

Registered Persons status under the CMSA

Securities Commission



Electronic Trading Platform (ETP)

Cagamas' bonds are tradable on the ETP and are subject to the trading rules of the ETP and Bursa Malaysia

Bursa Malaysia



LAWS OF MALAYSIA

Companies Act 1965

Incorporated under the Companies Act and are subject to provision of the Act

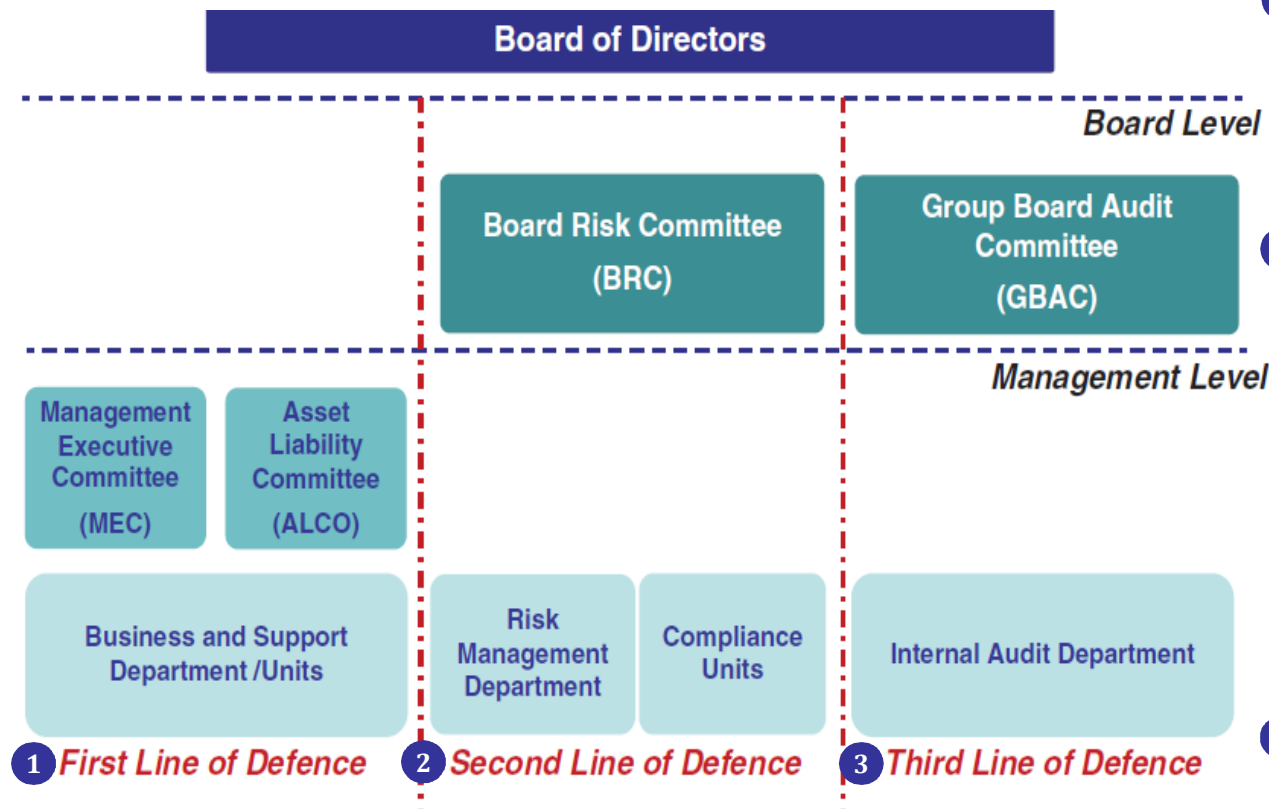
Others



Enterprise Risk Management Framework (ERM)



Cagamas takes a holistic and enterprise-wide view in managing risk. The Cagamas Board of Directors approved the ERM which details the scopes of responsibility and accountability of the respective parties involved. In line with the ERM Framework, Cagamas employs three lines of defence when managing risk.



- 1 The business units within Cagamas are the first line of defence, and have the primary responsibility of identifying, mitigating and managing risks within their line of business. They also ensure that their day-to-day activities are conducted in line with established risk policies and procedures, and that no limits are exceeded.
- 2 An independent Risk Management Department (RMD) acts as Cagamas' second line of defence by providing specialised resources to proactively manage risks. This includes assessment of risk exposures and the coordination of risk management on an enterprise-wide basis. The RMD is also responsible for ensuring that risk policies are implemented accordingly. The Compliance Unit within the Legal & Compliance Department oversees the statutory compliance framework of the Group, by ensuring that a comprehensive compliance programme is in place and regular audits are conducted to monitor adherence.
- 3 The Internal Audit Department (IAD) is Cagamas' third line of defence and is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.





ASSET & LIABILITY COMMITTEE (ALCO)

Proactive asset and liability management to mitigate risks and optimise profitability

Identified Risk	Risk Control
Market Risk & Liquidity Risk	<ul style="list-style-type: none"> " Match-Funding Policy " Duration Gap " Liquidity Gap Limit " Liquidity Ratio
Funding Risk	<ul style="list-style-type: none"> " Issuance and distribution of its own debt securities as 'Registered Person' under CMSA¹ " Facility Agent of its own debt securities as a 'FAST'² member " Interbank borrowing and repurchase agreement (REPO) as 'Approved Interbank Institution'³ " Intraday credit facility from BNM as 'RENTAS'⁴ member " Strong shareholders' funds as additional source for liquidity needs
Credit Risk - Investment	<ul style="list-style-type: none"> " Prudent Investment Policy " Stringent Credit Concentration Limit Exposure " Regular Credit Review

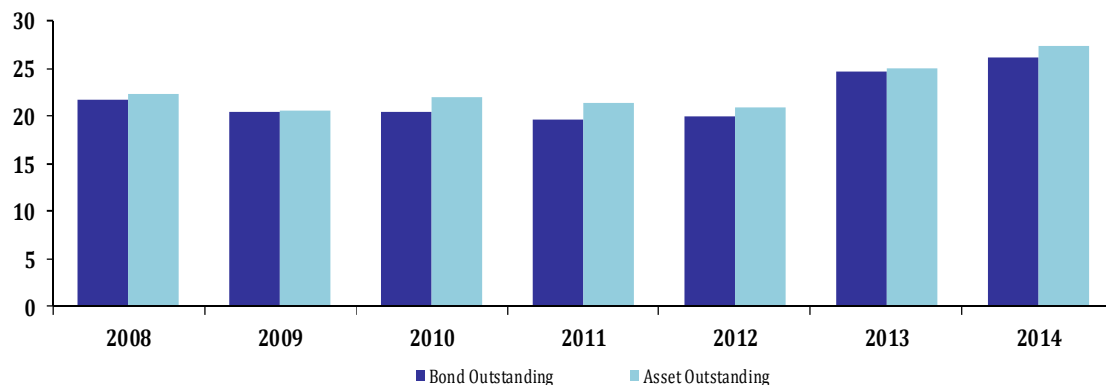
1. The Capital Markets and Services Act 2007 issued by the Securities Commission of Malaysia in relation to dealing with fund raising activities.
2. Fully Automated System for Issuing/ Tendering
3. Cagamas status as "Approved Interbank Institution" enable direct access to interbank money market as stipulated in The Malaysian Code of Conduct for Principals and Brokers in the Wholesale Money Market and Foreign Exchange Markets
4. Real Time Electronic Transfer of Funds and Securities is a real time gross settlement system for transfer and settlement of interbank funds and scripless securities transactions



Asset Liability Management – Market and Liquidity Risk

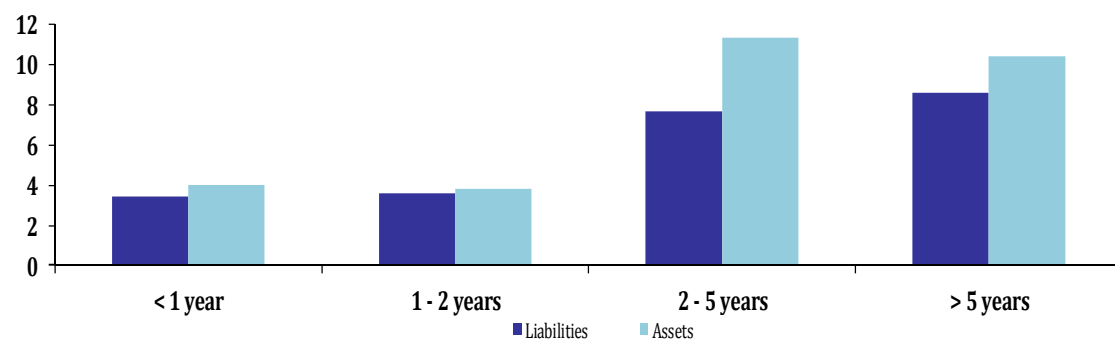


Outstanding Bonds/Sukuk and Assets since 2008 (as at December 2014)



- Cagamas practices a strict match-funding policy where all asset purchases are funded by bonds/Sukuk of matching size, duration and self-sufficient in cash flows
- Cagamas also imposes a duration gap limit to manage liquidity and interest/profit rate risk

Maturity Profile of Assets and Bonds/Sukuk (as at December 2014)



- The maturities of the assets and liabilities are also matched as close as possible
- Cagamas also places limits on maximum shortfall against shareholders' funds and liquidity ratio to ensure sufficient funds to meet maturing liabilities



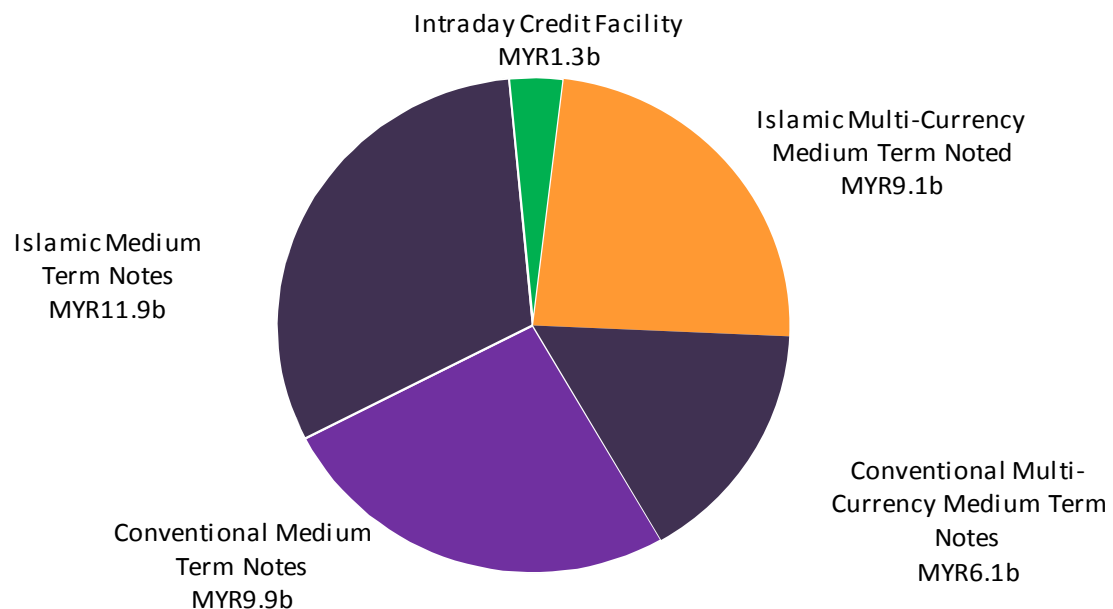
Asset Liability Management – Management of Funding Risk



Cagamas has access to intraday credit facility provided by Bank Negara Malaysia

Available Credit (As at January 2015)

Total Credit Available : MYR38.3 billion¹



In addition to these, a minimum of 50% of Cagamas' fixed income investments are in government/government-guaranteed issues which can be used to obtain funding via REPO

Note 1: USD/MYR exchange rate of 3.63 used (as of 30 January 2015)



Establishment of Multicurrency Medium Term Note Programme



Objectives:

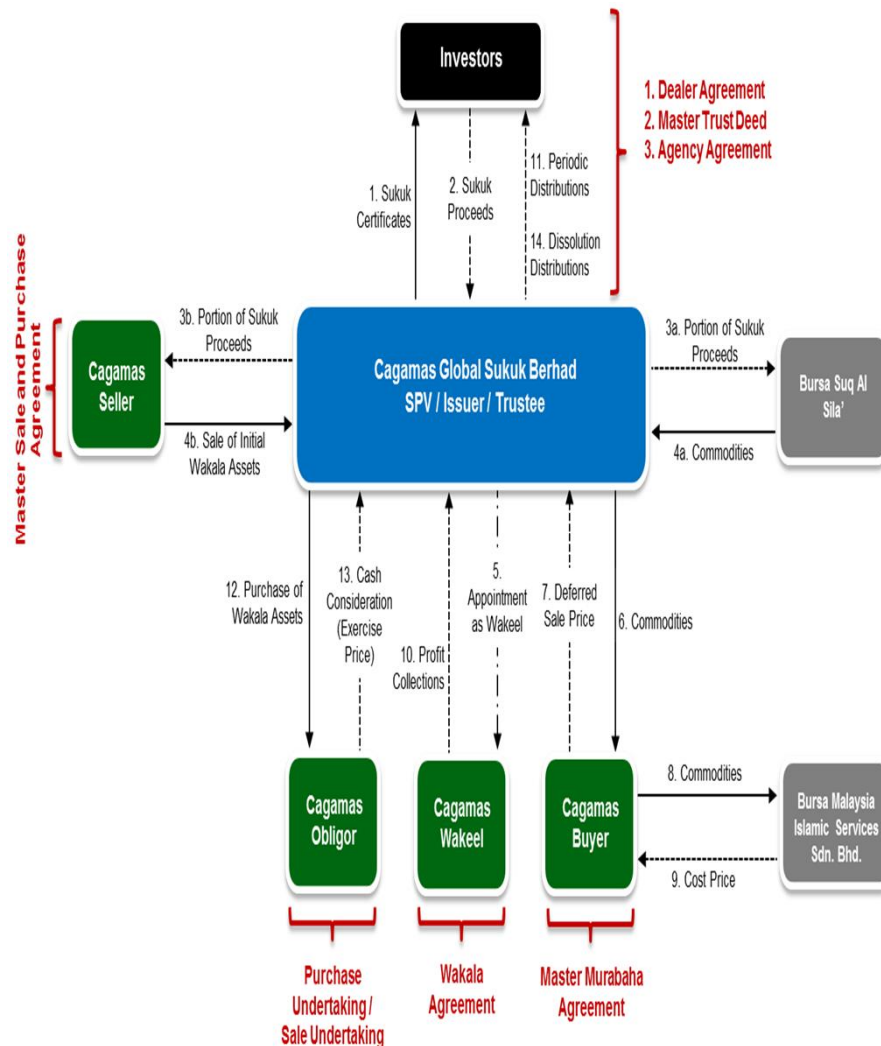
- Widening of the Company's investors base and network
- Diversify funding sources
- Achieve competitively priced funding from international liquidity pool
- Funding of potential purchase of non MYR assets
- Developmental role in deepening and broadening the Malaysian and international debt capital market

Programme Features:

	Multicurrency Medium Term Note Programme	
Type	Conventional	Islamic
Programme Size	USD 2.5 billion	USD 2.5 billion
Tenor	Perpetual	
Rating	A3 by Moody's Investors Service, Inc.	
Issue format	Regulation S	
Governing laws	English Law	



Overview of Sukuk Wakalah Structure under Multicurrency Medium Term Note Programme



Transaction Objective

- Create an international Shariah-compliant securities that are widely accepted and tradable in the domestic and international markets

Transaction Background

- Cagamas Global Sukuk Berhad ('CGSB'), a special purpose vehicle incorporated onshore in Malaysia and wholly owned by Cagamas Berhad ('Cagamas') will issue Sukuk Certificates to Investors in return for cash (the 'Sukuk Proceeds')
- CGSB (as Issuer) and its capacity as Trustee will declare a trust over the Sukuk Proceeds (any assets/investments acquired by using the Sukuk Proceeds) in favour of the Investors
- CGSB (as Trustee) will apply the Sukuk Proceeds according to the following tradability ratio:
 - no more than 66% will be utilised to purchase Commodities from Bursa Suq Al-Sila' and to sell such Commodities to Cagamas (as Buyer) at a Deferred Sale Price being the Commodity Murabaha Investment; and
 - the remainder of 34% shall be used to acquire the Initial Wakala Assets (or any Shariah-Compliant Investments) in the event Cagamas does not have sufficient Wakala Assets.

The Initial Wakala Assets and the Commodity Murabaha Investment will constitute the Sukuk Assets

- CGSB appoints Cagamas as its Wakeel to manage the Wakala Assets among others to generate the expected return, credit the profit collections to the Trustee and ensure that the tradability ratio is maintained at all times during the tenor of the Sukuk
- Cagamas (as Buyer) sells Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. ('BMIS'). Proceeds received from the sale of the Commodities are used to fund Cagamas' Islamic operations
- Cagamas undertakes to purchase the Wakala Assets and the Trustee is obliged to sell via purchase/sale undertaking at the maturity, event of default or cancellation of the Sukuk at the Exercise Price that will be sufficient to pay the dissolution amount or redeem the Sukuk

Transaction Highlights

- Comply with the requirements of global Shariah standards
- Preclude the contentious principles of Bai' Inah, Bai' Dayn and Tawarruq Munazzam
- Maintain the assets tradability ratio via discretionary and mandatory substitutions in the event of Impaired Wakalah Assets and purchasing additional Wakala Assets from time to time
- Sustain the Sukuk payment via Liquidity Facility in the event of shortfall payment by the Trustee and establishing the Reserve Account, if there is excess income





SECTION 3

Financial Highlights

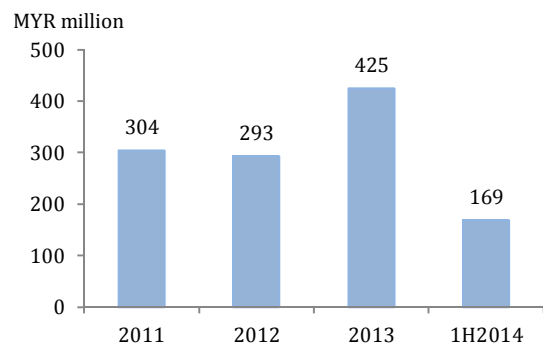


Summary Financial Highlights

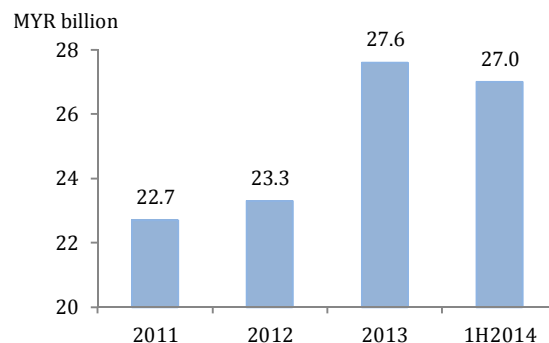


Healthy asset growth with sustained profitability

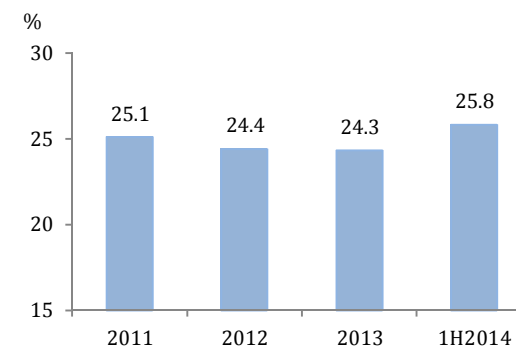
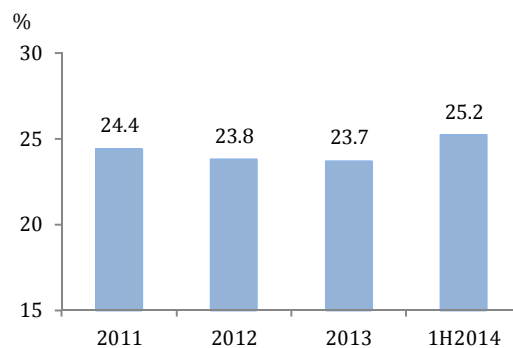
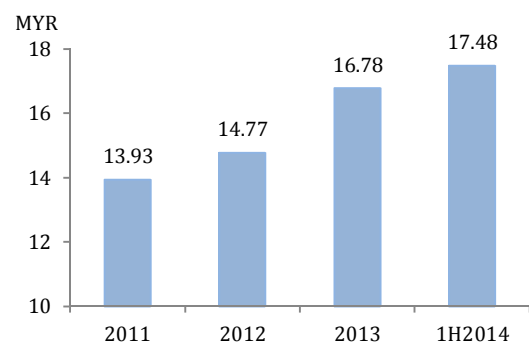
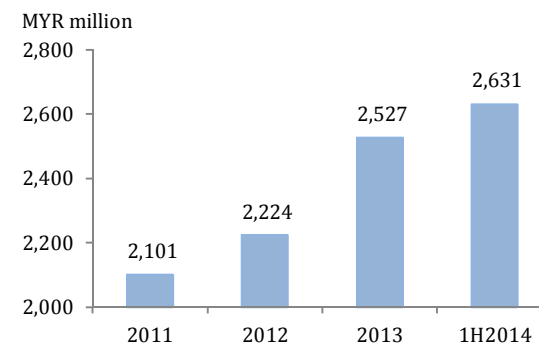
Profit Before Tax



Asset Size



Shareholders' Fund



Net Tangible Asset per share

Core Capital Ratio

Risk Weighted Capital Ratio



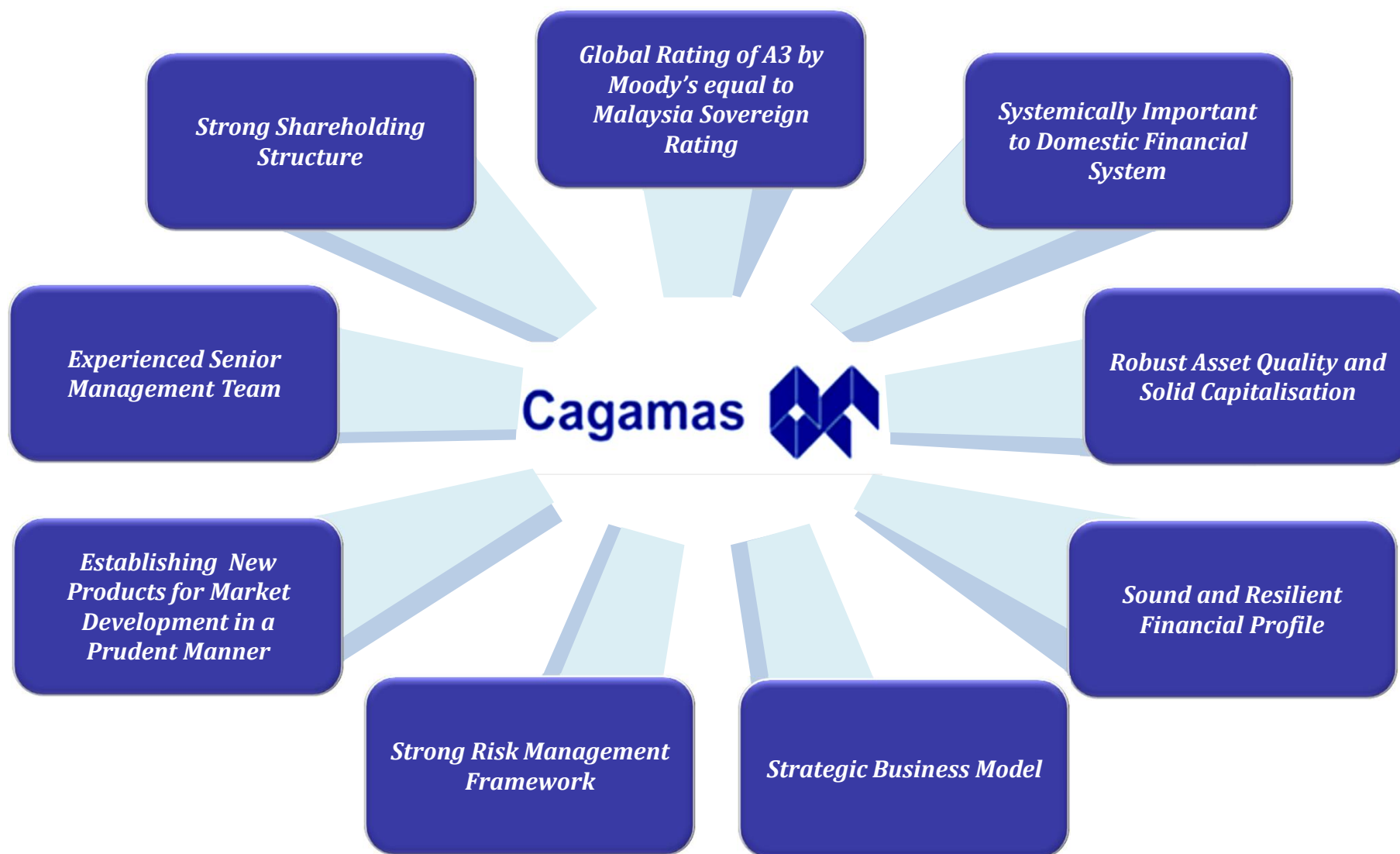


SECTION 4

Key Credit Strengths



Key Credit Strengths



Global Rating of A3 by Moody's Equal to Malaysia's Sovereign Rating



A3

HIGH SYSTEMIC
SUPPORT

from
Government of
Malaysia

STRONG CREDIT PROFILE

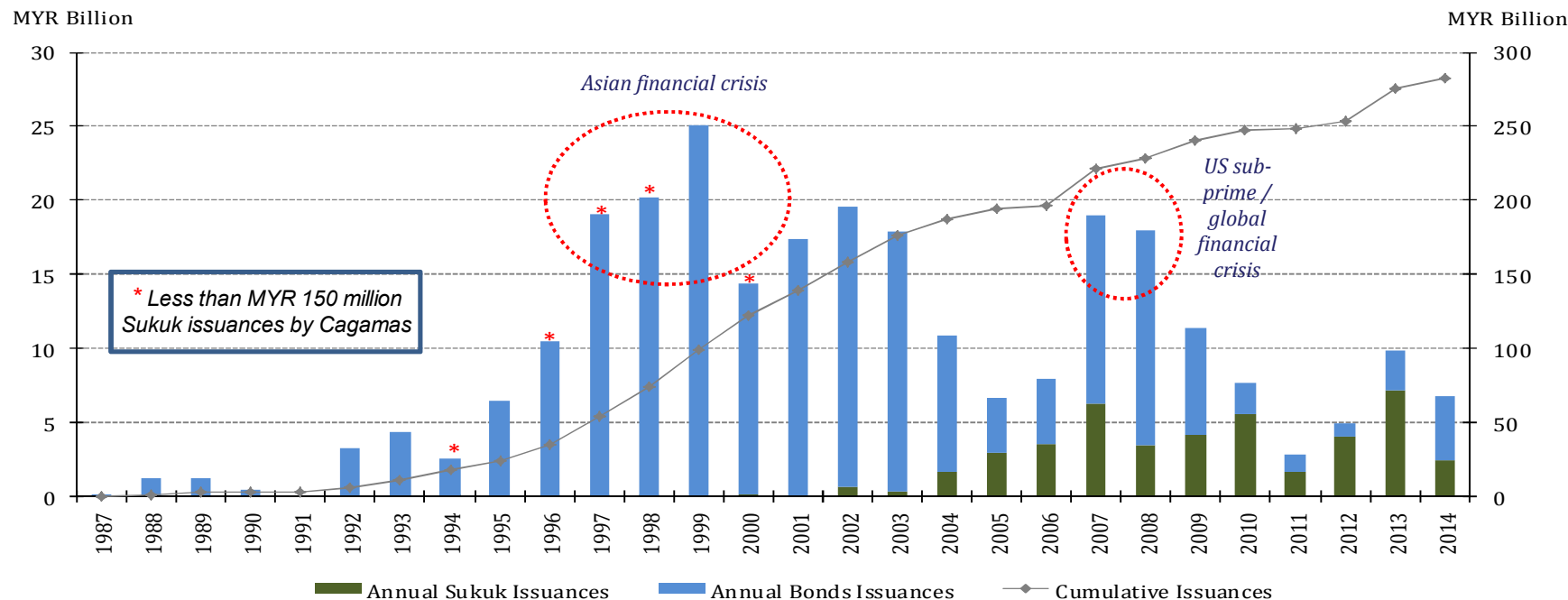
- ***Sovereign Equivalent Rating***

- ***Special policy role***
 - ✓ *Supporting the national objective to increase home ownership & promote development of Malaysia debt capital market*
- ***Close linkages with BNM and the Government***
- ***High systemic importance in Malaysian financial sectors***
 - ✓ *Significant linkage with other FIs and prominent role in the debt capital market*

- ***Strong Capitalisation***
- ***Good Asset Quality***
 - ✓ *Above-industry-average*
- ***Stable Profitability***



Systemically Important to Domestic Financial System



Cagamas plays a systemically important role in the domestic financial system, underscored by its dual function as liquidity provider and as a leading issuer of conventional debt securities and Sukuk

- Provide credit and portfolio risk management solutions
- Provide capital management solutions
- Conduit to remove systemic risk in the financial sector
- Conduit for best practices & setting up of standards – development of conforming financing standards
- Cagamas Group has issued papers worth MYR282.2 billion to the financial market and has successfully redeemed MYR251.0 billion with not even a single technical default as at Jan 2015



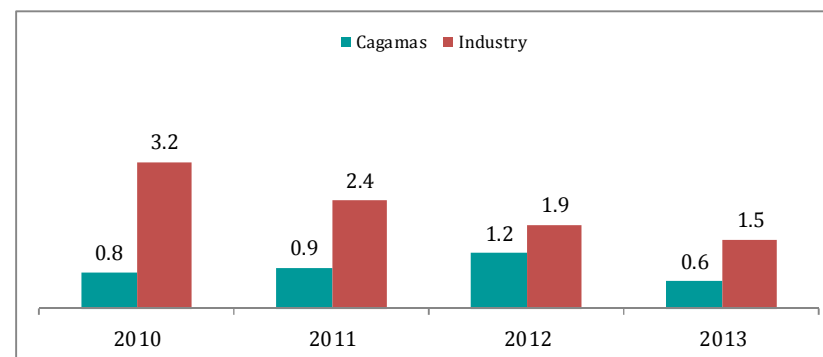
Robust Asset Quality and Solid Capitalisation



Cagamas' asset quality is robust, premised on its exposure to highly rated PWR counterparties and the provision of loans/financings with non-discretionary salary deduction at source as a key feature of its PWOR portfolio

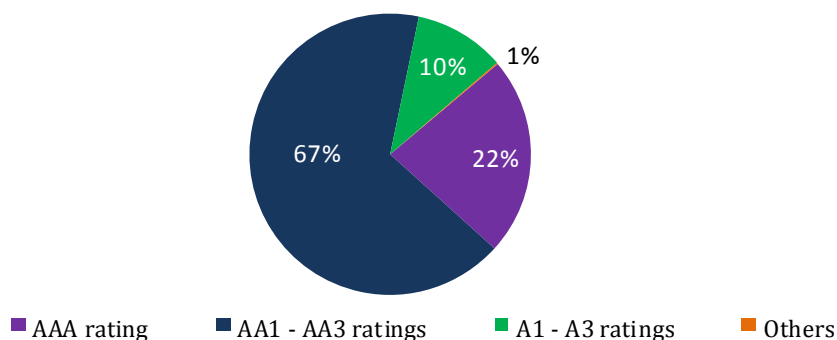
- ~ As at December 2014, more than **85%** of the Company's counterparties under the PWR scheme carried at least AA ratings. There has been zero impairment losses for PWR assets
- ~ The company's PWOR portfolio is considered healthy given that these receivables are subject to non-discretionary salary deductions at source. Cagamas' ratio of **loans/financings** that are 90 days past due came up to **0.6%** as at end-December 2013, lower than the Malaysian banking system's gross impaired loan/financing ratio of 1.53% for residential property mortgages
- ~ The ratio of its PWR and PWOR receivables stood at about **48:52**

Impaired Assets %



Source: Bank Negara Malaysia

Counterparties exposure by local ratings for PWR assets (%) as at Dec 2014



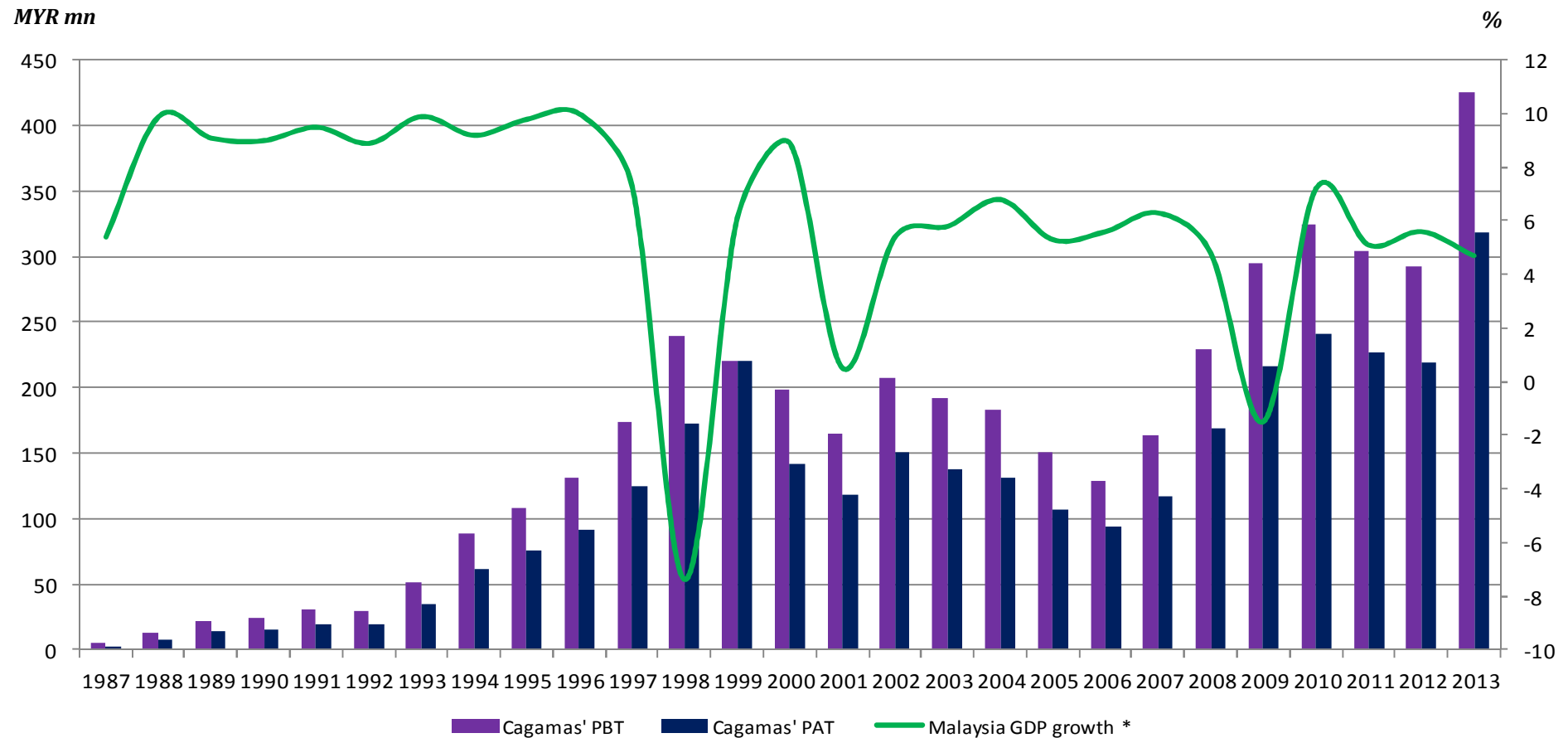
Collection exposure for PWOR assets (%) as at Dec 2014



Sound and Resilient Financial Profile



Cagamas consistently achieves strong and resilient profit since its inception, demonstrating that business can be managed in both prudent and profitable manner



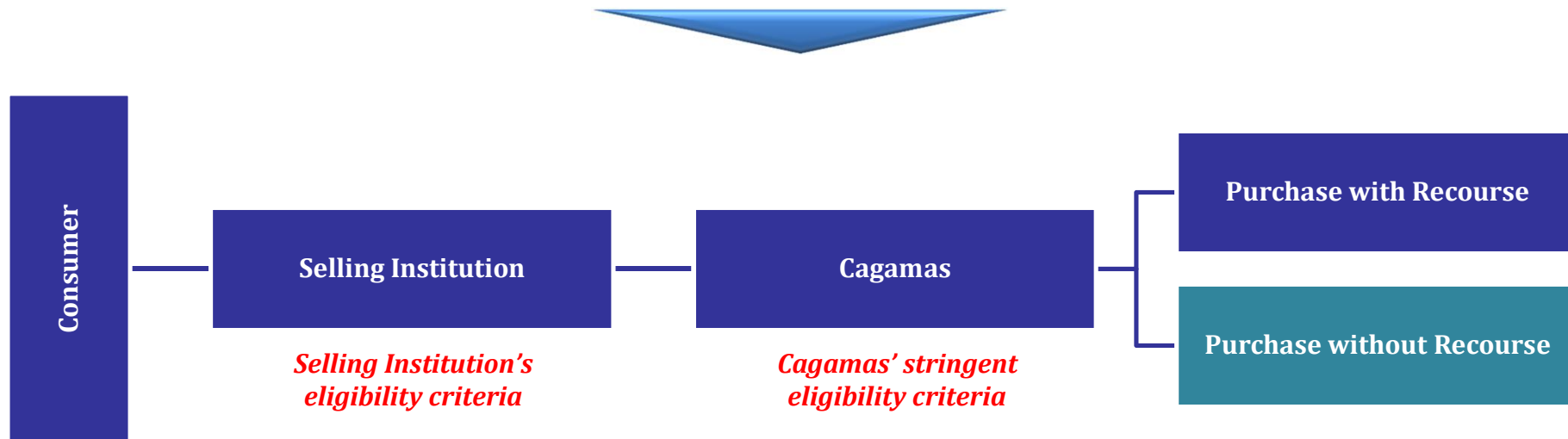
*Source: The World Bank
Department of Statistics Malaysia



Strategic Business Model



Since the commencement of operations in 1987, Cagamas has been a global role model of how emerging countries can establish successful secondary mortgage liquidity facilities



- *The Selling Institution will have applied its own eligibility criteria in granting the loan / financing to the consumer*
- *Cagamas will have applied its own stringent eligibility criteria in determining that the loan / financing to be purchased from the Selling Institution is of sufficient quality to maintain the high quality of Cagamas assets*

The success of Cagamas' business model has been recognised by other countries as well as the World Bank and the Asian Development Bank



Strong Risk Management Framework



The strong risk management framework is a major contributor to the highly successful Cagamas business model



- " Rigorous New Product Approval Process governing the end-to-end process for obtaining approval for all businesses/products.*
- " Identification of new products or variation of existing products by the Business Units;*
- " Robust process include setting up of a working committee to ensure new product is in line with the Company's objectives;*
- " Research and development shall be undertaken during the establishment to include essence of the product, risk profile of the product, impact on consumers/markets , legal, regulatory, tax, accounting and compliance requirements.*

Credit Risk Management

Limit

Eligible Criteria

Credit Approval Process

Liquidity Management

Strict Match Funding Policy

Reserves in cash & liquid assets

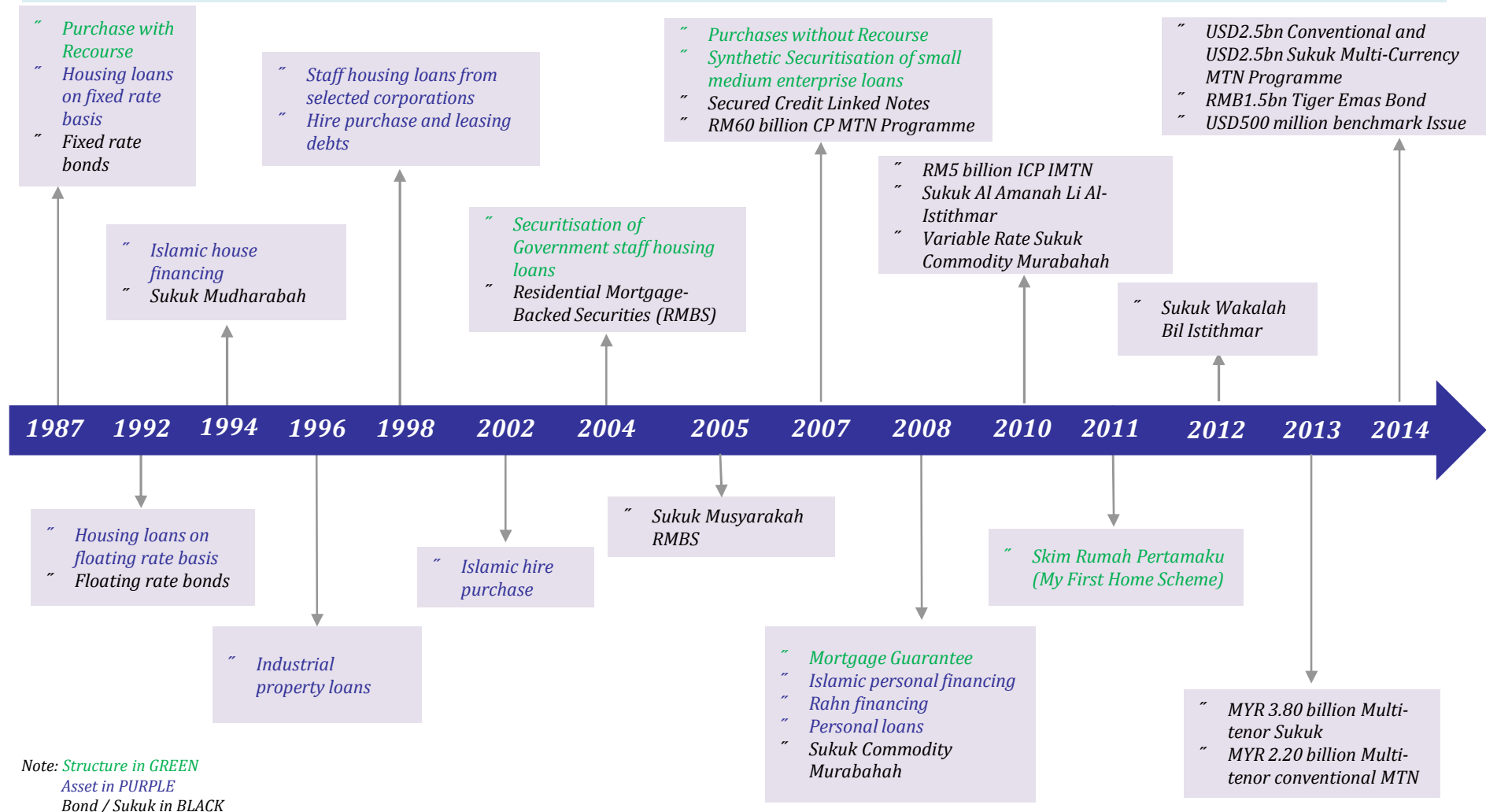
MYR and Multi-currency MTN Programme



Establishing New Products for Market Development in a Prudent Manner



Cagamas has strong expertise with 28 years of successful operations





Thank You

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