



Cagamas Berhad (157931-A)

National Mortgage Corporation of Malaysia



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- Section 1** Company Overview
- Section 2** Business Overview
- Section 3** Key Credit Strengths
- Section 4** Developing the Capital Market





SECTION 1

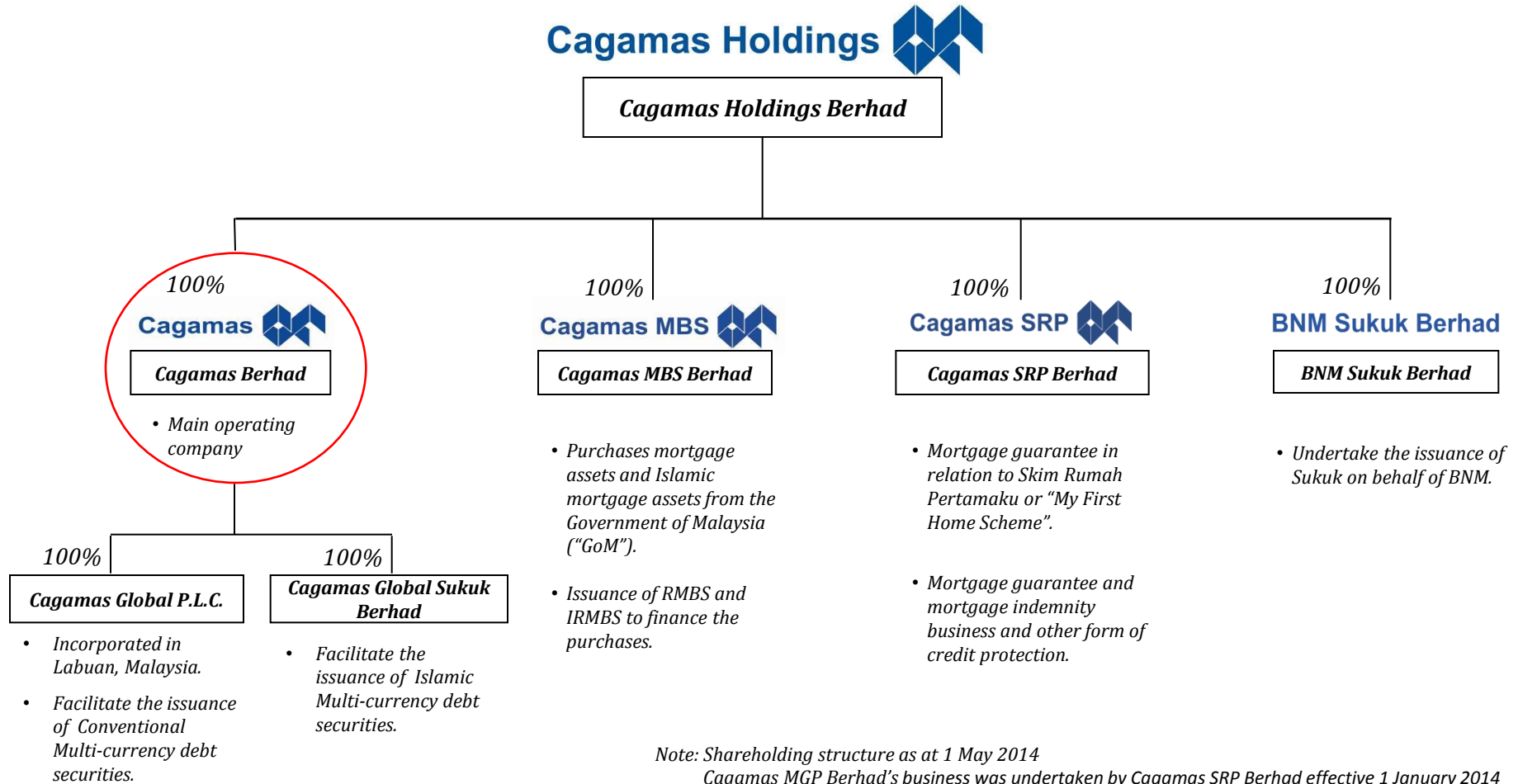
Company Overview



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



Note: Shareholding structure as at 1 May 2014

Cagamas MGP Berhad's business was undertaken by Cagamas SRP Berhad effective 1 January 2014

Cagamas SME Berhad's synthetic securitisation transaction was completed in October 2012

Shareholding Structure



➤ Shareholders Demographics:-



Top 10 Shareholders as at **1 May 2014**

 **BANK NEGARA MALAYSIA**
CENTRAL BANK OF MALAYSIA

Moody's Rating: **A3***
Shareholding: **20%**

 **CIMB**

Moody's Rating: **A3**
Shareholding: **16.5%**

 **Maybank**

Moody's Rating: **A3**
Shareholding: **14.2%**

 **AmBank**

Moody's Rating: **Baa1**
Shareholding: **8.0%**

 **PUBLIC BANK**

Moody's Rating: **A3**
Shareholding: **7.0%**

Others

Board of Cagamas Holdings / Cagamas Berhad

- **Dato' Ooi Sang Kuang** – Former Deputy Governor of BNM
- **Mr. Marzunisham bin Omar** – Assistant Governor of BNM
- **Dato' Halipah Binti Esa** – Former Deputy Secretary General of Ministry of Finance

- **YM Tengku Dato' Zafrul Tengku Abdul Aziz** – CEO/Executive Director of CIMB Investment Bank

- **Datuk Abdul Farid Alias** – CEO of Maybank

- **Mr. Cheah Tek Kuang** – Deputy Chairman of AmBank

- **Tan Sri Dato Sri Tay Ah Lek** – Managing Director of Public Bank



* Bank Negara Malaysia's implied rating is based on Malaysia's sovereign rating of A3



Key Financial Highlights	Cagamas Holdings	Cagamas Berhad
Profit before tax and zakat (MYR mn)	703	425
Asset size (MYR mn)	36,420	27,595
Shareholders' funds (MYR mn)	4,765	2,527
Core Capital Ratio (%)	38.4	23.7
Risk Weighted Capital Ratio (%)	33.5	24.3





SECTION 2

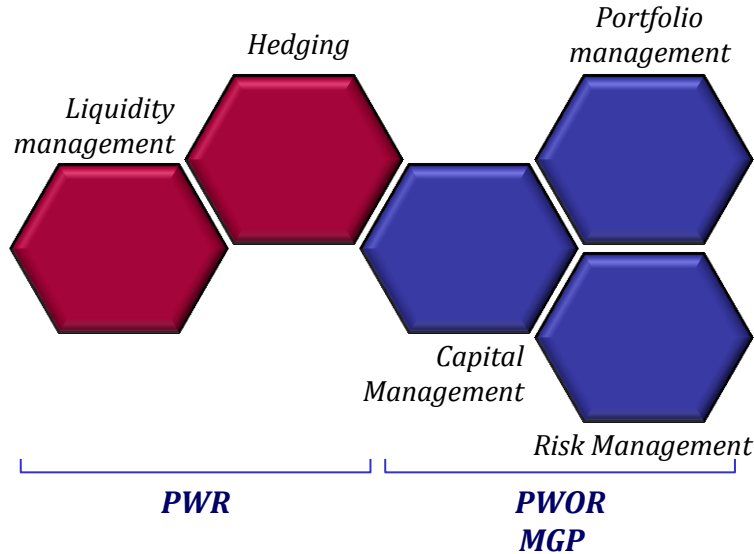
Business Overview





In its unique way, Cagamas successfully benefits the financial institutions by providing liquidity management, hedging solutions, capital management, portfolio management and risk management

- Cagamas offers the following tools to the financial institutions:-



- Cagamas purchases both conventional and Islamic loans/ financing and fund the purchases through the issuance of bonds/sukuk
- Loans / financing are purchased either on a with recourse to the originator basis (PWR); or on a without recourse basis (PWOR)
- MGP offers 'first loss' protection on a mortgage portfolio while the mortgage assets remain on the Originator's books

* Under Cagamas SRP

Type of Loans / Financing Purchased:

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
- Ar Rahnun Financing

Purchase without Recourse (PWOR)

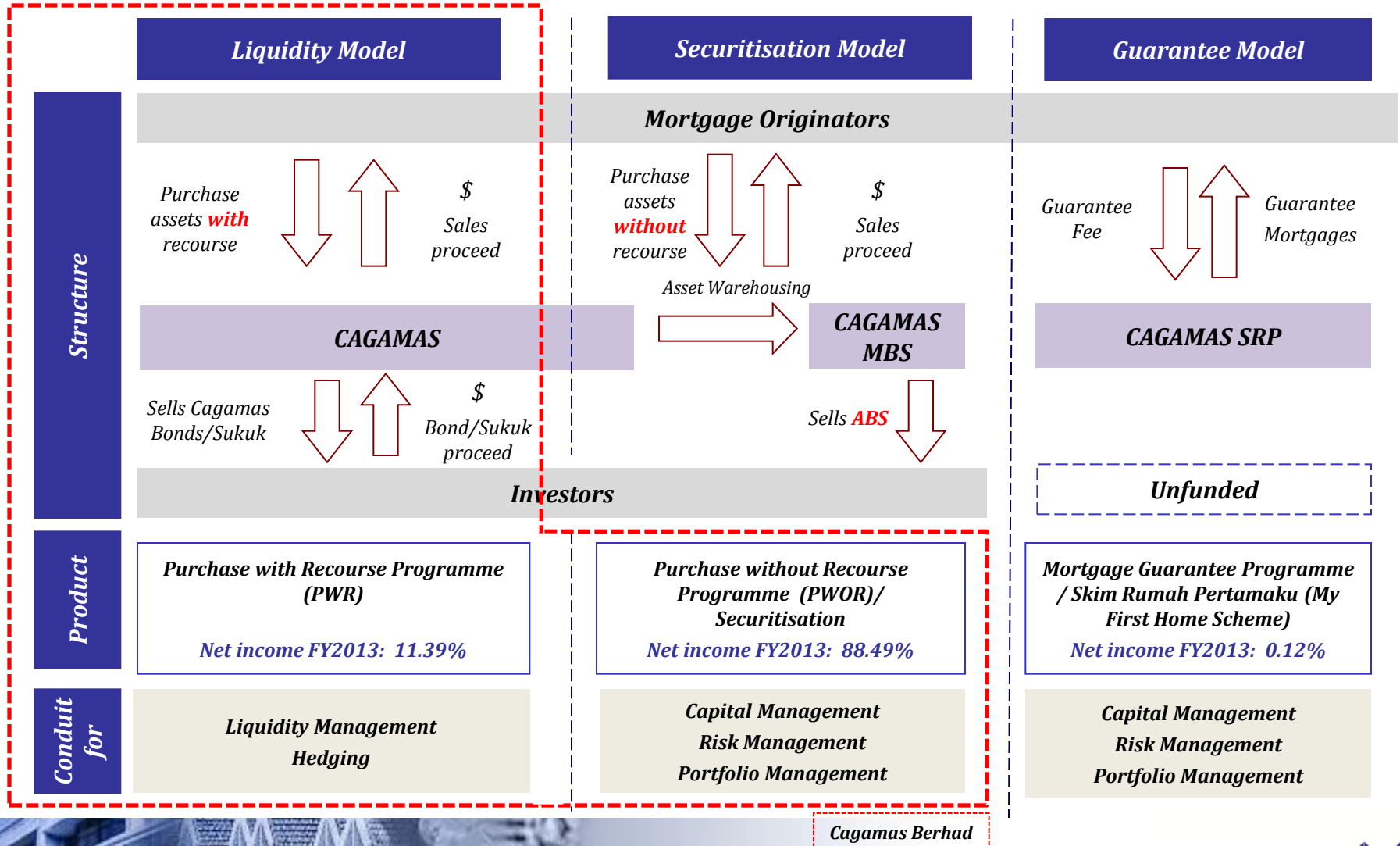
- Housing Loans
- Islamic House Financing
- Hire Purchase
- Islamic Hire Purchase Leasing

Mortgage Guarantee Programme (MGP)*

- Housing Loans
- Islamic House Financing
- Skim Rumah Pertamaku ("SRP")/My First Home Scheme

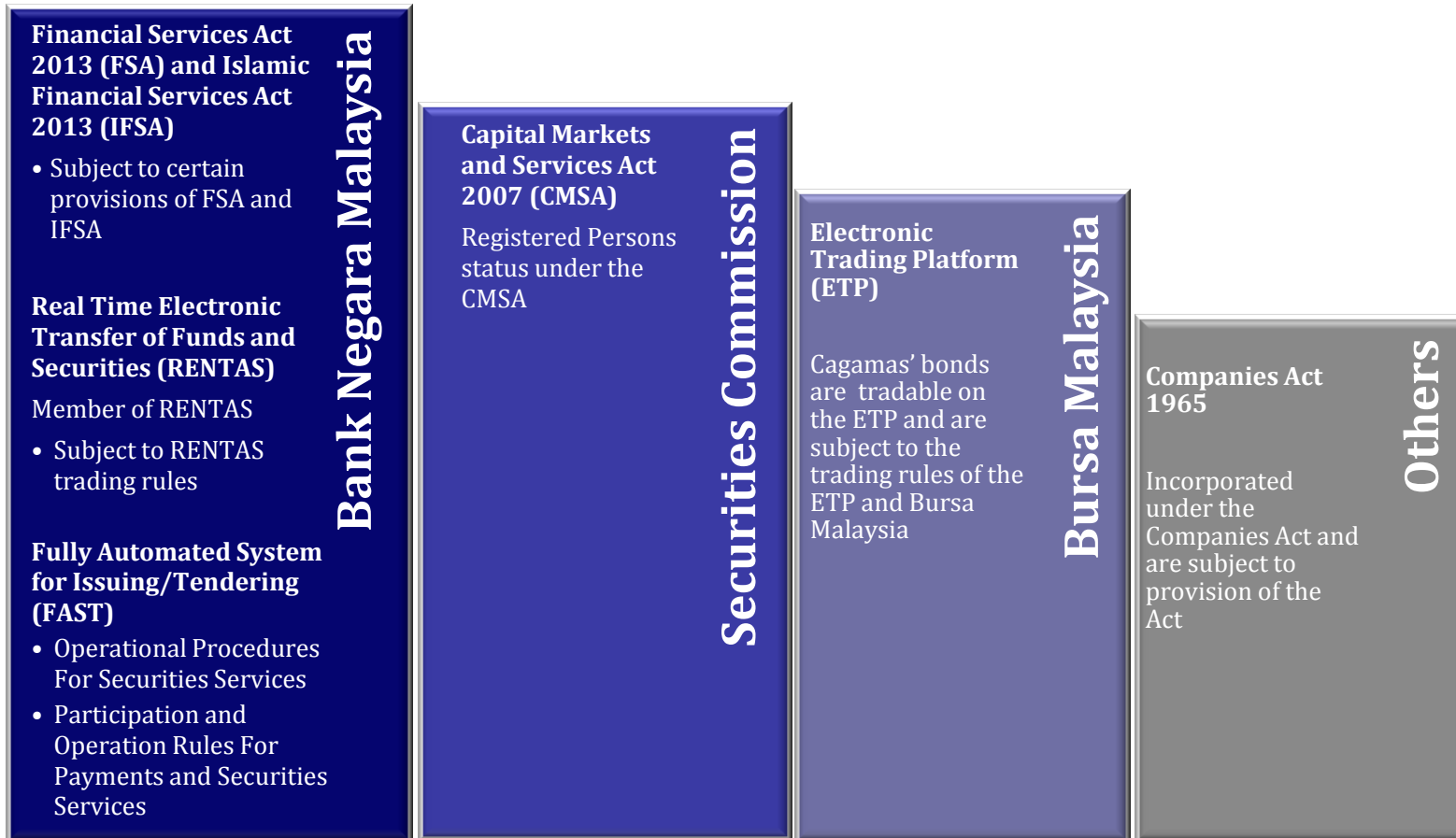


Cagamas purchases loans and financing under 2 schemes - Purchase with Recourse and Purchase without Recourse





Cagamas is governed by the following regulations under the respective authorities





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	<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.*

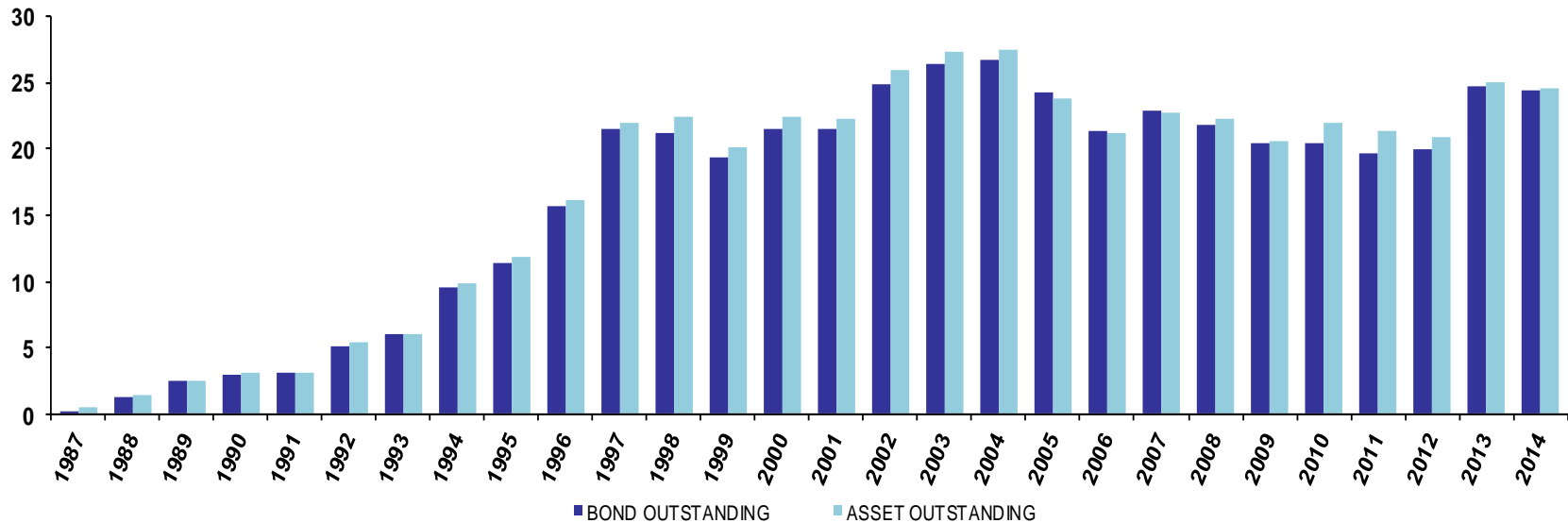
4. *Real Time Electronic Transfer of Funds and Securities is a real time gross settlement system for transfer and settlement of interbank funds and scripless securities transactions.*



Cagamas practices a strict match-funding policy where all asset purchases are funded by bonds of matching size, duration and self-sufficient in cash flows

Cagamas Outstanding Bonds and Assets since Inception (As at March 2014)

MYR billion



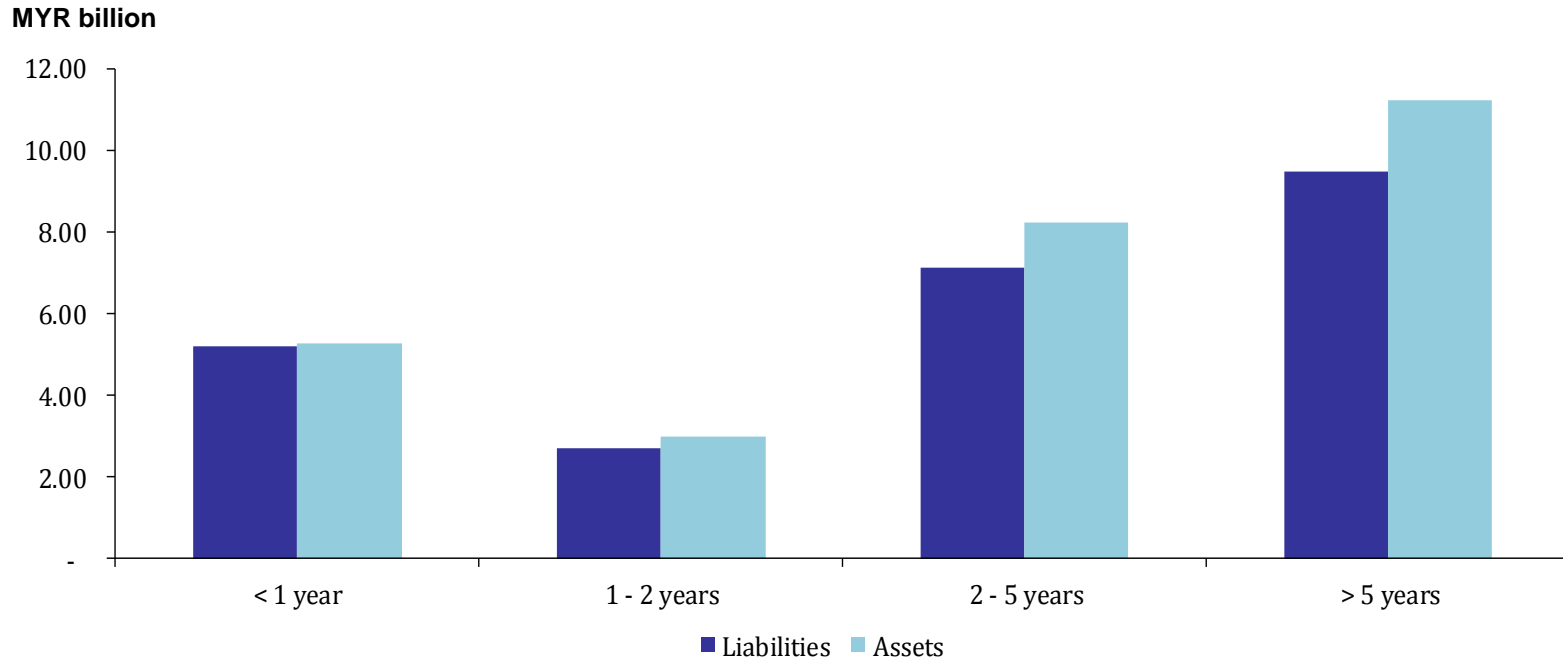
Cagamas also imposes a duration gap limit to manage liquidity and interest rate risks





Maturities of assets and liabilities are matched as closely as possible

Maturity Profile of Assets and Bonds (As at March 2014)



Cagamas places limits on maximum shortfall against shareholders' funds and liquidity ratio to ensure sufficient funds to meet maturing liabilities

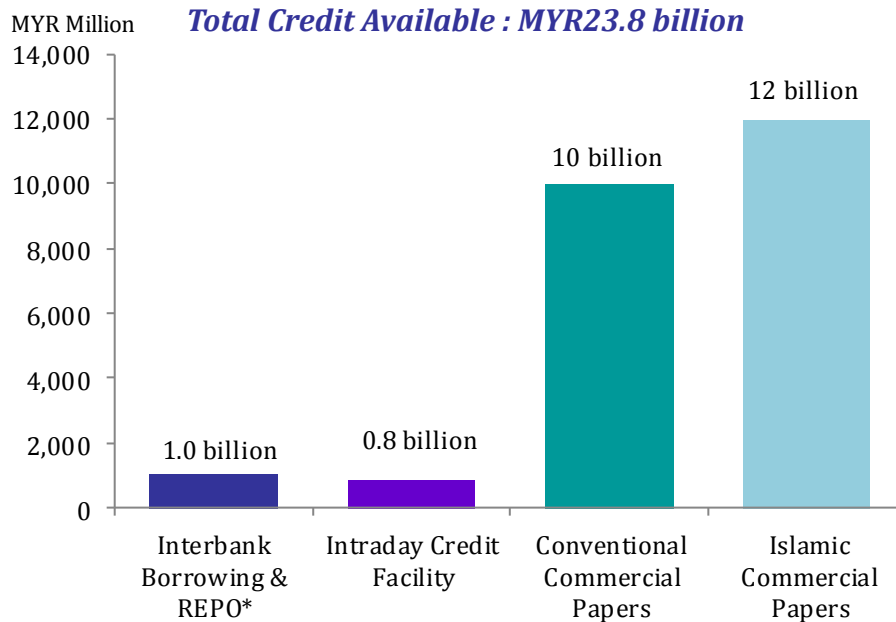
As at March 2014, Cagamas holds MYR2.4 billion in cash and liquid assets





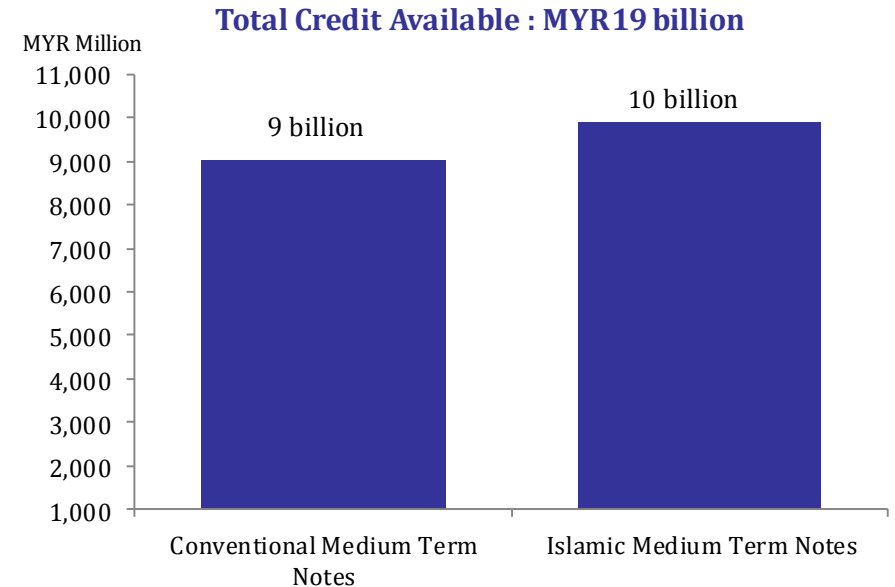
Cagamas has access to interbank borrowing, repurchase agreement (REPO) facility and intraday credit facility provided by Bank Negara Malaysia

Available Credit – Short Term (As at April 2014)



* Assume RM100 million available lines each from top 10 shareholders

Available Credit – Long Term (As at April 2014)



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

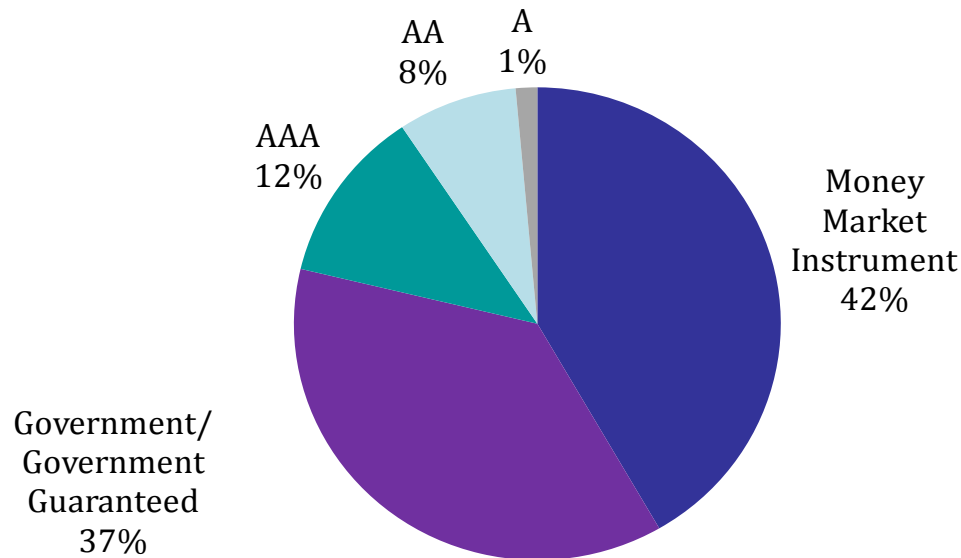




Cagamas maintains at least 75% of its investment portfolio in highly-rated instruments and conducts regular credit reviews on counterparties and issuers

Investment Portfolio (As at April 2014)

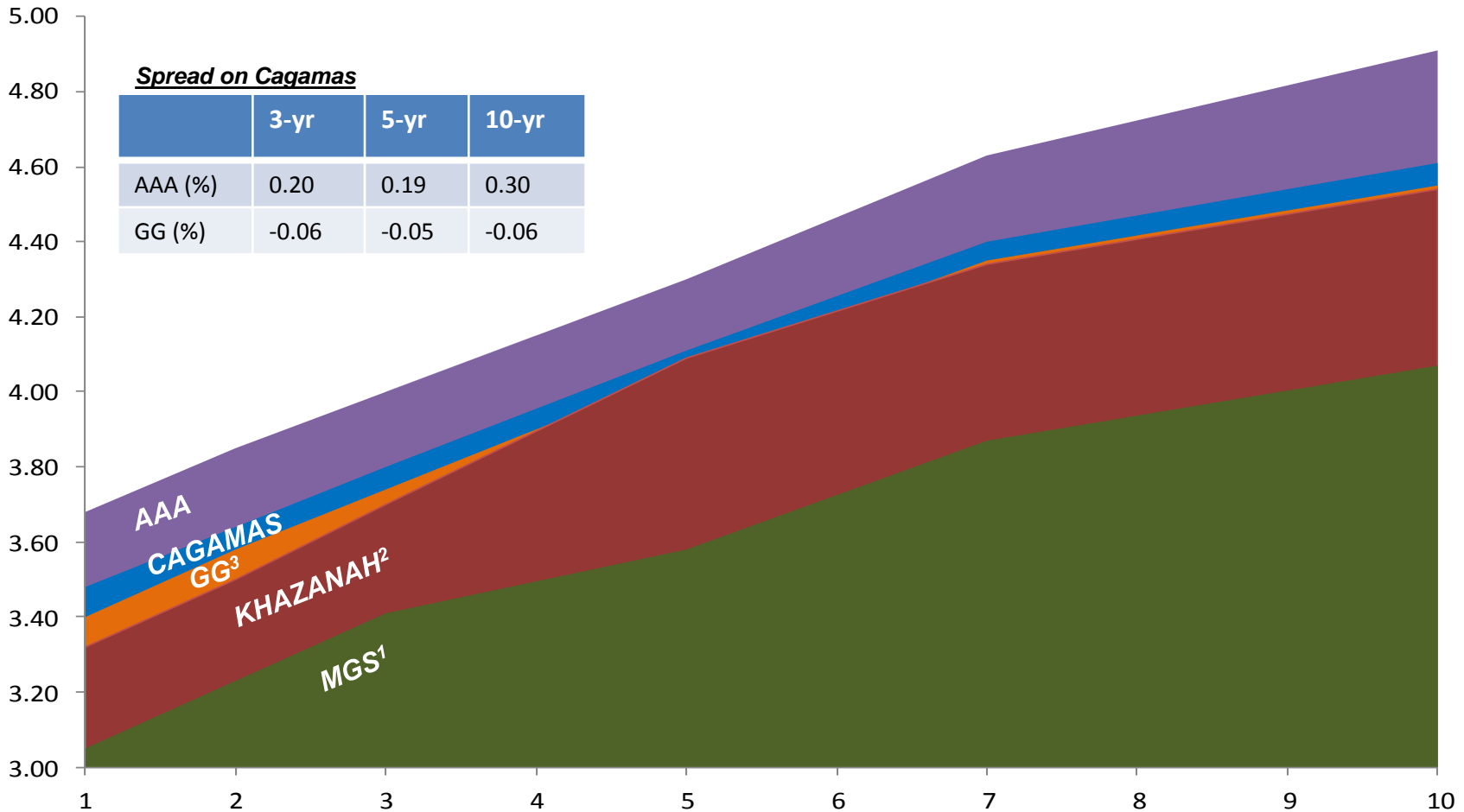
Total Investment Portfolio Value: MYR2.4 billion





Bond Yield Comparison

Yield to maturity (%)



1. Malaysian Government Securities
2. Investment holding arm of Government of Malaysia
3. Government-Guaranteed Papers

Tenure (years)

Source: Bond Pricing Agency Malaysia as at 30 Apr 2014

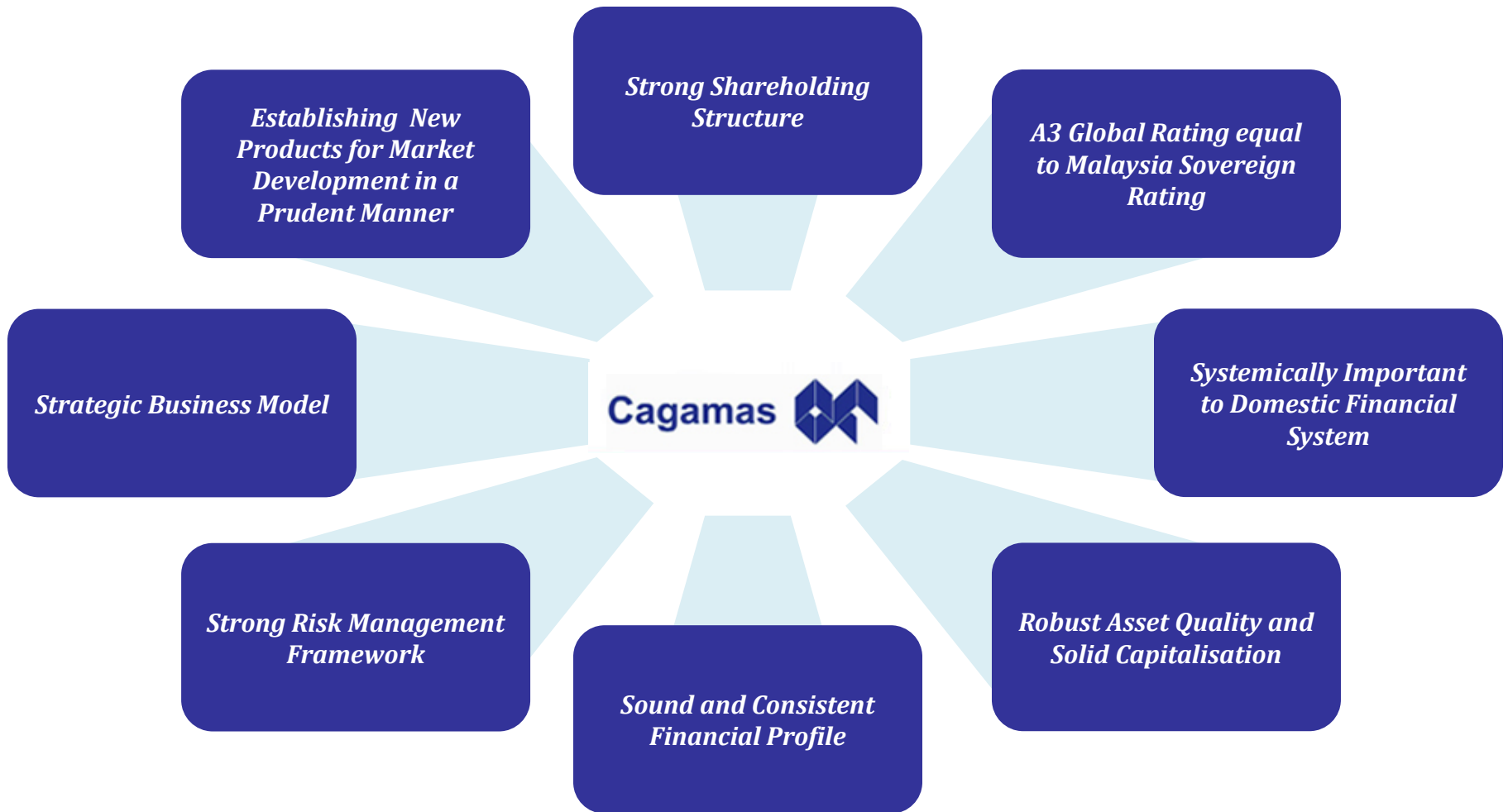




SECTION 3

Key Credit Strengths







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**

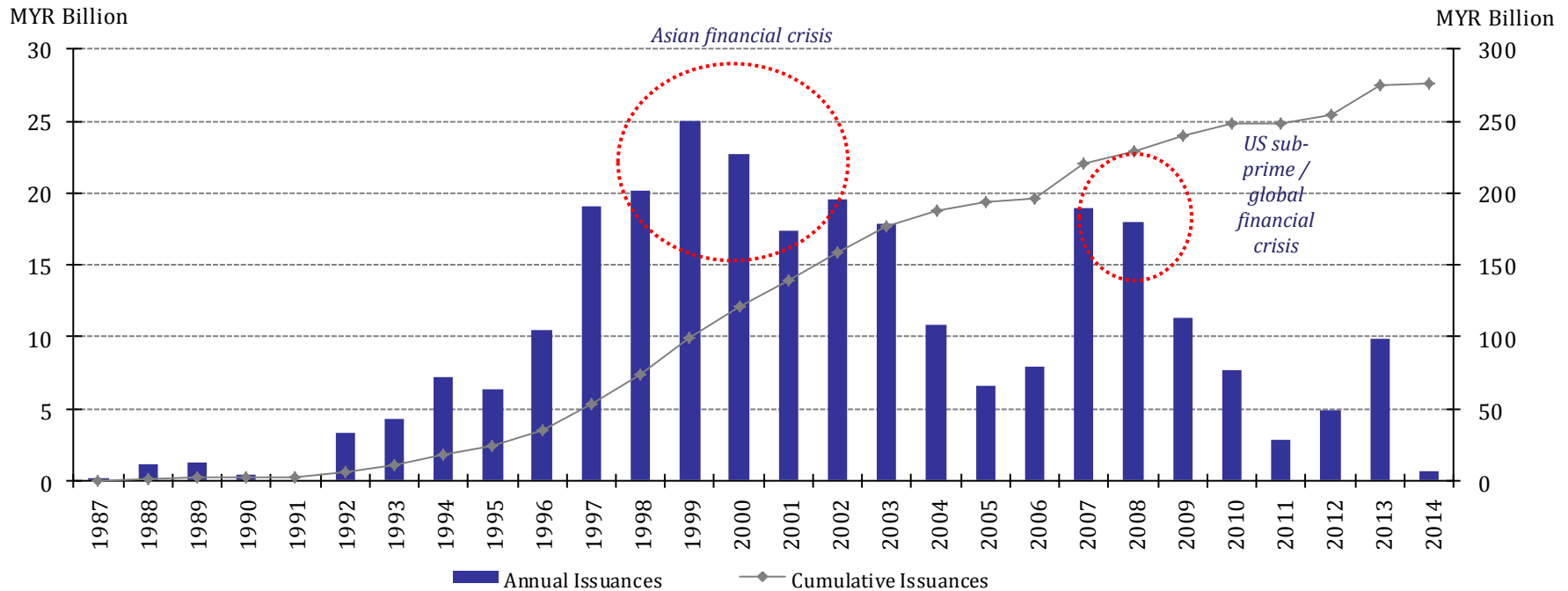


Systemically Important to Domestic Financial System



Strategic role in the stabilisation of the financial sector in Malaysia with resilient performance throughout the cycles

- 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 has issued papers worth MYR276.2 billion to the financial market and has successfully redeemed MYR246.1 billion with not even a single technical default as at April 2014.

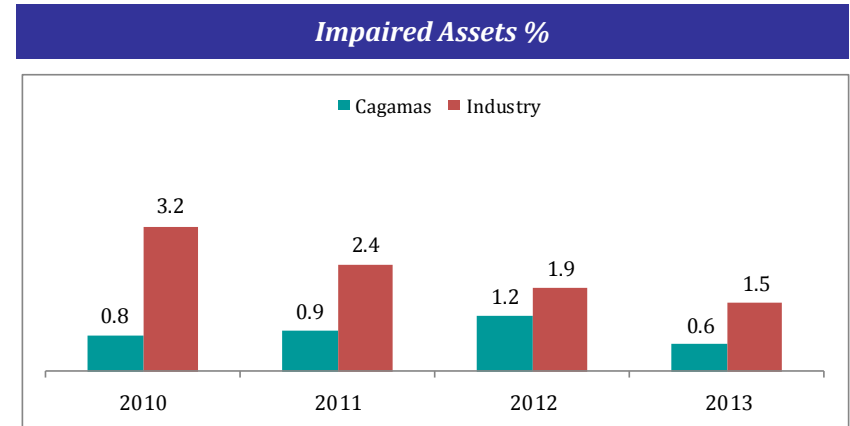


Robust Asset Quality and Solid Capitalisation

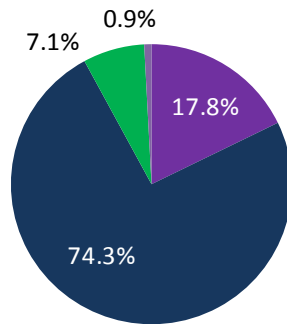


Cagamas' asset quality is robust, premised on its exposure to highly rated PWR counterparties and the provision of loans / financing with non-discretionary salary deduction at source as a key feature of its PWOR portfolio

- As at April 2014, more than **90%** 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 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 ratio of 1.53% for residential property mortgages
- The ratio of its PWR and PWOR receivables stood at about **40:60**

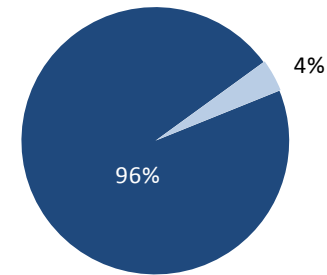


Counterparties exposure by ratings for PWR assets (%) as at Mar 2014



■ AAA rating ■ AA1 - AA3 ratings ■ A1 - A3 ratings ■ Others

Counterparties exposure for PWOR assets (%) as at Mar 2014



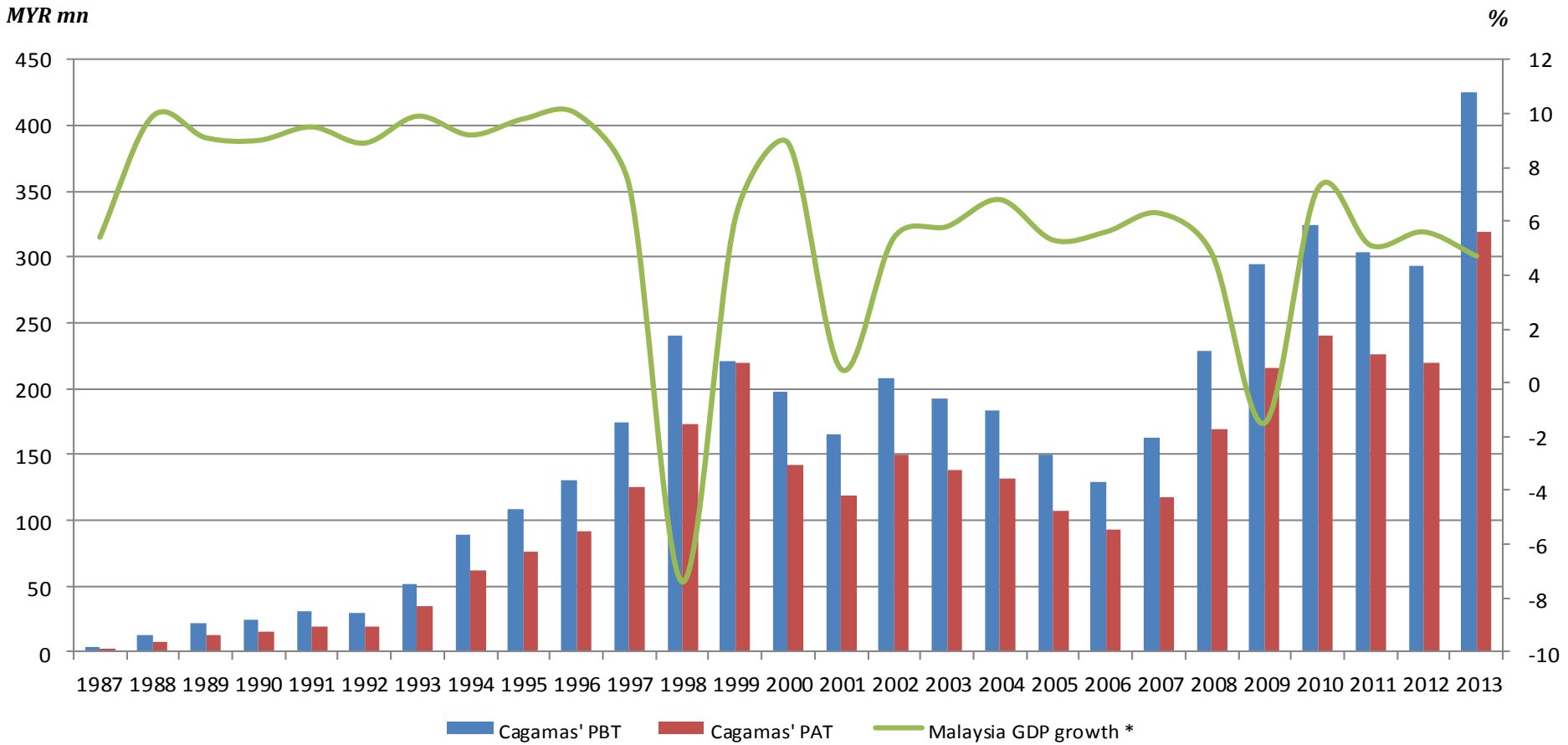
■ Government Staff ■ Government Linked Company



Sound and Consistent 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



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

Limits

Eligible Criteria

Credit Approval Process

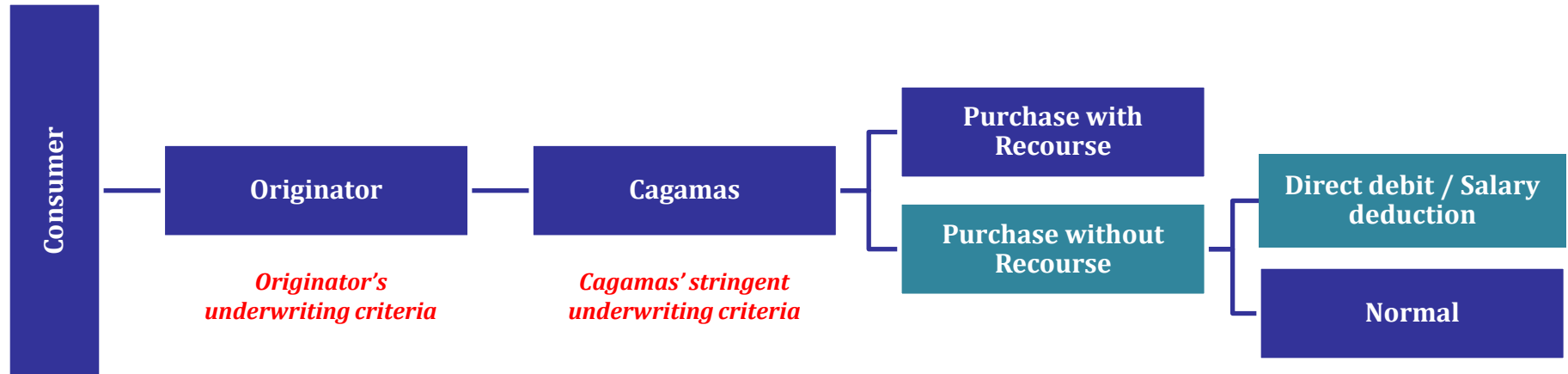
Liquidity Management

Strict Match Funding Policy

Reserves in cash & liquid assets



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



- *Cagamas' business model is a unique secondary mortgage market conduit for emerging economies*
- *Under its business model, Cagamas has its own stringent underwriting criteria which minimises the risk exposure of Cagamas*

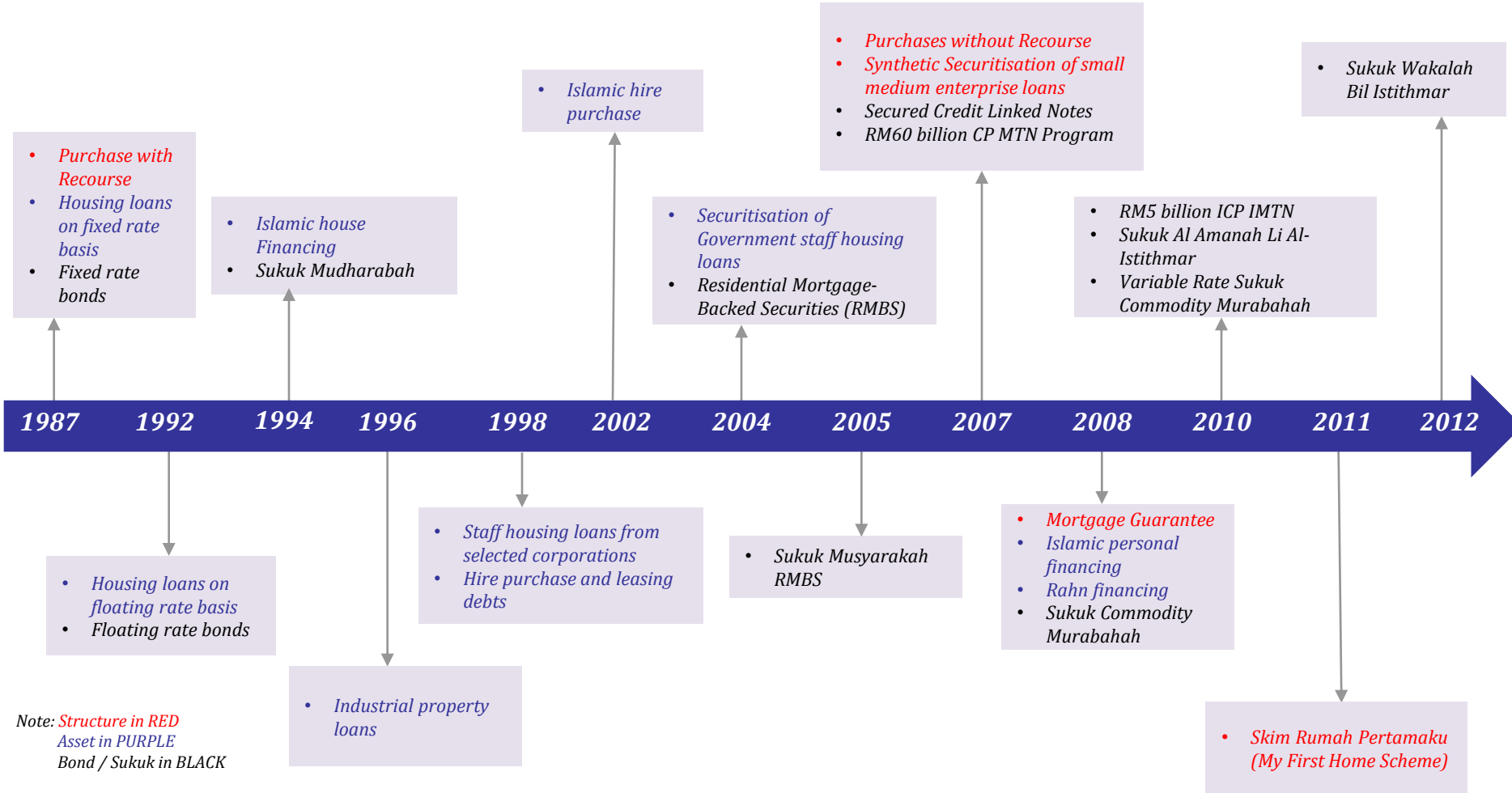
The success of Cagamas' business model has been recognised by other countries as well as the World Bank and the Asian Development Bank



Establishing New Products for Market Development in a Prudent Manner



Cagamas has strong expertise with 26 years of successful operations





SECTION 4

Developing the Capital Market



Role of Cagamas in Developing the Capital Market



Cagamas complements its role as a provider of competitively priced liquidity to the financial system with developing the bond market through innovation.

- *Malaysia's largest and longest RM60 billion 40-year Commercial Paper/Islamic Commercial Paper (CP/ICP) and Medium Term Note/Islamic Medium Term Note (MTN/IMTN) programme*
- *Open ended IMTN programme incorporating the Syariah principles of Murabahah, Ijarah, Musyarakah, Mudharabah, Istisna and Wakalah Bil Istithmar.*
- *Largest and longest dated corporate Sukuk transaction in Malaysia - RM2.015 billion Sukuk Commodity Murabahah*
- *Largest ever transferrable and tradable variable rate Commodity Murabahah notes issuance by a corporate in the Ringgit market*
- *Globally Syariah compliant RM5 billion Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) programme*
- *Multi-tenured Asset Backed Securities – Conventional and Islamic Residential Mortgage Backed Securities (RMBS/IRMBS)*
- *Synthetic Securitisation - (SME)*

Types of Cagamas Conventional Bonds & Sukuk:

	Conventional	Islamic
Short Term	Short-term Notes / Commercial Paper	Islamic Short-term Notes / Commercial Paper
Long Term	<ul style="list-style-type: none"> • Medium Term Note • Fixed Rate Bond • Floating Rate Notes • Residential Mortgage-Backed Securities 	<ul style="list-style-type: none"> • Sukuk Commodity Murabahah (SCM) • Sukuk al-Amanah Li al-Istithmar (ALIm) • Sukuk Wakalah Bil Istithmar (SWABI) • Islamic Residential Mortgage-Backed Securities



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

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	

Comparative Pricing:

Tenure (year)	Indicative Cagamas Bond Yield*		
	USD Pricing (%)	Spread against 3M Libor (bps)	Spread against UST (bps)
3	1.66	+ 77	+ 89
4	2.22	+ 94	+ 108
5	2.62	+ 100	+ 110

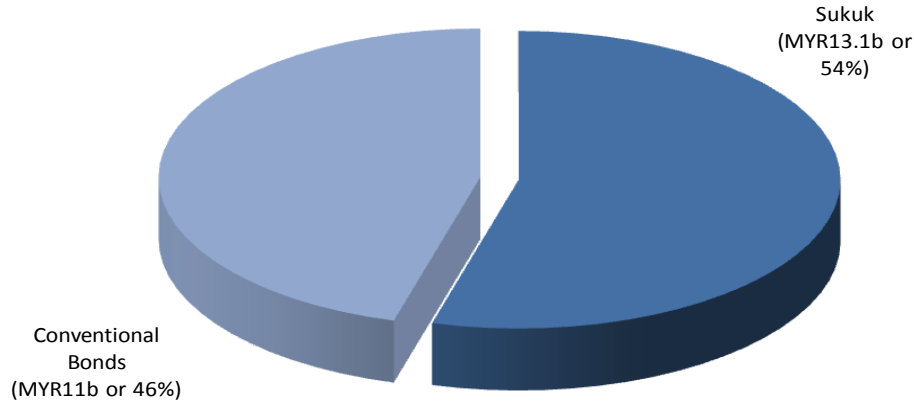
*As at 28 May 2014



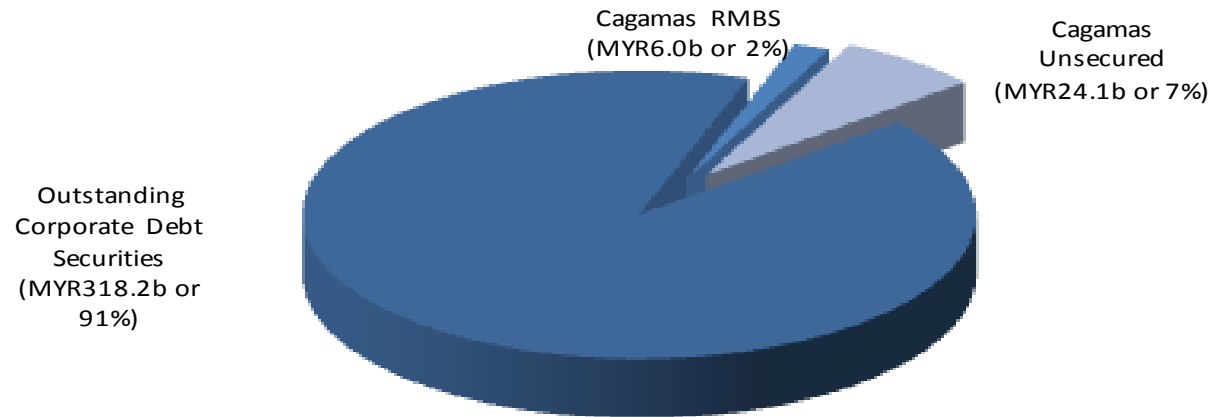
Outstanding Cagamas Unsecured Bonds



Outstanding Unsecured Cagamas Bonds : MYR24.1 billion



Outstanding Cagamas Bonds in the Corporate Debt Securities Market



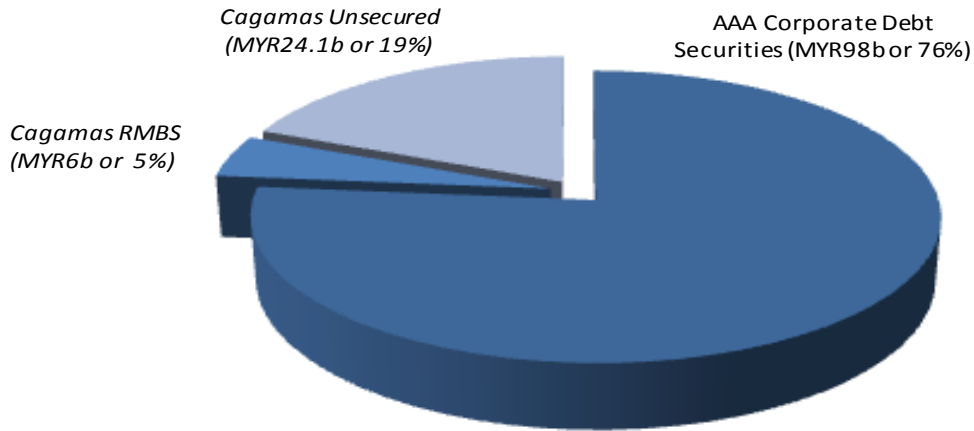
**As at 30 April 2014*



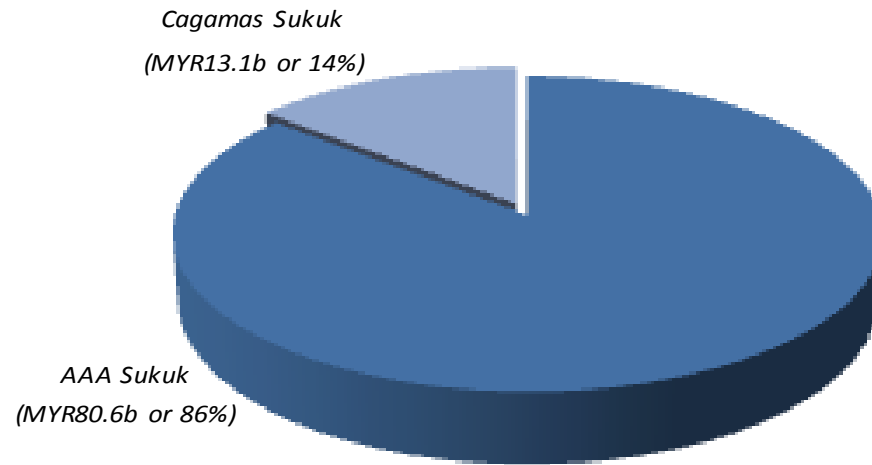
Outstanding Cagamas Bonds against AAA Debt Securities



Outstanding Cagamas Bonds in the AAA Corporate Debt Securities Market



Outstanding Cagamas Sukuk in the AAA Sukuk Market



*As at 30 April 2014



Outstanding Cagamas RMBS Bonds



Outstanding Cagamas RMBS : MYR6 billion

Conventional RMBS
(MYR3.2b or 53%)



Islamic RMBS
(MYR2.8b or 47%)

Outstanding Cagamas RMBS in the ABS Market

Cagamas RMBS
(MYR6.0b or 43%)

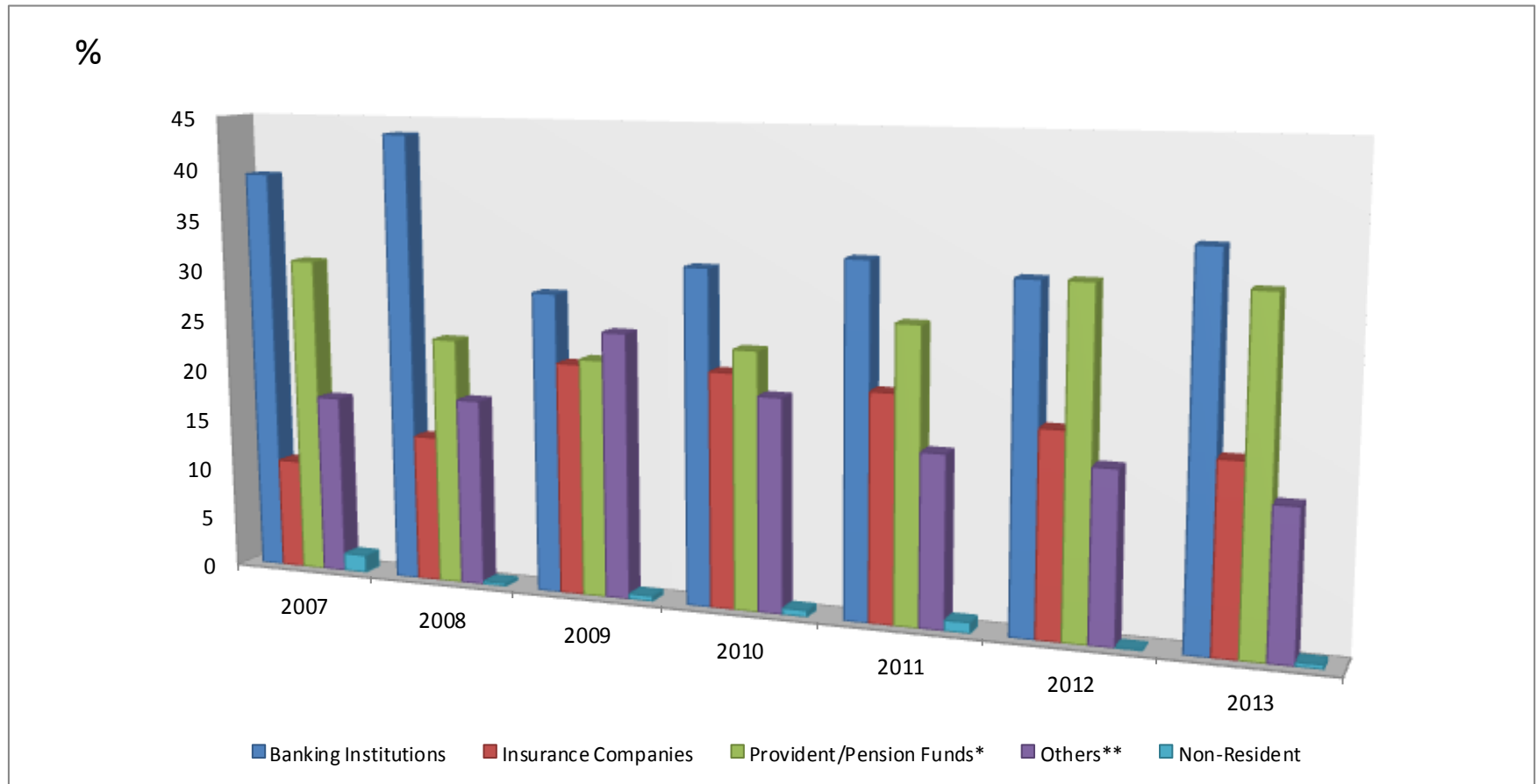


Other ABS
(MYR8.0b or 57%)

*As at 30 April 2014



Investors Profile – Cagamas Unsecured Bonds

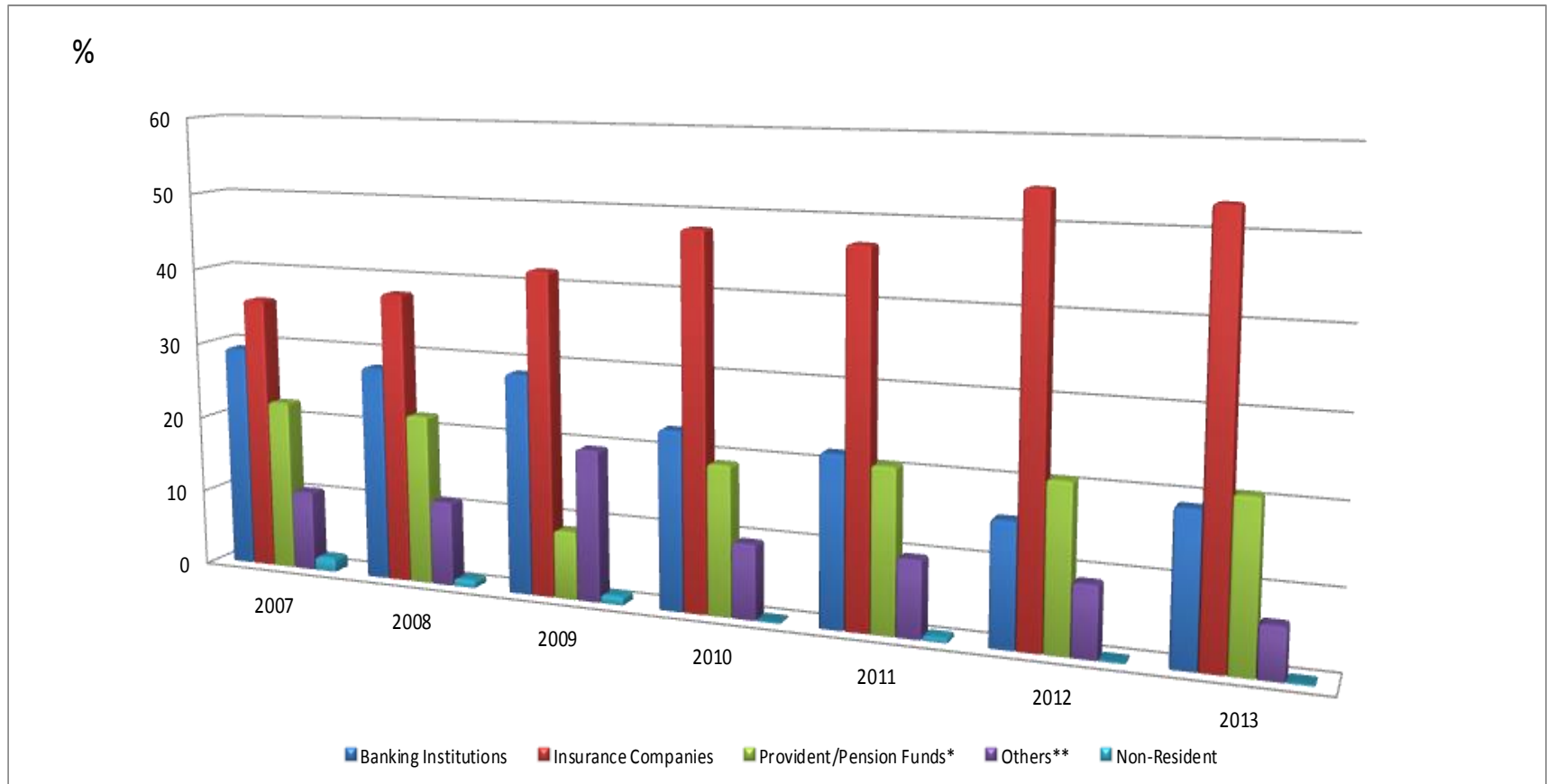


* Pension Funds – EPF, KWAP and SOCSO

** Others – Corporations, Government-Linked Companies and Trust Funds



Investors Profile – Cagamas RMBS Bonds



* Pension Funds – EPF, KWAP and SOCSO

** Others – Corporations, Government-Linked Companies and Trust Funds



Key Features of Cagamas Debt Securities























- A3 local and foreign currency long-term issuer ratings and Prime-2 (P-2) local and foreign currency short-term issuer ratings, at par with Malaysia's sovereign rating by Moody's Investors Service.
- Cagamas Berhad has also been accorded the global ratings of gA2/Stable/gP1 by RAM Ratings correlated with Malaysia's sovereign ratings by RAM.
- Maintains the highest rating of AAA since assigned in 2002.
- Nil Default Rate.

	Regulatory Treatment for Cagamas debt securities issued before 4 September 2004	Revised Regulatory Treatment for Cagamas debt securities issued after 4 September 2004
Risk weight under the Risk Weighted Capital Ratio framework	10%	20%
Liquefiable assets status under the liquidity framework	Class-1 liquefiable	Class-2 liquefiable
Yield slippage under the liquidity framework	4%	6%
Single Customers Credit Limit (SCCL)	Exempted from SCCL	Subject to SCCL of 25% of the total capital funds
Mode of primary issuance	Through Principal Dealers' network	Not through Principal Dealers' network
Holdings by insurance companies	Low risk asset	Credit facilities





Cagamas has achieved many "firsts" for capital market transactions in Malaysia and beyond

Transaction	Awards Won
<ul style="list-style-type: none"> Cagamas RM3.8 billion ringgit multi-tenor Sukuk (2014) 	 <ul style="list-style-type: none"> Best Deal - Highly Commended, Malaysia
<ul style="list-style-type: none"> Kuala Lumpur Islamic Finance Forum (KLIFF) (2013) Cagamas RM500 million multi-tenor Sukuk Wakala Bil Istithmar (2013) 	  <ul style="list-style-type: none"> Most outstanding securitisation house Highly Commended / Most Innovative Deal
<ul style="list-style-type: none"> Cagamas RM1.0 billion Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) (2011) RM230 million Variable Rate Sukuk Commodity Murabahah (2011) 	 <ul style="list-style-type: none"> Islamic issuer of the year Sukuk Issuer of the Year Islamic Deal of the Year Best Islamic Deal, Malaysia Best Islamic Commodity-linked Murabaha
<ul style="list-style-type: none"> First Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) (RM1billion) transaction in the world (2010) and that are widely accepted and tradable in the Middle East Largest ever transferrable and tradable variable rate Commodity Murabahah notes issuance by a corporate in the Ringgit market (RM230 million Variable Rate Sukuk Commodity Murabahah) 	    <ul style="list-style-type: none"> Islamic Issuer of the Year Sukuk Issuer of the Year Islamic Deal of the Year Malaysia Deal of the Year Islamic Deal of the Year Best Islamic Deal of the Year Malaysian Innovation of the Year Tawarruq Deal of the Year Best Islamic Commodity-Linked Murabaha
<ul style="list-style-type: none"> Largest multi-tenured Sukuk Commodity Murabahah transaction (2009) (Sukuk Commodity Murabahah RM915 million) Largest and longest dated corporate Sukuk transaction in Malaysia (2008) (Sukuk Commodity Murabahah RM2.015 billion) 	  <ul style="list-style-type: none"> Issuer of the Year Most Innovative Islamic Finance Deal Tawarruq Deal of the Year Most Innovative Deal
<ul style="list-style-type: none"> First Synthetic Securitisation of SME Loans (RM600 million) transaction in the ASEAN region (2007) Largest funding programme of its kind (RM60 billion CP/MTN programme) in the ASEAN region (2007) 	    <ul style="list-style-type: none"> Malaysia Capital Markets Deal of the Year Asian Deal of the Year Best Domestic Securitisation New Structured Finance Benchmark Deal Longest programme tenure in Malaysia (40 year MTN programme)
<ul style="list-style-type: none"> First rated Sukuk Musyarakah Residential Mortgage Backed Securities (RM2.05 billion) transaction in the world (2005) 	   <ul style="list-style-type: none"> Best Malaysian Deal Best Domestic Securitisation Deal Best Islamic Finance Deal Islamic Finance Deal of the Year New Islamic Benchmark Deal of the Year
<ul style="list-style-type: none"> First residential mortgage backed securities (RM1.55 billion) transaction in Malaysia (2004) 	   <ul style="list-style-type: none"> Best Local Currency Bond Deal of the Year Best Local Currency Bond in Asia Best Malaysian Ringgit Bond