



# Cagamas Berhad(157931-A)

The National Mortgage Corporation

Investor Presentation  
October 2013





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





# ***SECTION 1***

## *Company Overview*



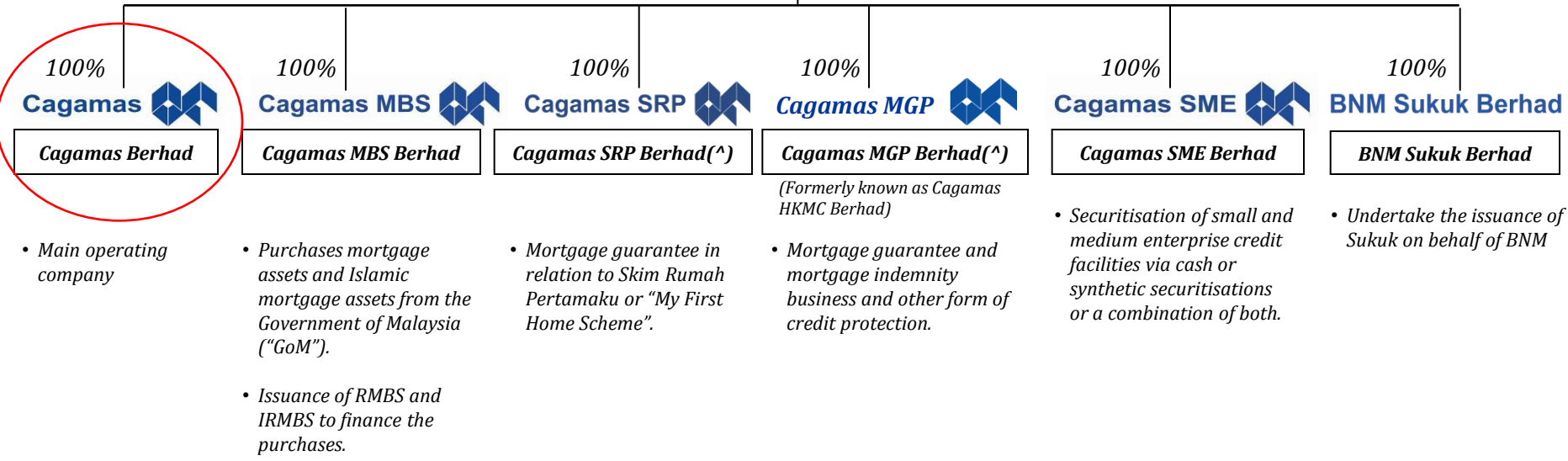
# Structure of the Cagamas Group of Companies



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

## Cagamas Holdings

**Cagamas Holdings Berhad**



Note: Shareholding structure as at 31 December 2012



# Shareholding Structure



## ➤ Shareholders Demographics:-

**BNM 20%**

**Commercial Banks 71%**

**Investment Banks  
9%**

### Top 10 Shareholders as at 30 Sept 2013



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

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



Moody's Rating: A3  
Shareholding: 16.5%



Moody's Rating: A3  
Shareholding: 14.2%



Moody's Rating: Baa1  
Shareholding: 8.0%



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' Charon Wardini bin Mokhzani – Executive Director and CEO 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 (RM mn)	551	293
Asset size (RM mn)	31,864	23,285
Shareholders' funds (RM mn)	4,262	2,224
Core Capital Ratio (%)	35.6	23.8
Risk Weighted Capital Ratio (%)	36.4	24.4





# ***SECTION 2***

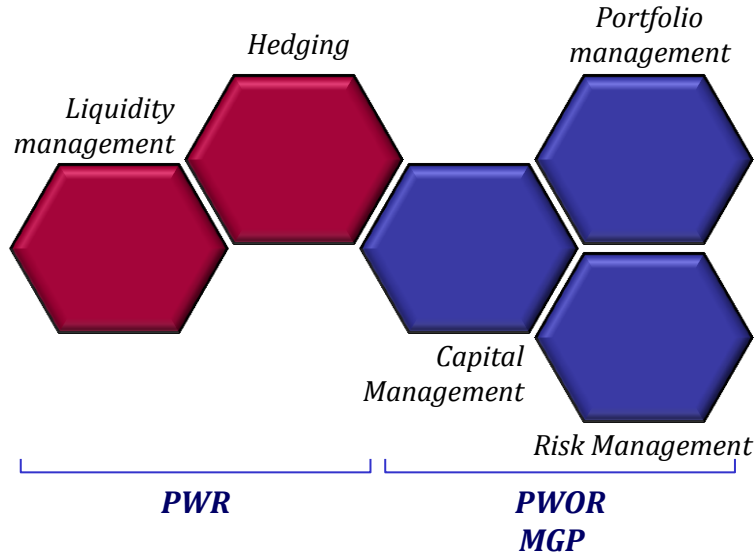
## ***Business Overview***





*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 MGP/ SRP

## Type of Loans / Financing Purchased:

### Purchase with Recourse (PWR)

- Housing Loans
- Islamic House Financing
- Industrial Property Loans
- 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

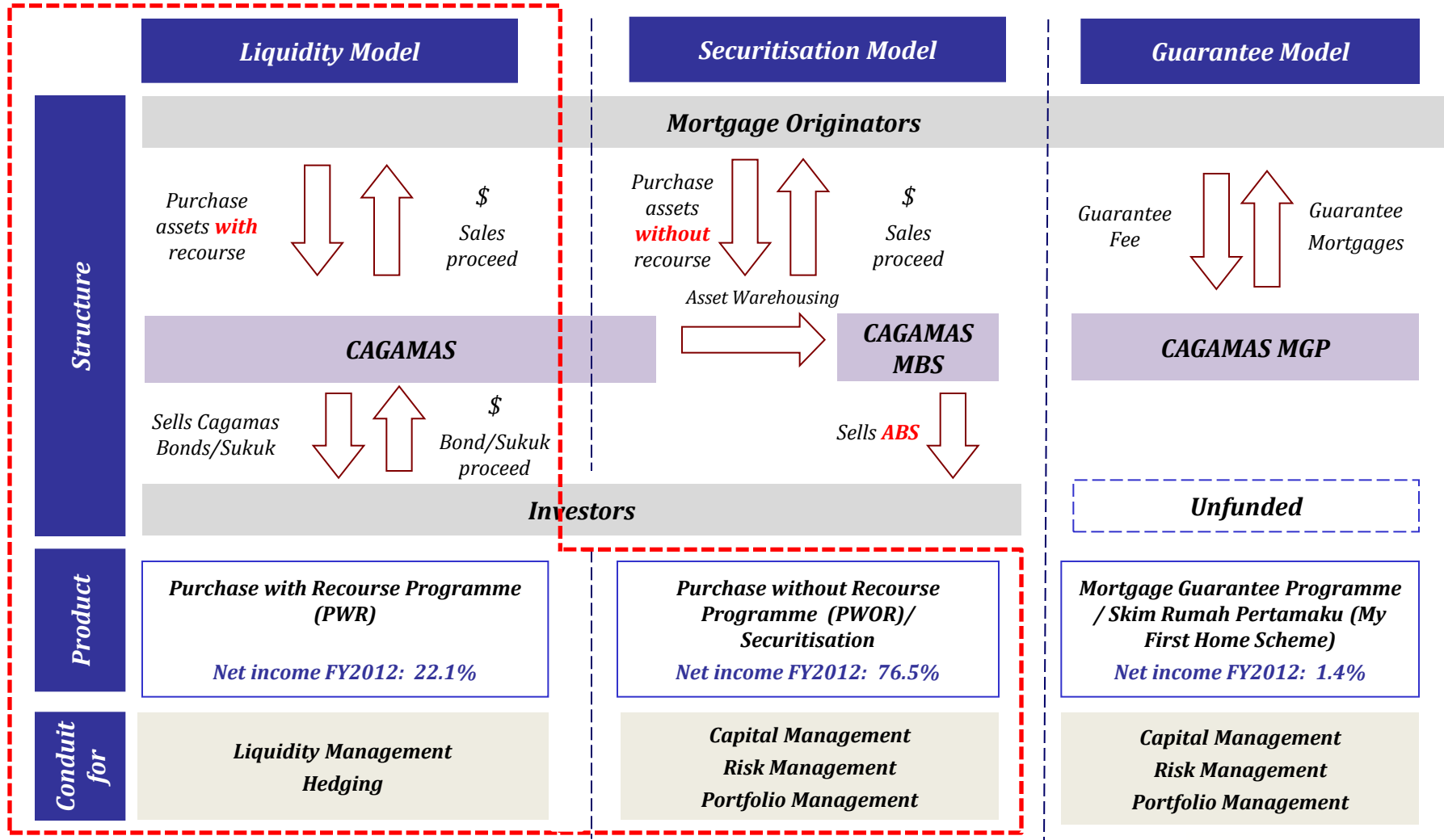
### Mortgage Guarantee Programme (MGP)\*

- 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 Berhad



*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"> <li>• Match-Funding Policy</li> <li>• Duration Gap</li> <li>• Liquidity Gap Limit</li> <li>• Liquidity Ratio</li> </ul>
Credit Risk	<ul style="list-style-type: none"> <li>• Prudent Investment Policy</li> <li>• Stringent Credit Concentration Limit Exposure</li> <li>• Regular Credit Review</li> </ul>
Funding Risk	<ul style="list-style-type: none"> <li>• Issuance and distribution of its own debt securities as 'Registered Person' under CMSA<sup>1</sup></li> <li>• Facility Agent of its own debt securities as a 'FAST'<sup>2</sup> member</li> <li>• Interbank borrowing and repurchase agreement (REPO) as 'Approved Interbank Institution'<sup>3</sup></li> <li>• Intraday credit facility from BNM as 'RENTAS'<sup>4</sup> member</li> <li>• Strong shareholders' funds as additional source for liquidity needs</li> </ul>

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*

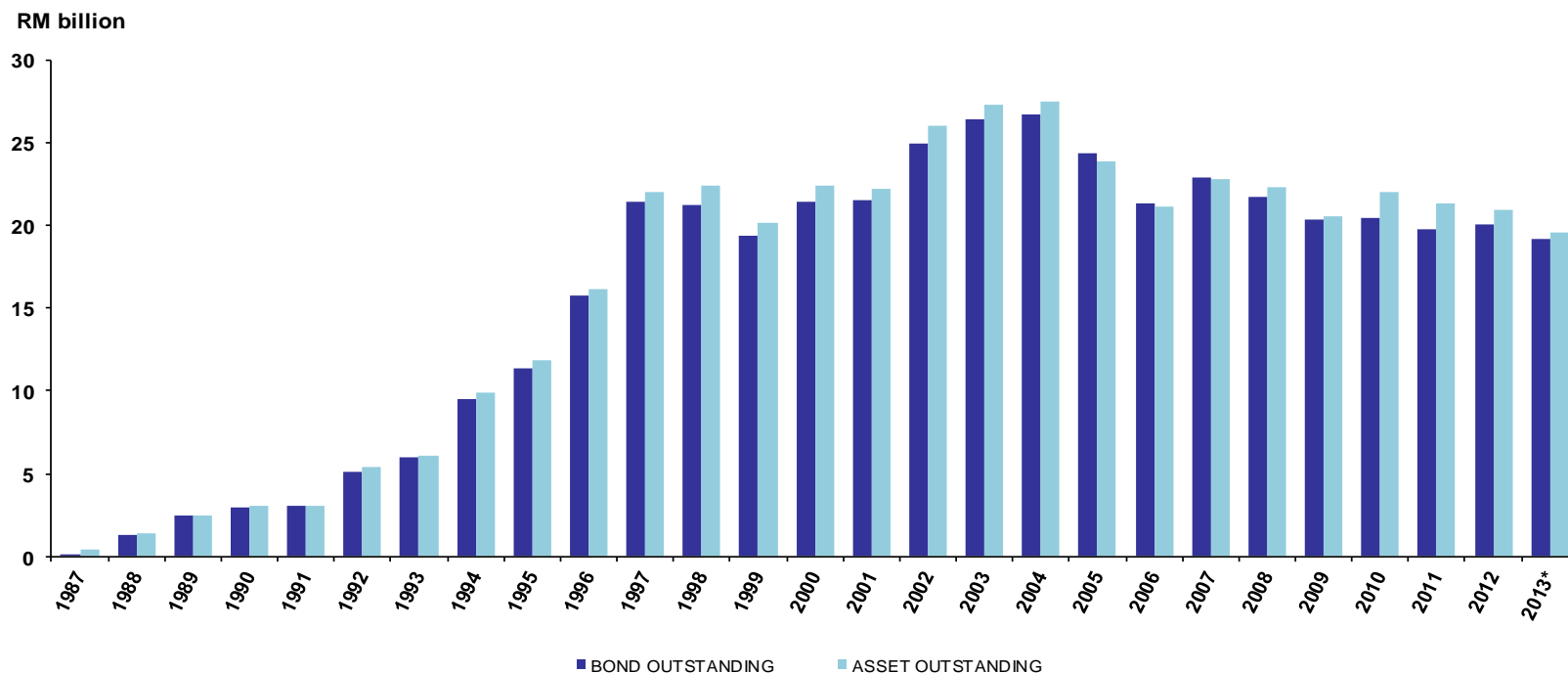
3. *Cagamas status as "Approved Interbank Institution" enable direct access to interbank money market as stipulated in The Malaysian Code of Conduct for Principals and Brokers in the Wholesale Money Market and Foreign Exchange Markets.*

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 Sept 2013)*



\*As at Sept 13

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

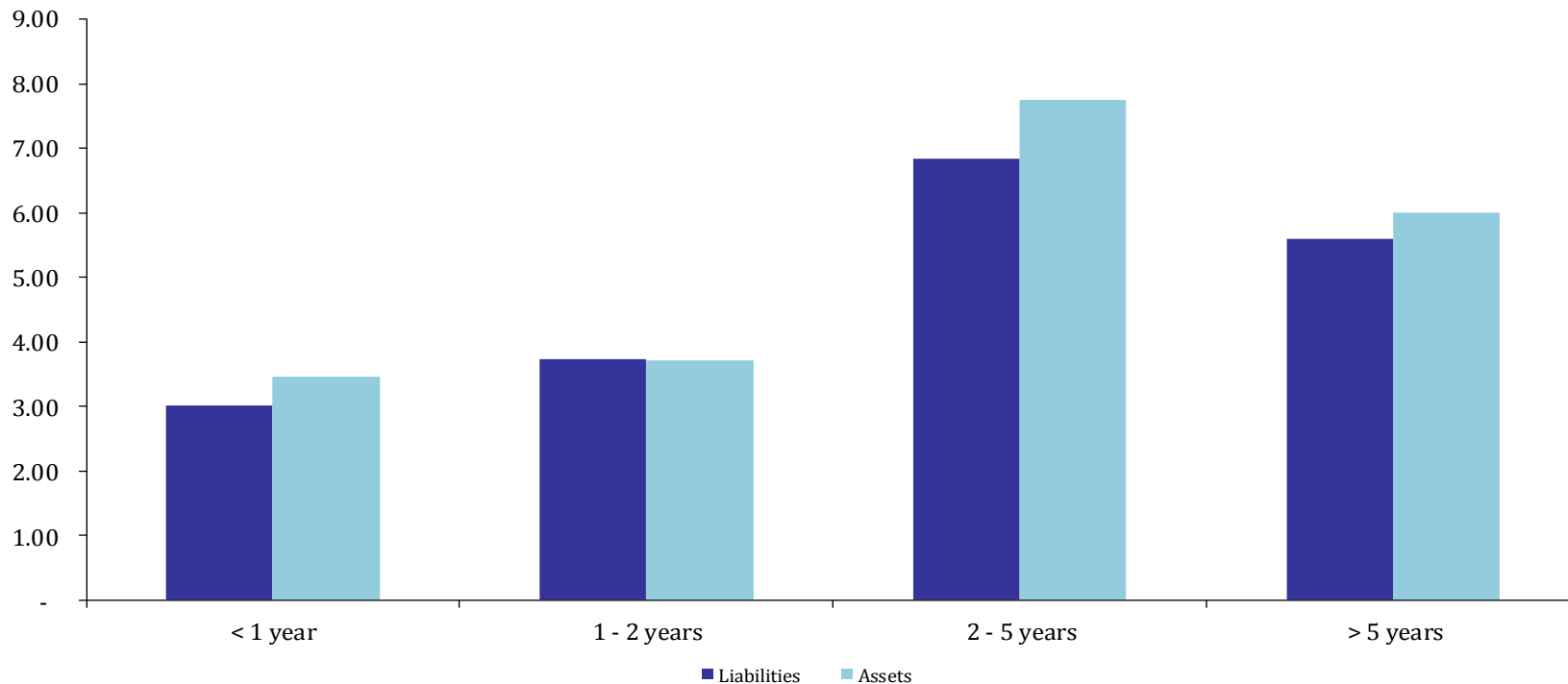




*Maturities of assets and liabilities are matched as closely as possible*

## *Maturity Profile of Assets and Bonds (As at Sept 2013)*

**RM billion**



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

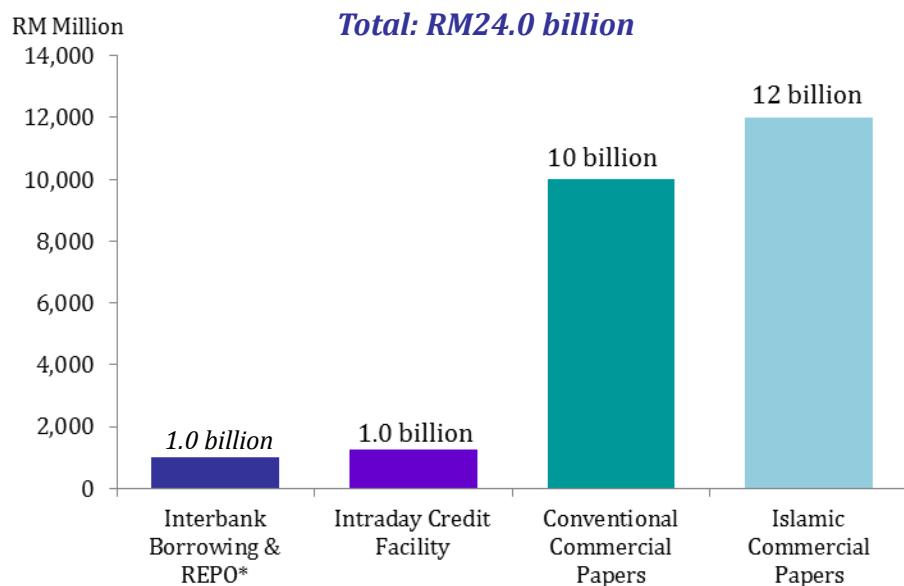
*As at 30 September 2013, Cagamas holds RM2.0 billion in cash and liquid assets*



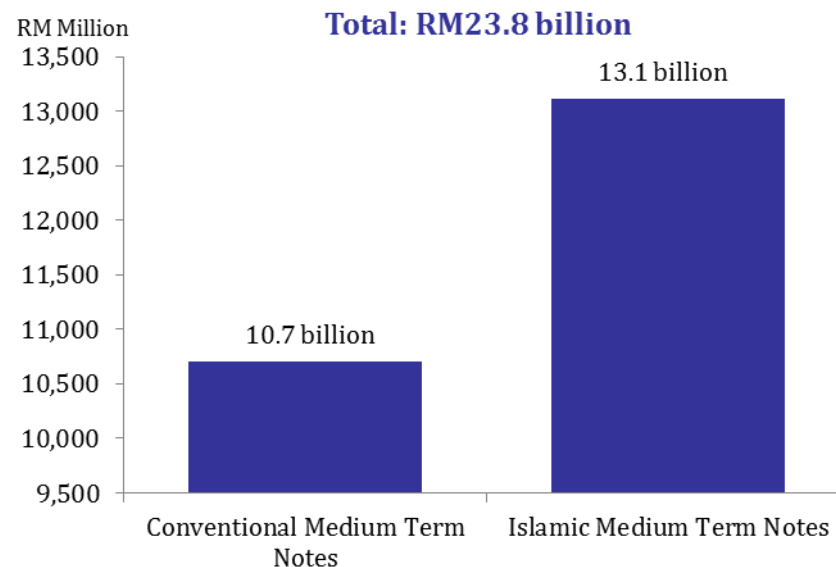


*Cagamas has access to interbank borrowing and repurchase agreement (REPO) facility and intraday credit facility provided by Bank Negara Malaysia*

## Available Credit – Short Term (As at Sept 2013)



## Available Credit – Long Term (As at Sept 2013)



\* - Assume RM100 million available lines each from top 10 shareholders

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

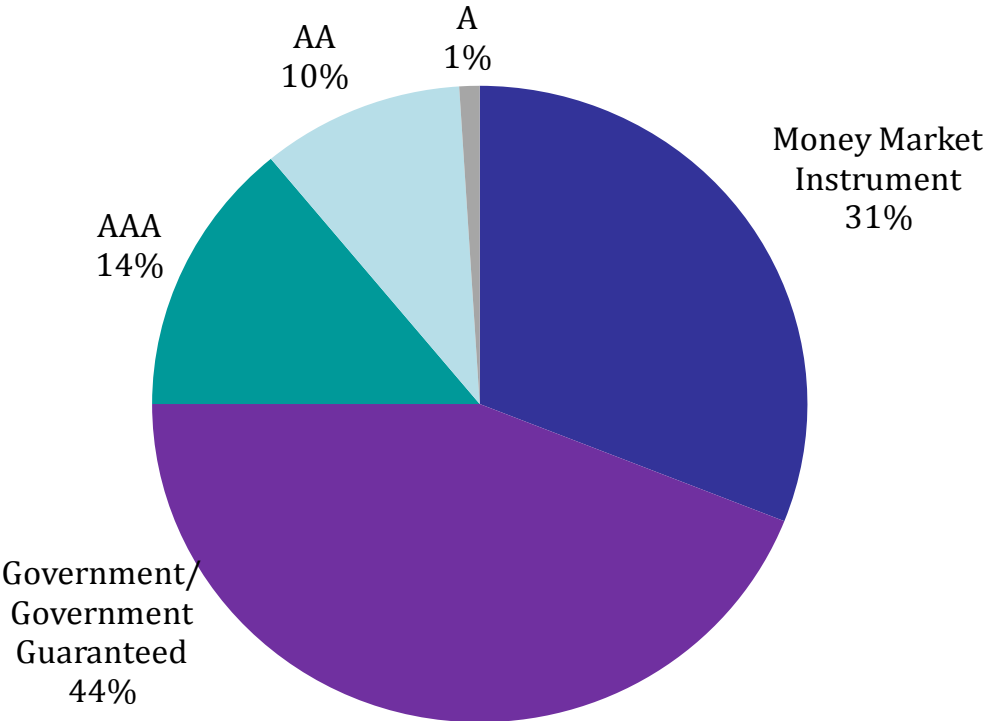


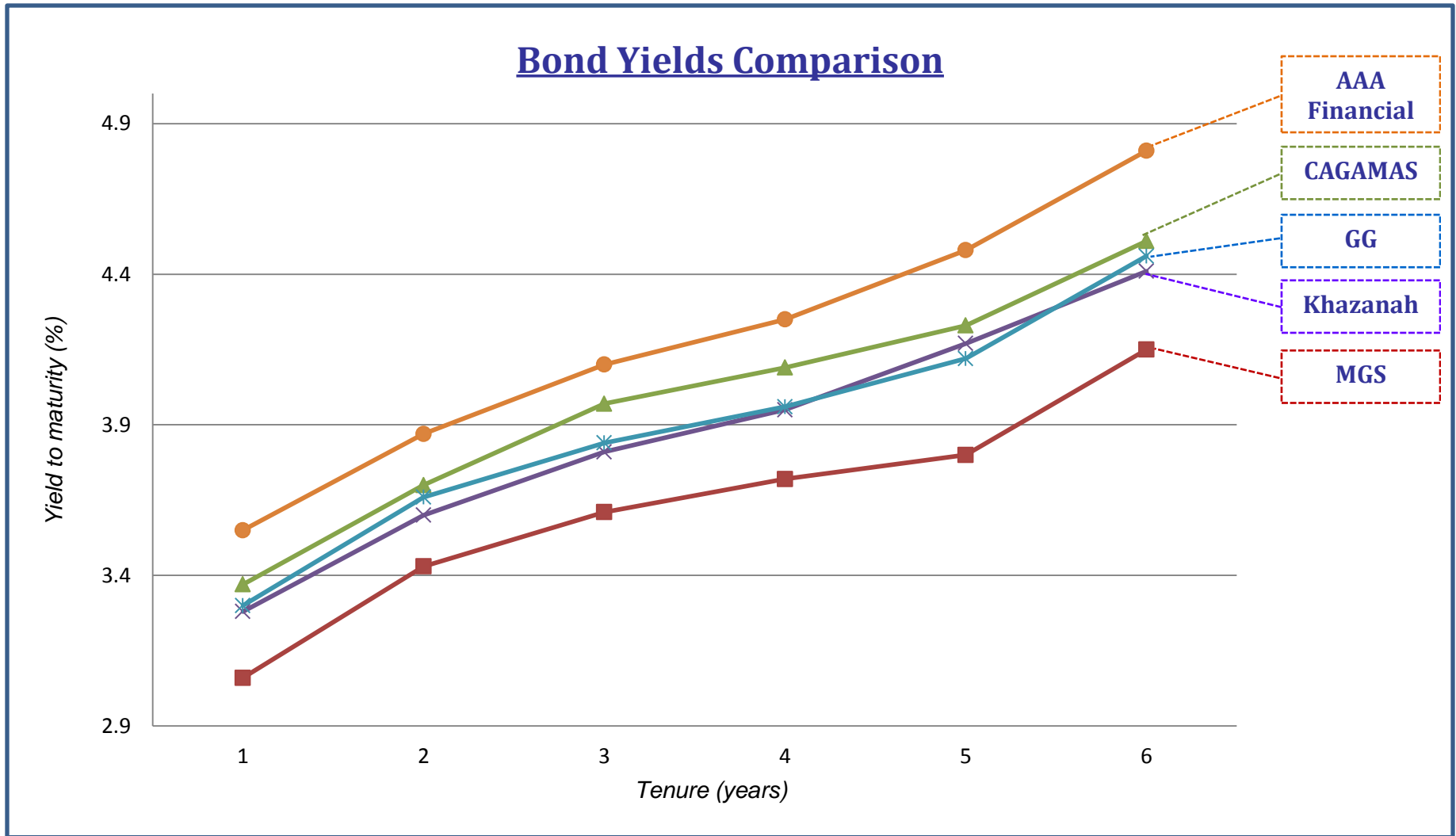


*Cagamas maintains at least 75% of its investment portfolio in highly-rated instruments and conducts regular credit reviews on counterparties and issuers*

**Investment Portfolio (As at Sept 2013)**

*Total Investment Portfolio Value: RM2.0 billion*





Source: Bond Pricing Agency Malaysia as at 30 Sept 2013



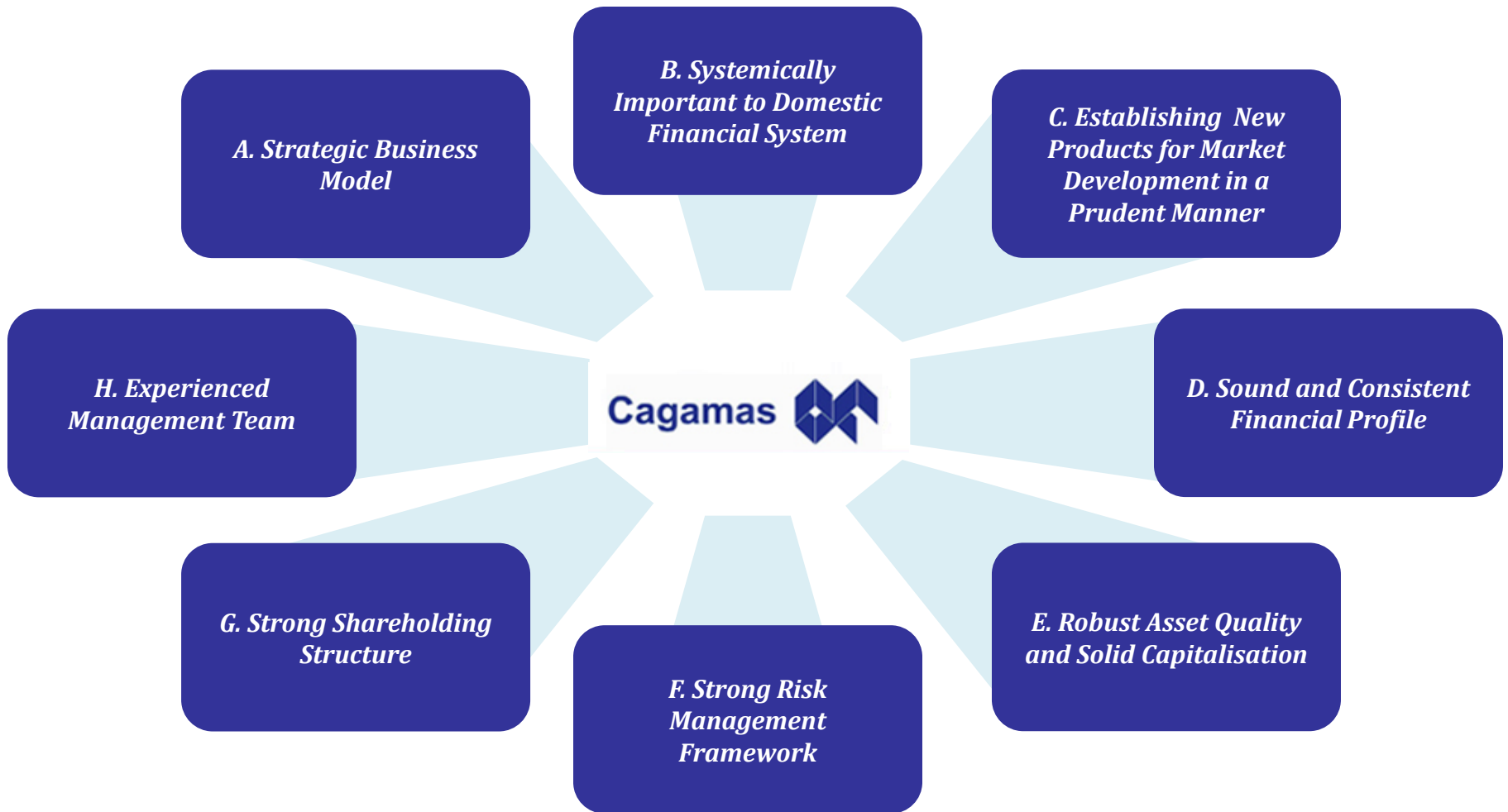




# ***SECTION 3***

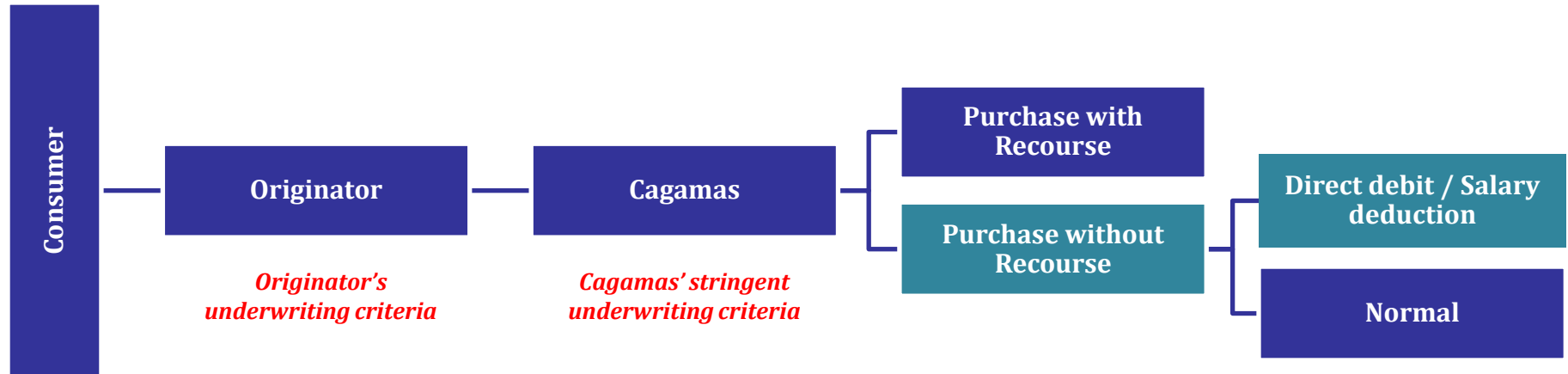
## ***Key Credit Strengths***







*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*

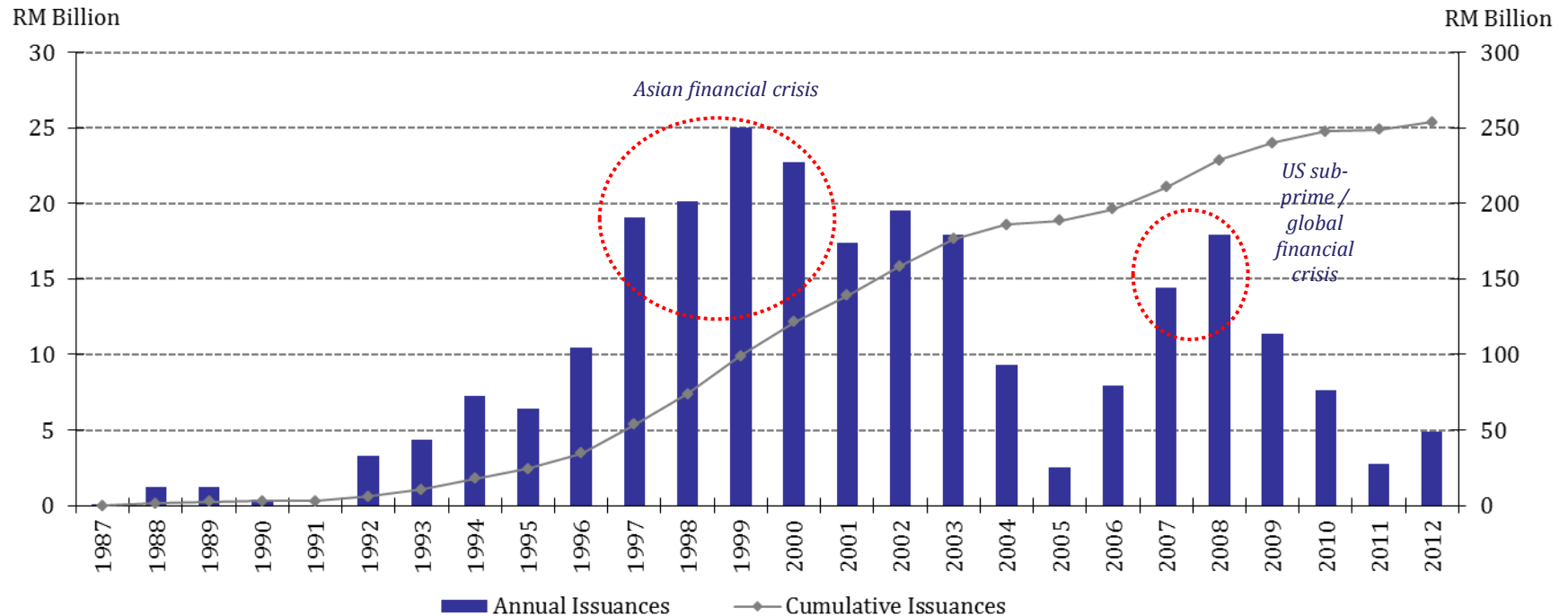


# Systemically Important to Domestic Financial System



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

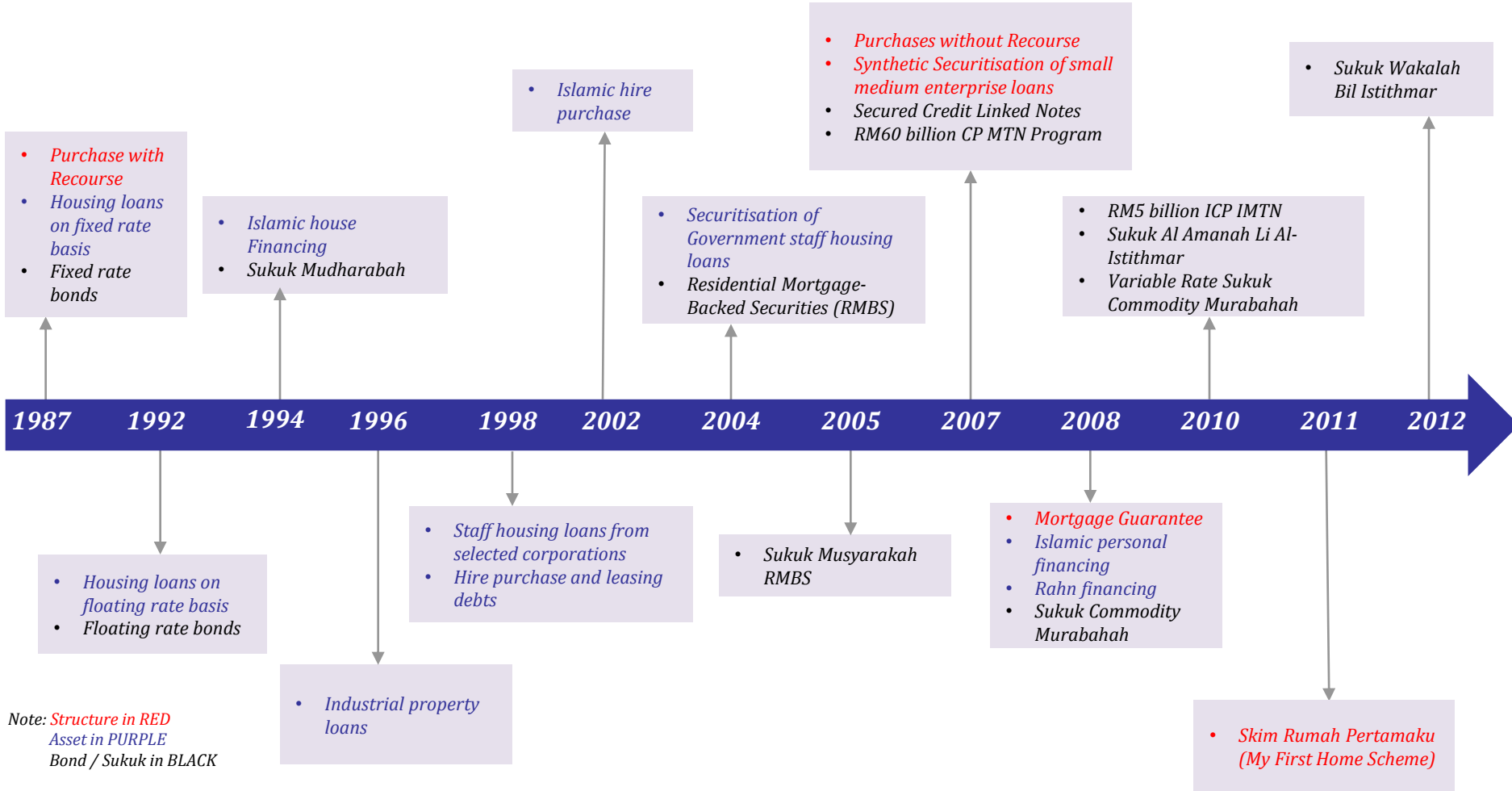
- Provide credit and portfolio risk management solutions
- Provide capital management solutions
- Conduit to remove systemic risk in the financial sector
- Conduit for best practices & setting up of standards – development of conforming financing standards
- Cagamas has issued papers of about RM269 billion to the financial sector as at September 2013



# Establishing New Products for Market Development in a Prudent Manner



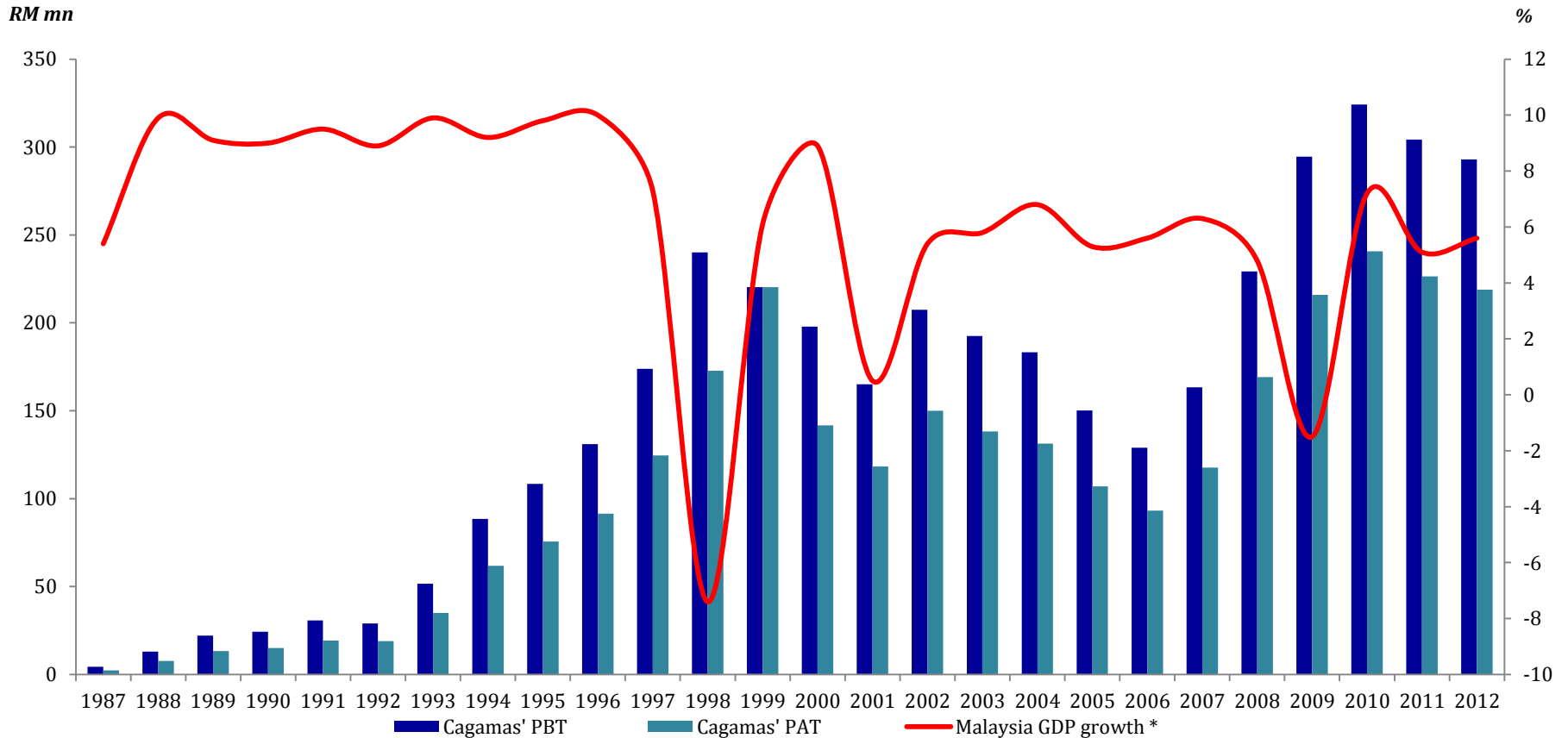
*Cagamas has strong expertise with 26 years of successful operations*



# 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

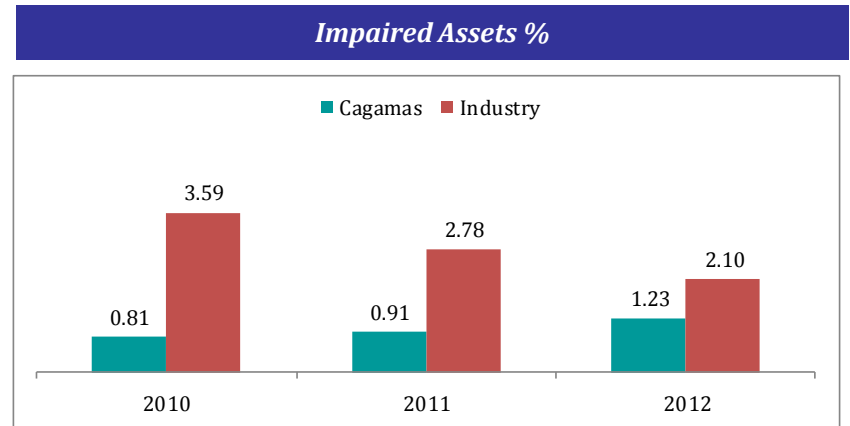


# Robust Asset Quality and Solid Capitalisation

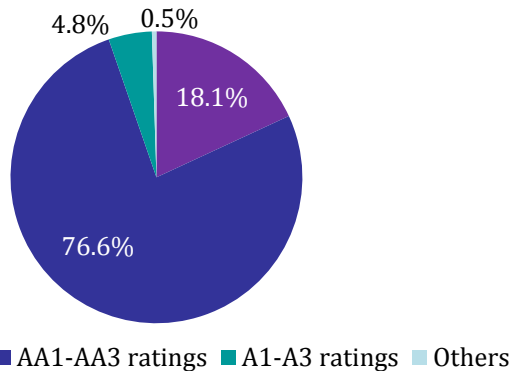


*Cagamas' asset quality is robust, premised on its exposure to highly rated PWR counterparties and the provision of loans / financing with non-discretionary salary deduction at source as a key feature of its PWOR portfolio*

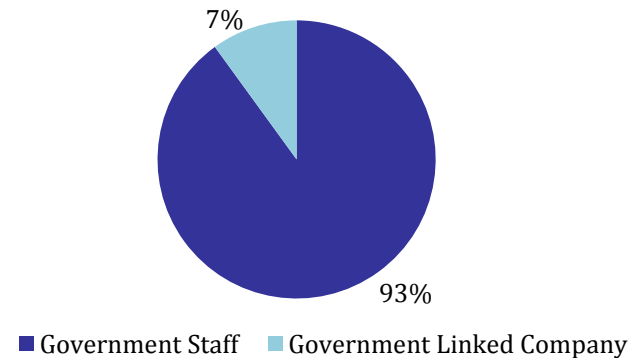
- In FY Dec 2012, more than **95%** of the Company's counterparties under the PWR scheme carried at least AA ratings. There has been zero impairment losses for PWR assets
- The company's PWOR portfolio is considered healthy given that these receivables are subject to non-discretionary salary deductions at source. Cagamas' ratio of loans that are 90 days past due came up to **1.2%** as at end-December 2012, lower than the Malaysian banking system's gross impaired loan ratio of 2.4% for residential property mortgages
- The ratio of its PWR and PWOR receivables stood at about **54:46**



**Counterparties exposure by ratings for PWR assets (%) FY2012**



**Counterparties exposure for PWOR assets (%) FY2012**

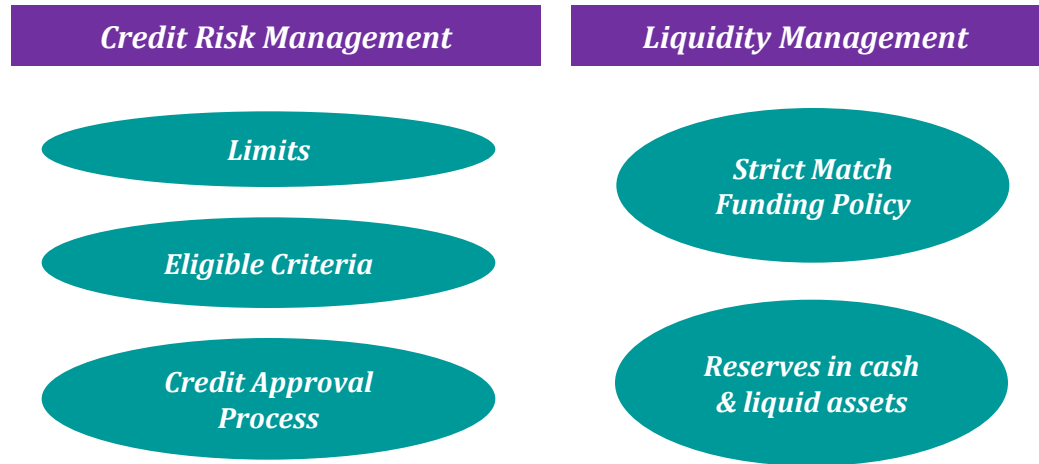




*The strong risk management framework is a major contributor to the highly successful Cagamas business model*



- *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.*







# SECTION 4

## 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, Mudharabah, Musyarakah, Ijarah and 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 - Mezzanine Bonds (SME).*

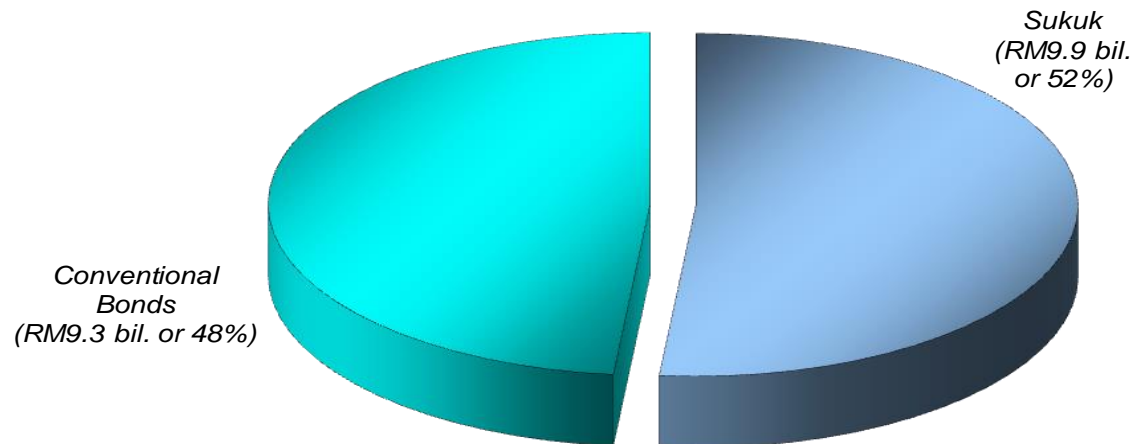
## ***Types of Cagamas Conventional Bonds & Sukuk:***

- *Short-term Notes / Commercial Paper (STN / CP)*
- *Medium Term Note (MTN)*
- *Fixed Rate Bond*
- *Floating/Variable Rate Notes (FRN / VRN)*
- *Sukuk Commodity Murabahah (SCM)*
- *Sukuk al-Amanah Li al-Istithmar (ALIm)*
- *Sukuk Wakalah Bil Istithmar (SWABI)*
- *Conventional and Islamic Residential Mortgage-Backed Securities (RMBS/IRMBS)*
- *Sukuk Mudharabah Cagamas (SMC)*

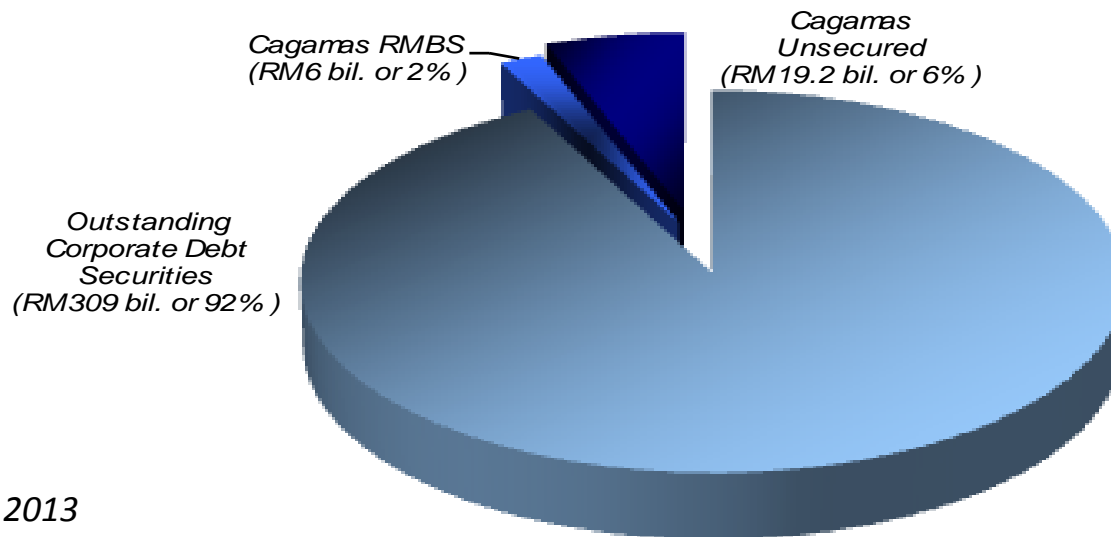
# Outstanding of Unsecured Cagamas Bonds



Outstanding Unsecured Cagamas Bonds : RM19.2 billion



Outstanding Cagamas Bonds in the Corporate Debt Securities Market



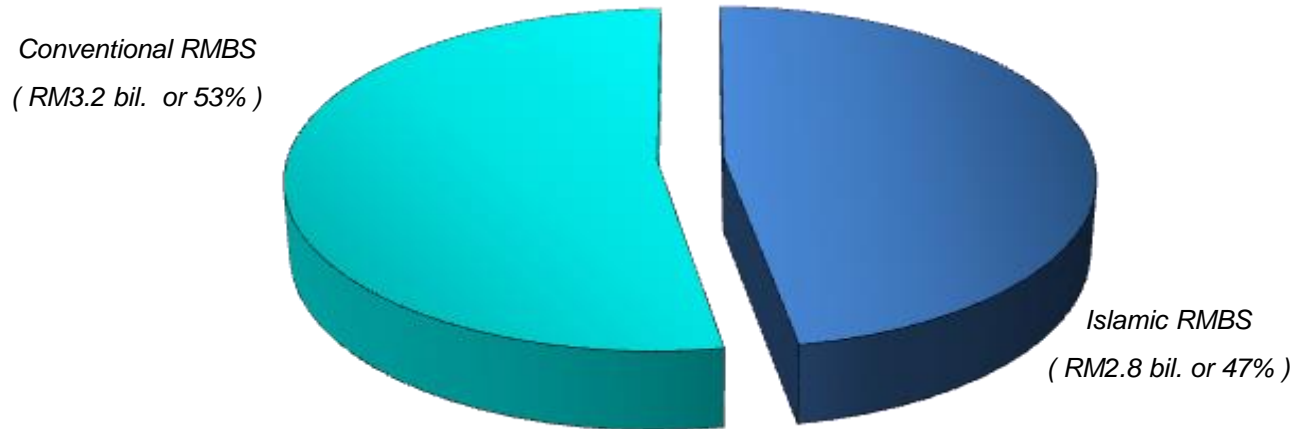
\*As at 30 September 2013



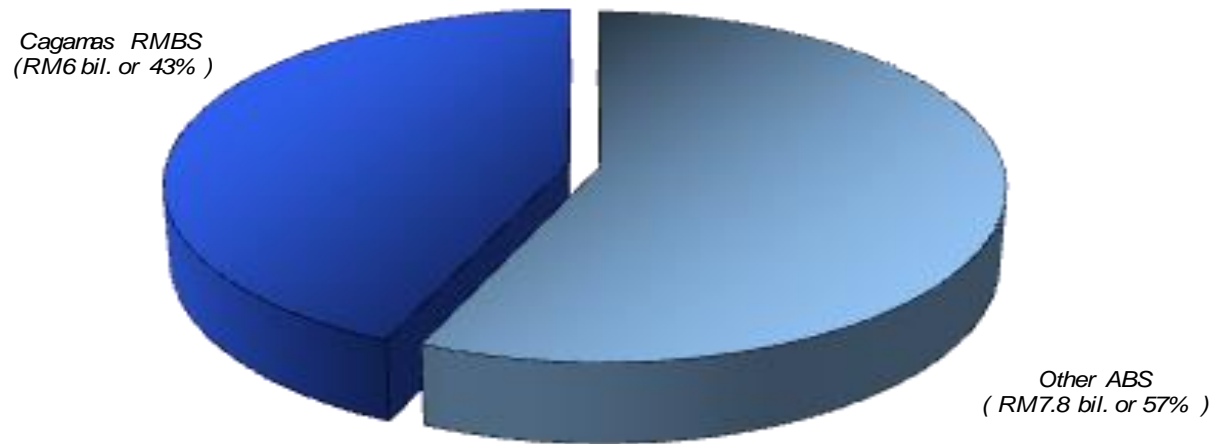
# Outstanding of Cagamas RMBS Bonds



## Outstanding Cagamas RMBS : RM6 billion



## Outstanding Cagamas RMBS in the ABS Market



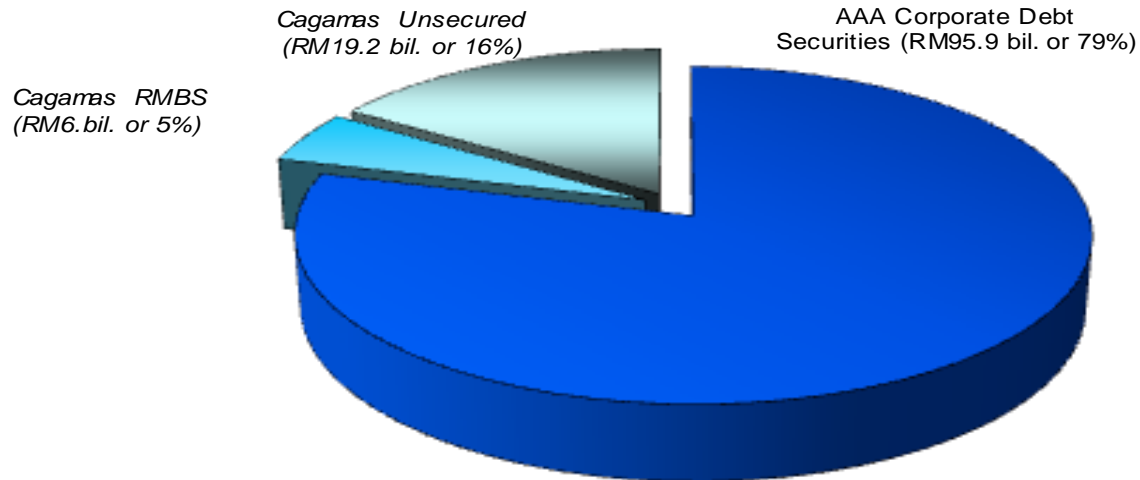
*\*As at 30 September 2013*



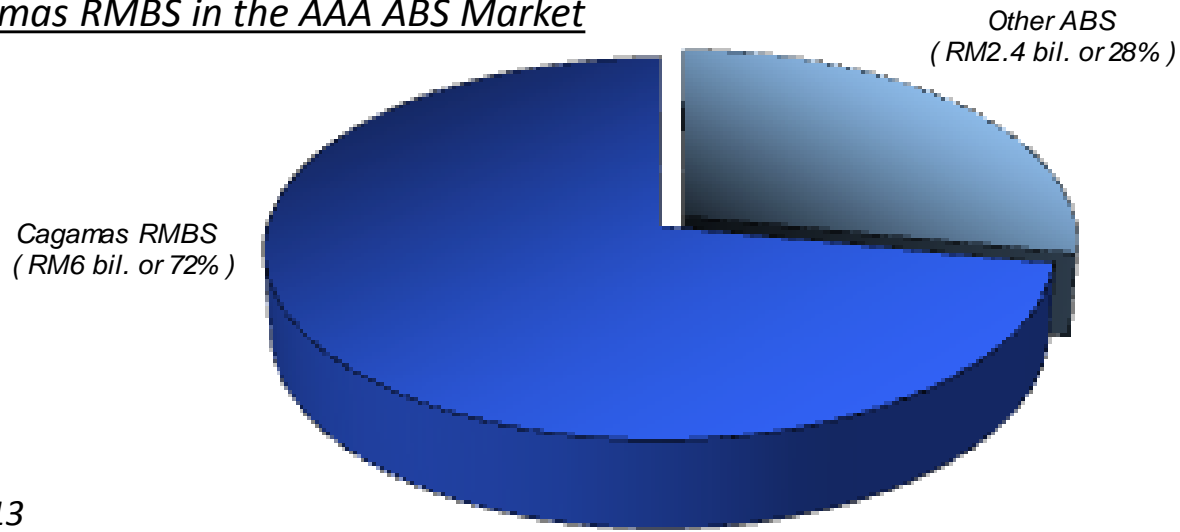
# Outstanding of Cagamas Bonds against AAA Debt Securities



## Outstanding Cagamas Bonds in the AAA Corporate Debt Securities Market



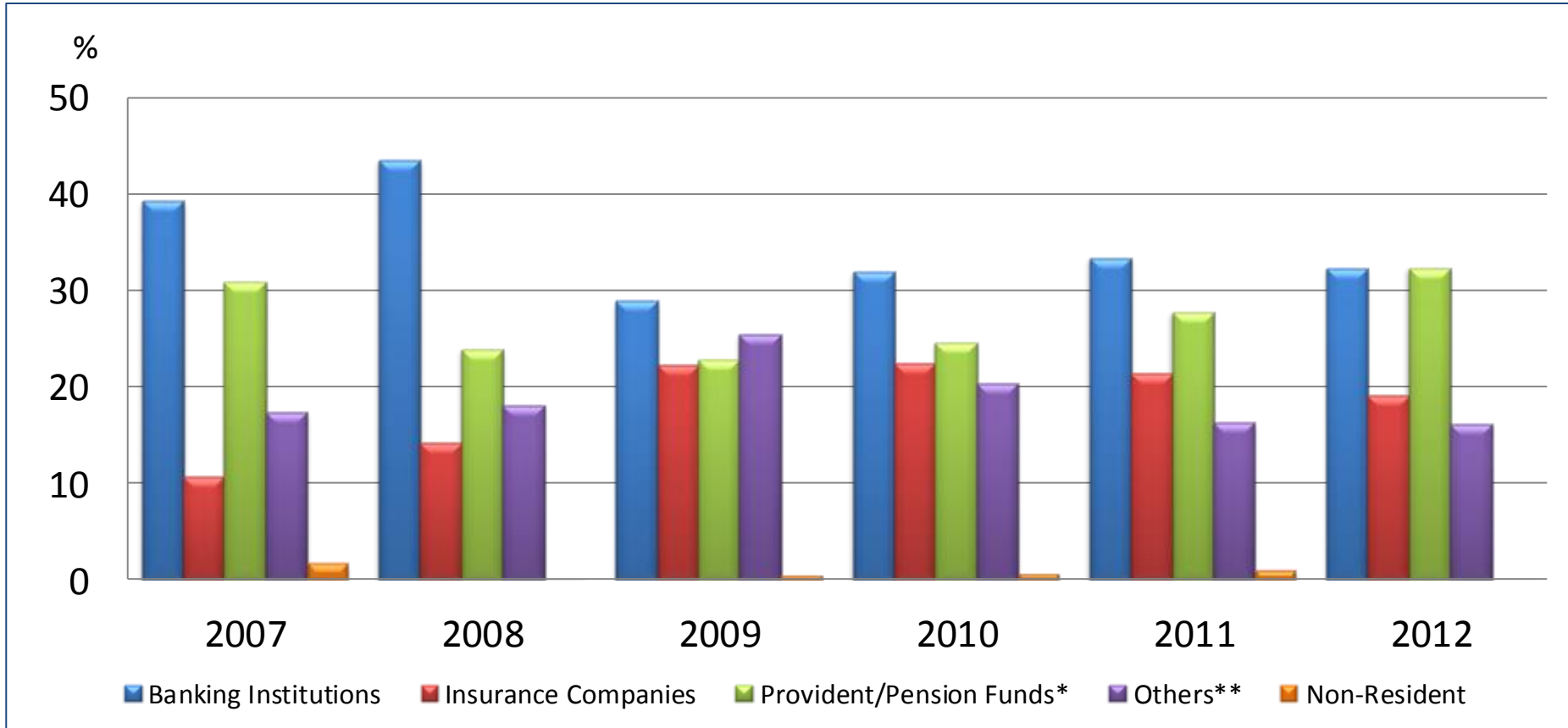
## Outstanding Cagamas RMBS in the AAA ABS Market



\*As at 30 September 2013



# Investors Profile – Cagamas Unsecured Bonds

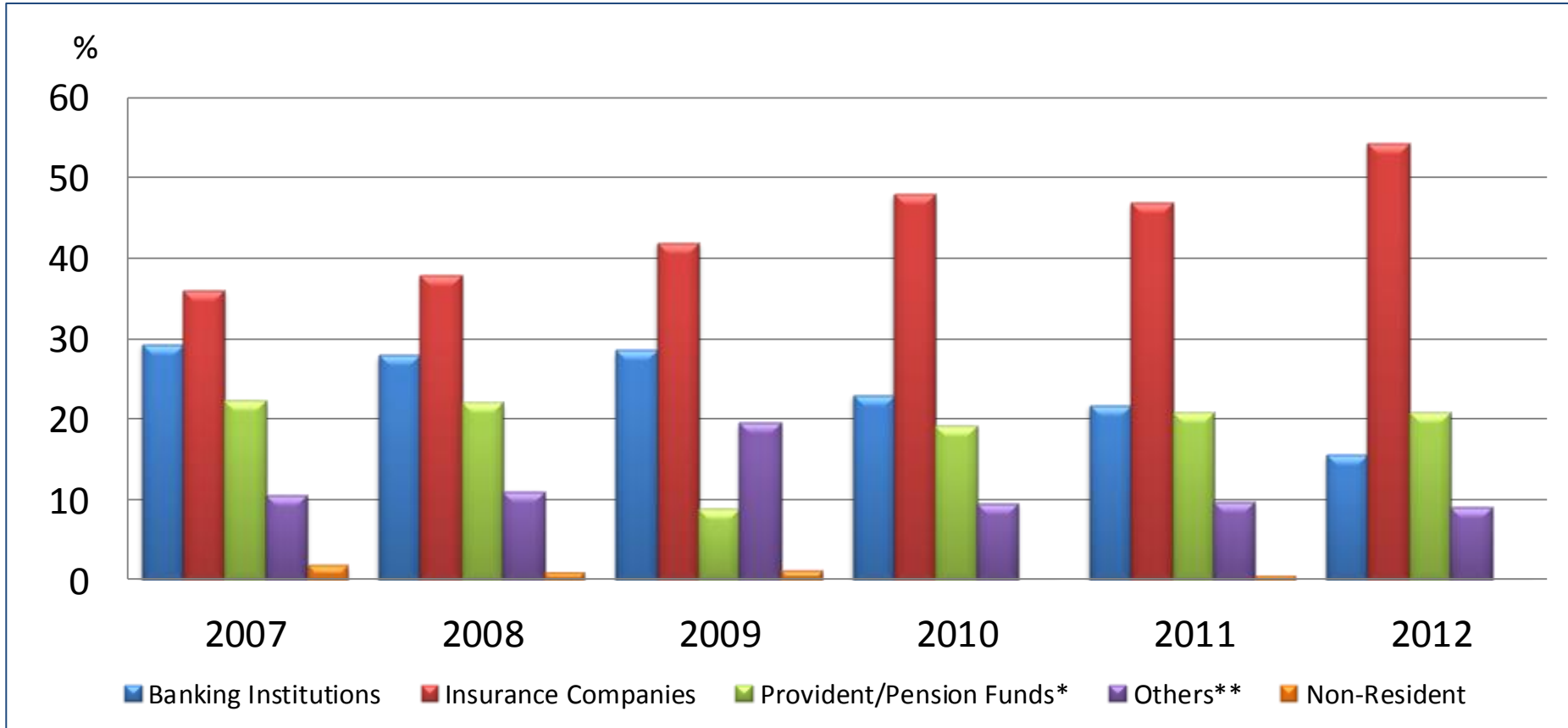


\* Pension Funds – EPF, KWAP and SOCSO

\*\* 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



- AAA Issuer
  - ✓ Maintains the highest rating for over 19 years

	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




















Note: RAM Ratings started to assign credit ratings to Cagamas Berhad in February 1994.







## Cagamas has achieved many “firsts” for capital market transactions in Malaysia and beyond

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



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