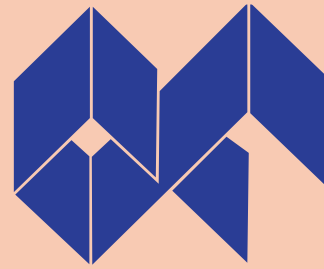


Cagamas



National Mortgage Corporation of Malaysia

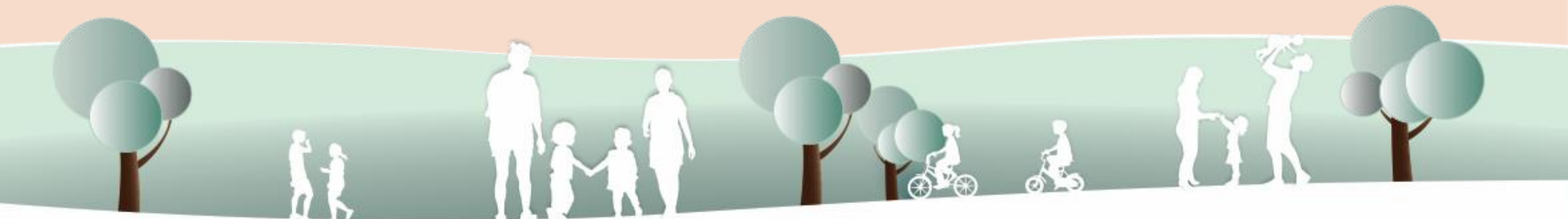
Islamic Mortgage Finance & Liquidity Facility

Presented by :

Datuk Chung Chee Leong
President/Chief Executive Officer



Cagamas as Liquidity Provider



Cagamas at a Glance

Entity Name ○ Cagamas Berhad

Shareholders ○ 100% by Cagamas Holdings Berhad, which is 20% owned by Central Bank of Malaysia (BNM) and 80% by commercial and investment banks

Credit Rating ○ A3 Stable (Moody's)
○ AAA/P1 Stable (RAM Rating Services Berhad)
○ AAA/MARC-1 (Malaysian Rating Corporation Berhad)

Date of Incorporation ○ 2 December 1986

Objectives ○ 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

Business Model ○ 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
○ Based on this business model, 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 World Bank has regarded Cagamas Berhad as the largest and most successful liquidity facility in its publication entitled "Housing Finance Policy in Emerging Markets" in 2009

The Objective

Catalyst for the Government's and Central Bank's initiatives for the economy and financial sector

4 key areas for Cagamas

- Promotion of home ownership/home accessibility and affordability in Malaysia
- Enhance and support in the stabilization of the financial sector in Malaysia
- Development of the Malaysian Capital Market
- Development of the Islamic Financial Sector

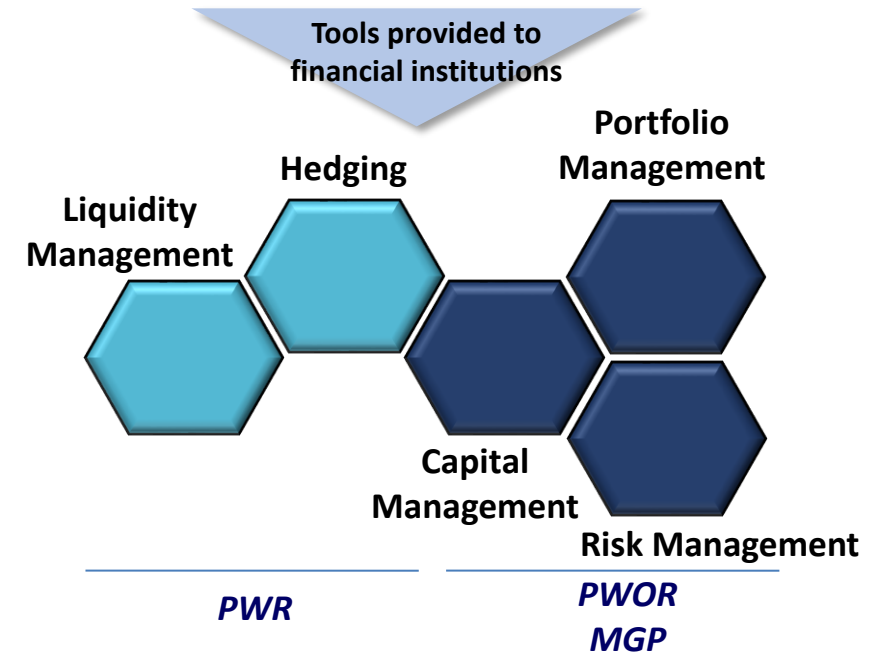


The Business Model

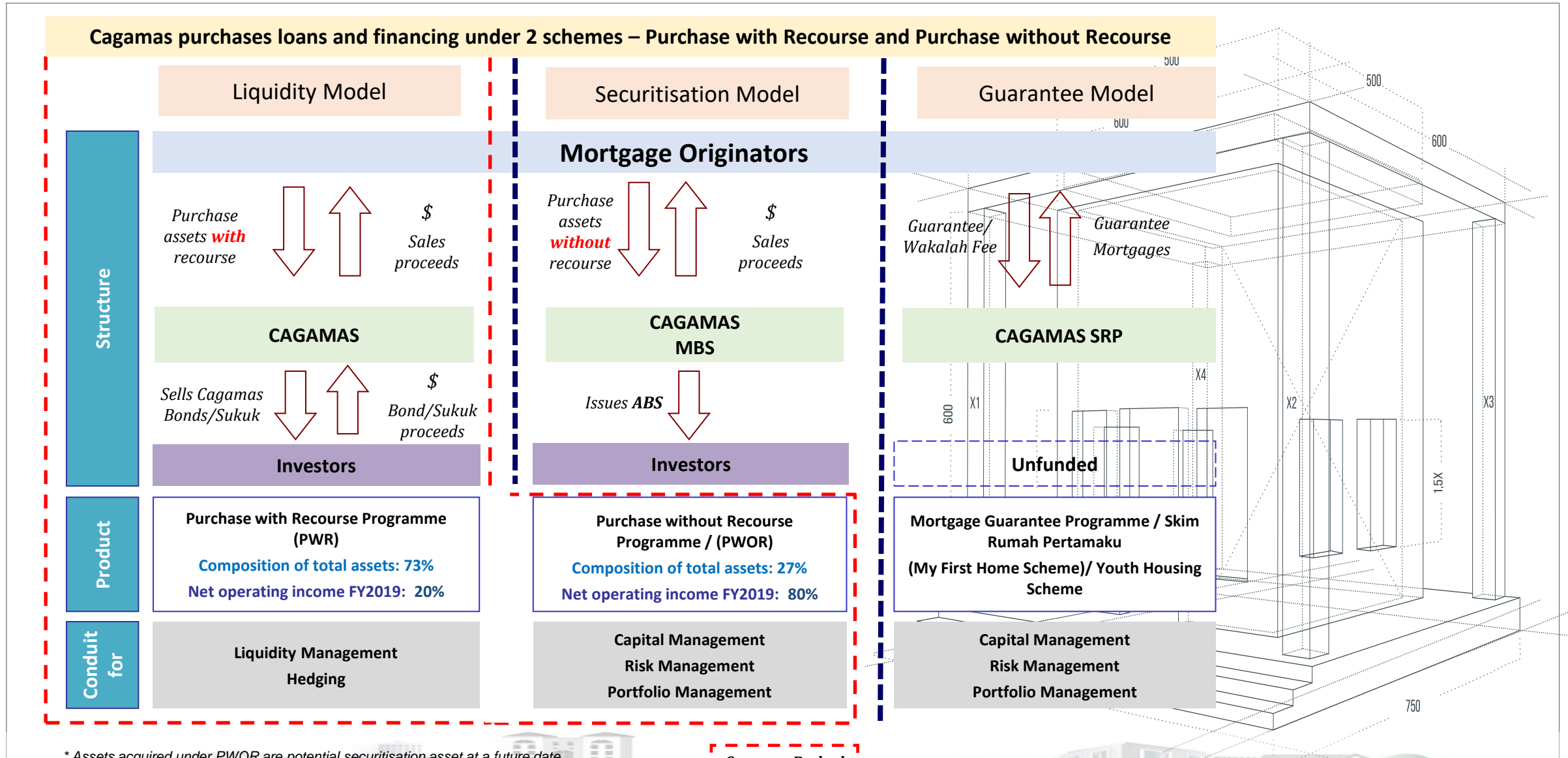


National Mortgage Corporation of Malaysia

Cagamas is primarily engaged in the purchasing of loans and financings from financial and non-financial institutions under PWR and PWOR as well as guaranteeing housing loans and house financings under Mortgage Guarantee Programme (MGP) schemes



The Business Model



* Assets acquired under PWOR are potential securitisation asset at a future date

The Impact of Cagamas



Enhance liquidity

Enhance liquidity to the financial sector including during times of liquidity crunch



Reducing maturity mismatch

Contribute to greater financial stability by reducing the maturity mismatch in banking system



Funds at reasonable cost

Providing FIs with funds at reasonable cost through its ability to generate high investor demand

Spurring development of Corporate Bonds/ Sukuk market in Malaysia

Development of Capital Market



Enhancing the quality of the Malaysian capital market from issuances of quality credit papers

Issuances of quality papers



Providing innovative sukuk to cater for the growth in Shariah compliant instrument in Malaysia

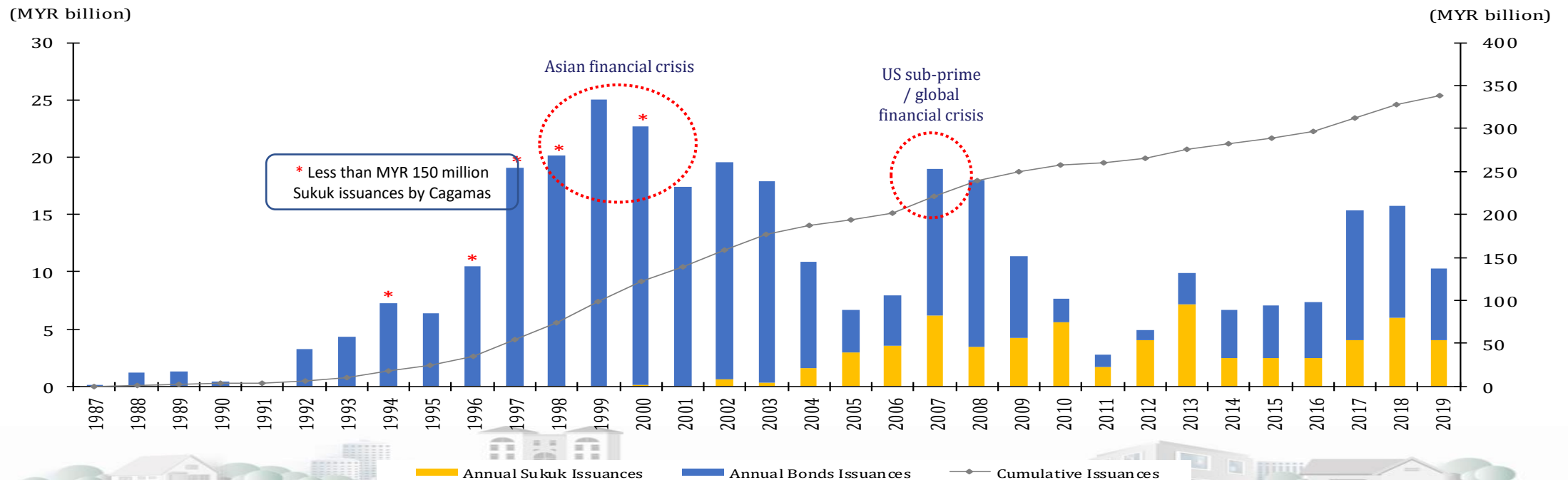
Innovative Sukuk



Cumulative Issuances

Systemically important to domestic financial system underscored by its dual function as liquidity provider and as a leading issuer of bonds and sukuk

Cagamas Group has issued papers worth MYR340 billion (USD85 billion) to the financial market and has successfully redeemed MYR302 billion (USD75 billion) with not even a single technical default as at March 2020



The Key Success Factors



Solid Financial Standing & Shareholding

- Profitable going concern
- Strong shareholders equity of RM3.9 billion (USD1 billion)
- High RWCR of over 30%
- Strong shareholders in the form of Central Bank and FIs

Resulting in a strong credit rating by rating agencies



Strong Management Team

- Experienced and dedicated professional team
- Result oriented and performance driven culture
- Robust risk management and corporate governance structure

Resulting in (1) increased Investors' confidence and (2) innovative products and solutions



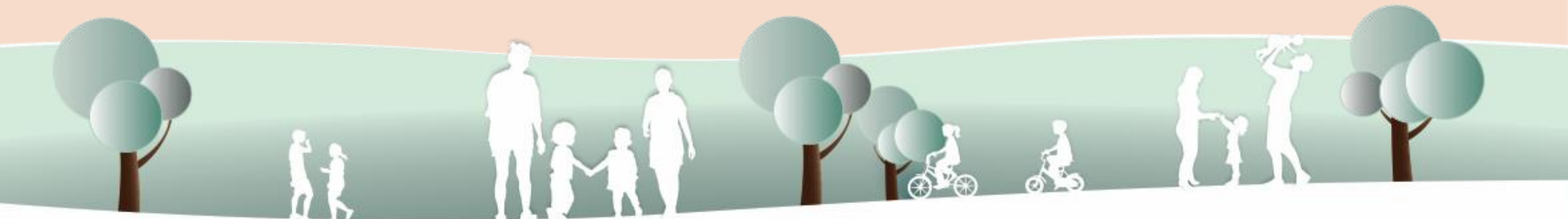
Support Given by Regulators

Implicit and explicit support given:

- Implicit: Through Bank Negara Malaysia's shareholding
- Explicit: Through incentives by government and regulators at the initial stage

Resulting in (1) direct access to money market (2) direct contact with investors

Cagamas in Islamic Financing



Cagamas' Role In Islamic Finance

Liquidity provider for Islamic financial institutions in Malaysia

Facilitate development of Islamic capital market in Malaysia – frequent issuer of sukuk in MYR and SGD market

Contribution to Islamic derivative market via involvement in Islamic Profit Rate Swap (IPRS) and Islamic Cross Currency Swaps (ICCS).

Enhancement of liquidity in local Sukuk market by reopening exercise of existing sukuk.

Promotion of efficient and robust price discovery platform for sukuk market through introduction of Cagamas sukuk Bloomberg and Reuters Pricing Page.

Contribution towards continuous innovation in sukuk structures increasing Islamic market depth and breadth.



Cagamas' Role In Islamic Finance

Cagamas is the first secondary mortgage institution in the world with proven and award-winning Islamic finance capabilities.

Innovative & Award-Winning Team

- Developed many “first” Islamic structures of its kind utilising various Islamic concepts and principles
- Islamic structures have won numerous local, regional and international awards

Quality Sukuk Issuer

- AAA rated by both local rating agencies, RAM Ratings (RAM) and Malaysian Rating Corporation (MARC)
- No default experience in our many years of operations

Shariah Compliant Structures

- Globally-accepted Shariah compliant structures
- Legal documents in accordance to Shariah principles and best practices
- Approved by the relevant Shariah Advisory Council of Bank Negara Malaysia and/or the Securities Commission

Shariah Compliant Operations & Infrastructure

- Distinct from conventional operations
- Separation of funds, activities, and accounting books & records to prevent co-mingling of funds.
- Islamic investments are limited to highly rated Islamic investments, primarily Government, or Government guaranteed papers
- Systems & Infrastructure designed to cater for Islamic products



Islamic House Financing Ecosystem in Malaysia

Secondary Financial Market

Securities Commission of Malaysia (SC)

Regulate

Investors (Sukukholders)

Proceeds

Cagamas
National Mortgage Corporation of Malaysia
(Liquidity Provider)

Sukuk Issuance

Sell Assets

Primary Financial Market

Bank Negara Malaysia (BNM)

Regulate

Islamic Financial Institutions (Project/Bridging)

Islamic Financial Institutions / House Financing Providers (End-Financing)

Housing Market

Real Estate & Housing Developers' Association (REHDA)

Representative Body

Housing Developers (New Houses)

Malaysian Institute of Estate Agents (MIEA)

Representative Body

Real Estate Agents / House Owners (Pre-Owned Houses)

Sell Houses

House Buyers

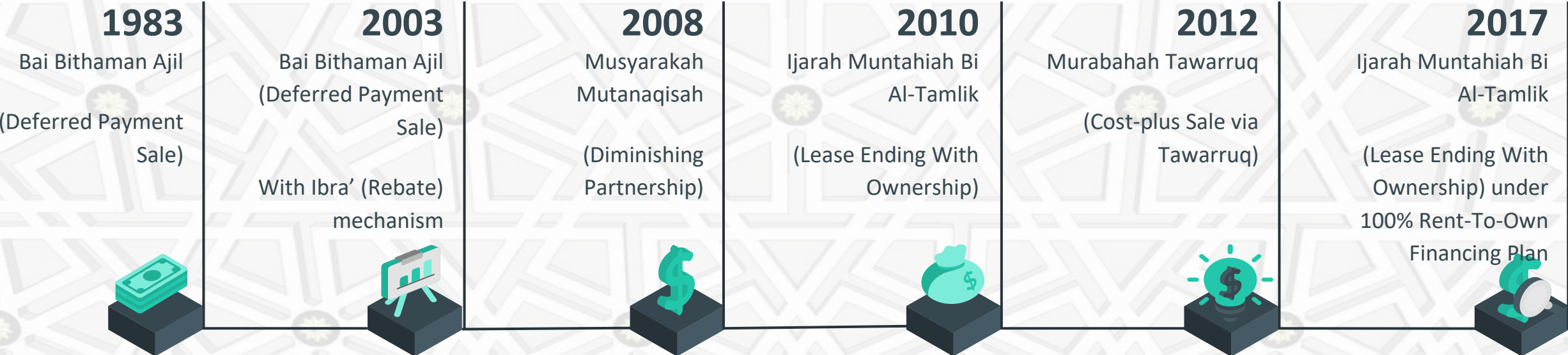
Types of Sukuk under Cagamas Sukuk Programmes

- Mudarabah
- Musharakah
- Murabahah
- Ijarah
- Wakalah Bil Istithmar

Financing

Financing

Evolution & Types of Islamic House Financing in Malaysia



1983

Bai Bithaman Ajil
(Deferred Payment Sale)



▪ Fixed Rate

2003

Bai Bithaman Ajil
(Deferred Payment Sale)
With Ibra' (Rebate) mechanism



▪ Floating Rate With Ceiling

2008

Musyarakah Mutanaqisah
(Diminishing Partnership)



▪ Floating Rate (With/Without Ceiling)

2010

Ijarah Muntahiah Bi Al-Tamlik
(Lease Ending With Ownership)



▪ Fixed Rate
▪ Floating Rate (With/Without Ceiling)

2012

Murabahah Tawarruq
(Cost-plus Sale via Tawarruq)



▪ Fixed Rate
▪ Floating Rate With Ceiling

2017

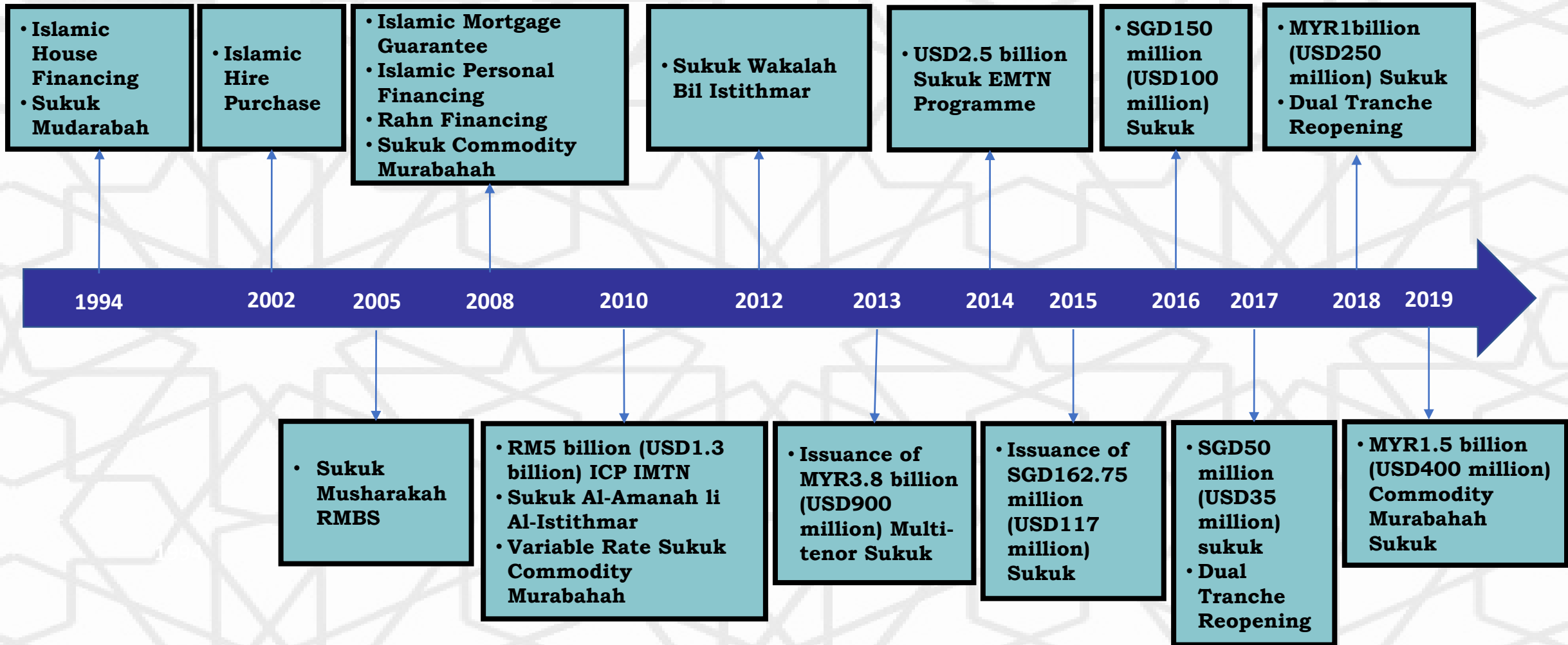
Ijarah Muntahiah Bi Al-Tamlik
(Lease Ending With Ownership) under 100% Rent-To-Own Financing Plan



▪ Floating Rate

Industry Wide

Continuous Innovation In Sukuk Development

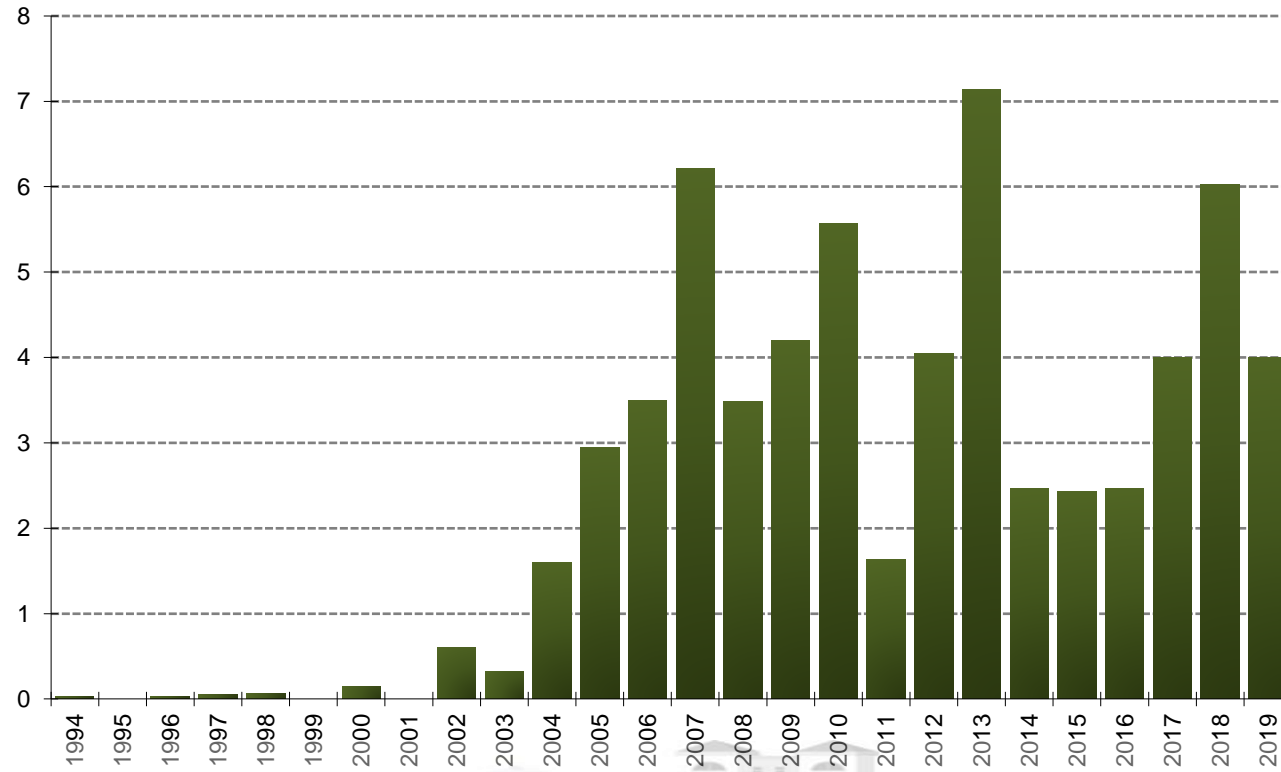


Sukuk Issuances

As at 31 December 2019:

- Cagamas Islamic assets form 43.21% of its book
- Cagamas had issued **RM63 billion (USD16 billion)** of sukuk since 1994.

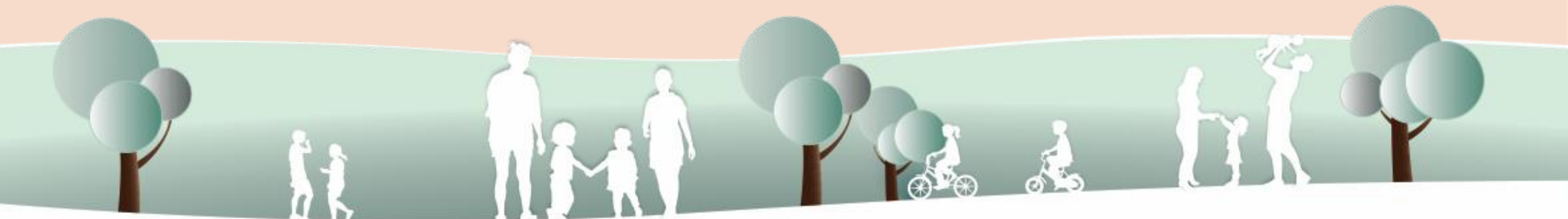
RM Billion



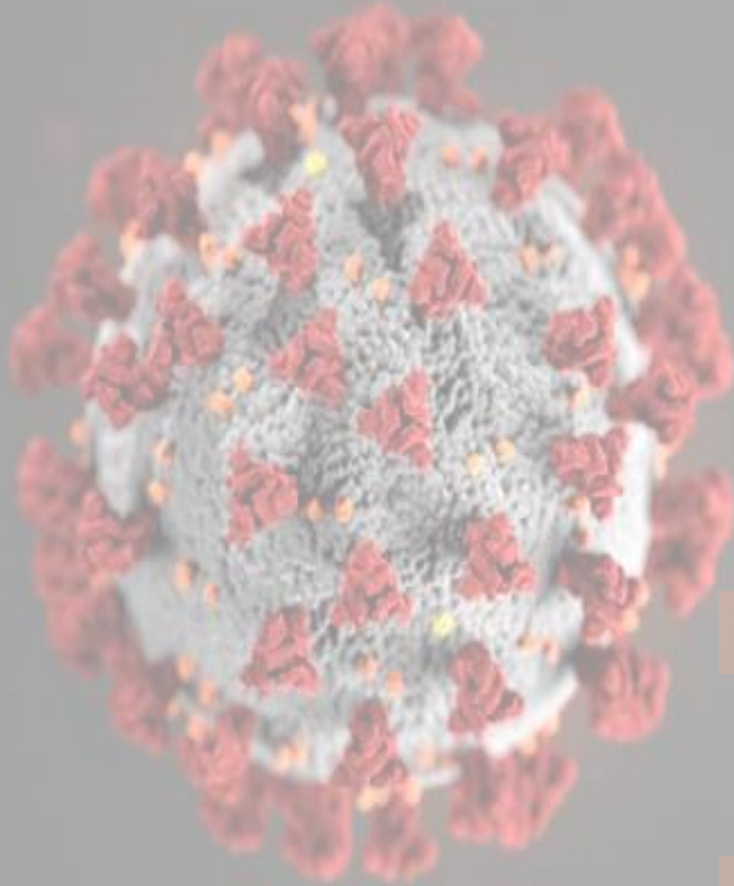
Year	Sukuk Issuances (RM Million)
1994	30
1996	30
1997	54
1998	70
2000	144
2002	610
2003	320
2004	1,600
2005	2,950
2006	3,500
2007	6,220
2008	3,480
2009	4,195
2010	5,570
2011	1,635
2012	4,040
2013	7,135
2014	2,467
2015	2,435
2016	2,459
2017	3,998
2018	6,020
2019	3,995



Covid-19: Impact and Government Responses



Impact of Covid-19



The Pandemic allows Cagamas to play well into its role to provide liquidity to the banking sector at times of uncertainty

Efforts by the Central Bank over the years has made banking institutions more resilient to weather through difficult and challenging times – however there will still be liquidity needs in pockets of the banking sector

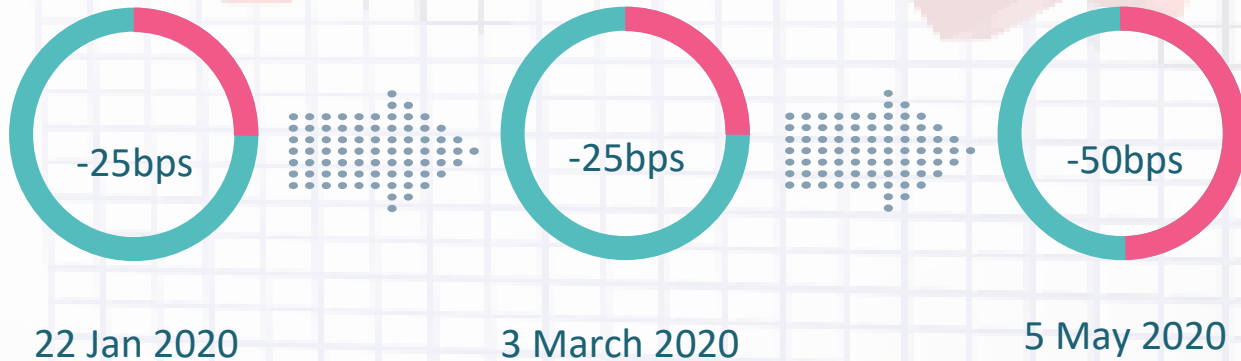
Domestic consumption and growth for the housing market and SME would be the key for economic recovery. We are in a unique position to support the Malaysian Government's recovery plan to stimulate homeownership.

In the current low interest rate environment, investors may look for alternative investment instruments as opposed to bond and sukuk

Government Responses for Covid-19

Reduction in Overnight Policy Rate (OPR)

Three OPR cuts in the first half of 2020, totaling 100 bps arising from the oil crisis and Covid-19 pandemic



OPR down from **3.0%** to **2.0%**

Reduction in Statutory Reserve Requirement (SRR)

SRR : 2.0%

The SRR is reduced from 3.0% to 2.0% effective 20 March 2020



Each Principal Dealer is able to recognise Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) of up to RM1 billion as part of the SRR compliance



In May 2020, Bank Negara Malaysia announced that all financial institutions may use MGS and MGII to fully meet the SRR compliance

These combined measures will release approximately **MYR46 billion (USD12 billion)** worth of liquidity into the banking system.

Government Responses for Covid-19

Moratorium on Loan / Financing Repayment



To ease the cash flow of **individuals, Small & Medium Enterprises** and the **self-employed** affected by Covid-19, financial institutions will provide an automatic deferment of all loan / financing repayments for a period of 6 months, with effect from 1 April 2020

Only applicable to performing loans that have not been in arrears for more than 90 days as at 1 April 2020.

For credit card facilities, financial institutions will offer to convert the outstanding balances into a 3-year term loan with reduced interest rates to help borrowers better manage their debt.

Drawdown of Prudential Buffers

During the 6 months period, financial institutions are allowed to:



- drawdown the capital conservation buffer of 2.5 per cent
- operate below the minimum LCR of 100%



- reduce the regulatory reserves held against expected losses to 0%

The minimum NSFR will be lowered to 80% and financial institutions will be required to comply with the requirement of 100% from 30 September 2021

Awards and Accolades

 Islamic Finance Advocacy Award (Capital Market) 2019	 Islamic Issuer of the Year-Quasi-Sovereign 2019	 Best Local Currency Sukuk 2019 1.5 billion Ringgit Commodity Murabahah Sukuk	 Top Issuance - All Top Traded Amount - Conventional 2019	 Islamic Finance Advocacy Award (Capital Market) 2018	 Islamic Issuer of the Year-Quasi-Sovereign 2018	 Best Deal- Highly Commended, Malaysia 2014 Cagamas 3.8 Billion Ringgit Multi-Tenor Sukuk	 Most Outstanding Securitisation House 2013
 Best Quasi-Sovereign Sukuk 2018 Cagamas Dual Re-opening of Three-Year 475 Million Ringgit Sukuk And 525 Million Ringgit Sukuk	 Top Bond Issuer - Conventional Top Traded Amount - Overall Top Traded Amount -Conventional 2018	 Best Islamic Issuer-Quasi-Sovereign 2017	 Best Local Currency Sukuk 2017 375 Million Ringgit Commodity Murabahah Sukuk	 Top Trade Amount Overall Top Trade Amount Conventional Top Trade Amount Islamic 2016	 Islamic Finance Advocacy Award (Institutional) 2016	 Highly Commended / Most Innovative Deal 2013 Cagamas 500 million ringgit multi-tenor Sukuk Wakala Bil Istithmar	 Best Foreign Currency Bond Deal of The Year 2014 in Southeast Asia 2014 Cagamas RMB1.5 billion Offshore RMB Bond
 Outstanding Contribution for the Development of Shariah-Compliant Mortgage Securitisation 2016	 Best Local Currency Sukuk 2016 Cagamas 500 million ringgit Commodity Murabahah sukuk	 Emas Status 2016 Cagamas USD2.5 billion Multicurrency Sukuk Issuance Programme	 Best Corporate Sukuk 2015 Cagamas RM70 million One-Year and RM930 million Three-Year Sukuk	 Best Issuer of the Year for Corporate 2015	 Emas Status 2014 Cagamas Offshore Renminbi Medium Term Notes Issuance	 Market Pioneer Award for the World's 1st RMB-bond by a Mortgage Corporation 2014 Cagamas RMB1.5 billion Offshore RMB Bond	 Best Renminbi (Offshore) Offering 2014 Cagamas RMB1.5 billion Offshore RMB Bond

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THE END

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Cagamas 

National Mortgage Corporation of Malaysia

Housing The Nation
Serving our Communities

