

CAGAMAS BERHAD

INVESTOR PRESENTATION

HSBC 4TH ANNUAL ASIA CREDIT CONFERENCE 2020
INVESTOR-ISSUER MEETING
TUESDAY, 16 JUNE 2020



SECTION 1

CAGAMAS OVERVIEW



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 local commercial and investment banks
Credit Rating (International and local rating)	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Established by BNM 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	<ul style="list-style-type: none">• 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

STRATEGIC 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

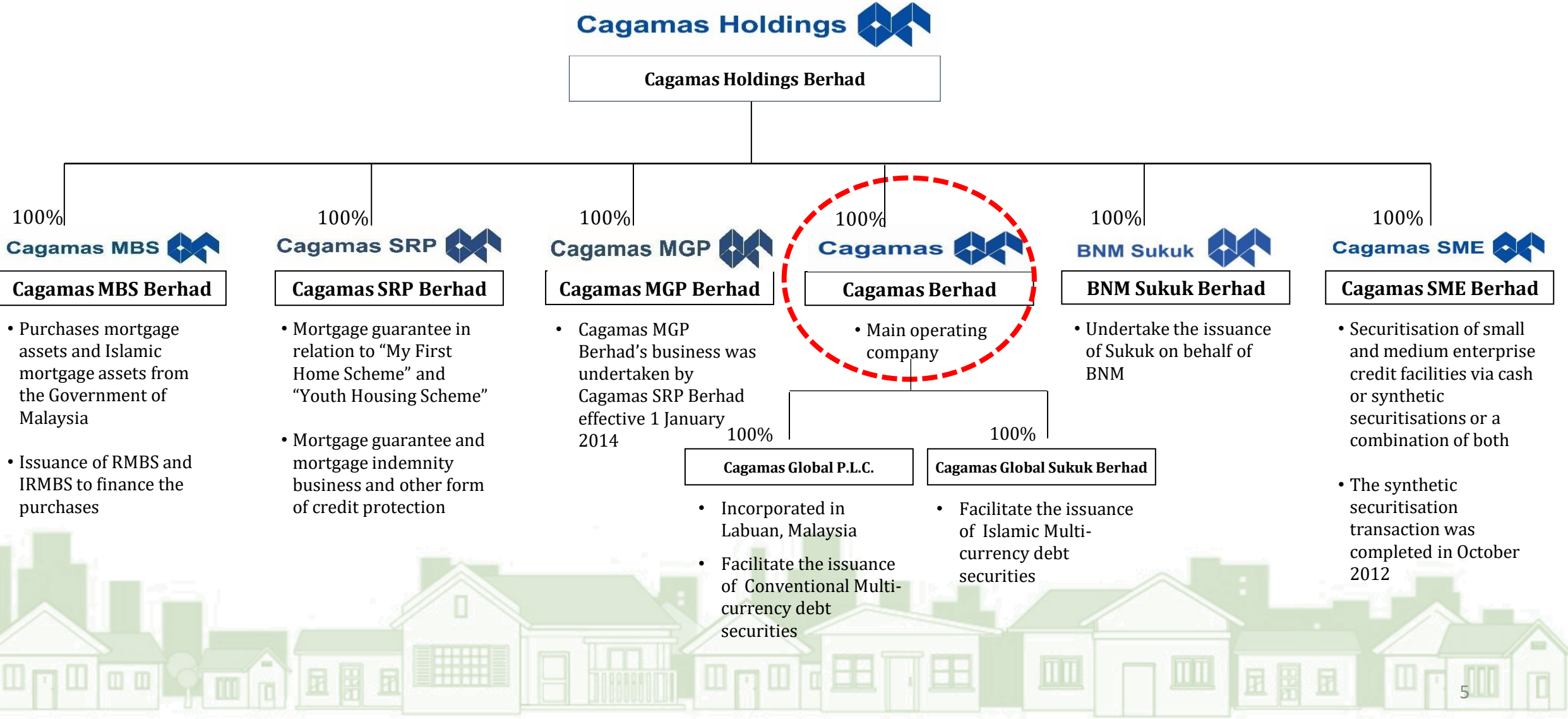
- Providing innovative facilities at a competitive cost to primary home lenders
- Widening and deepening the scope of securitisation with innovative instruments
- Nurturing and maintaining a competent workforce of the highest integrity and professionalism
- Using technology to enhance productivity and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

Future Plans

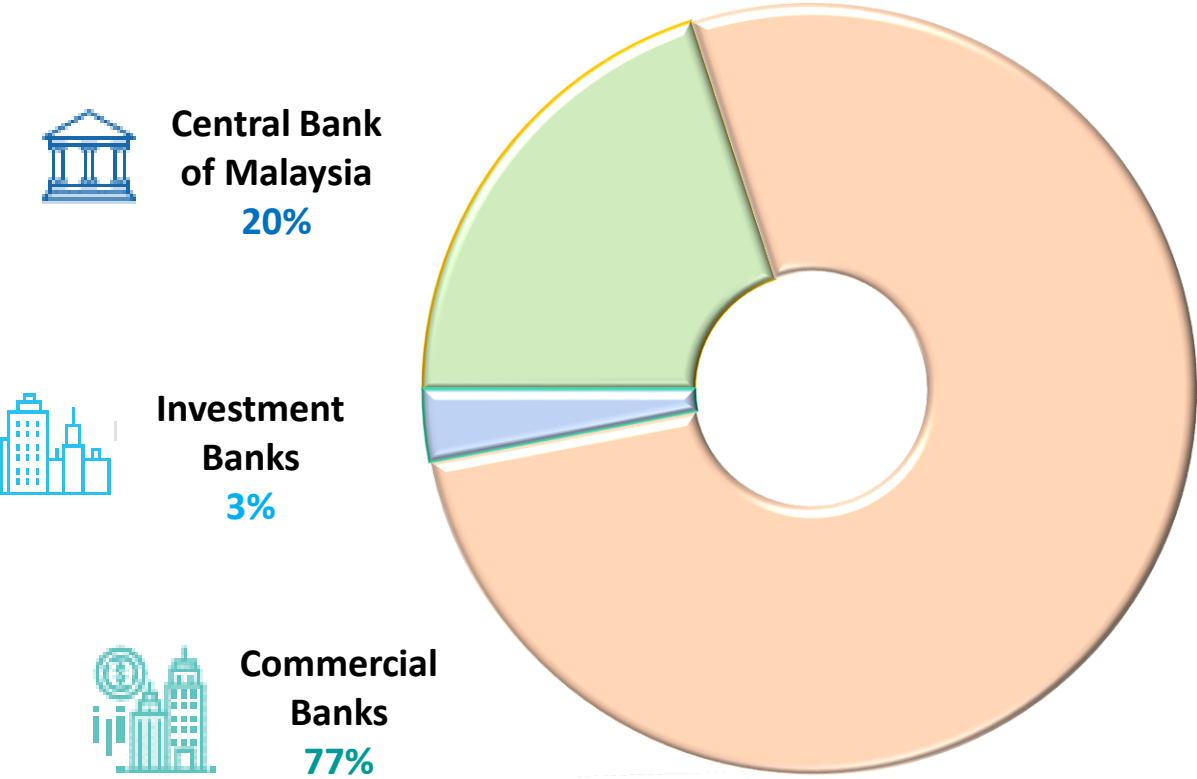
- Continuing to help Malaysians gain access to competitive house financing
- Developing risk and capital management solutions to assist financial institutions especially in light of Basel III
- Enhancing product offering participation in Development Financial Institutions to further spur the growth of 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 CAGAMAS GROUP

Cagamas 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

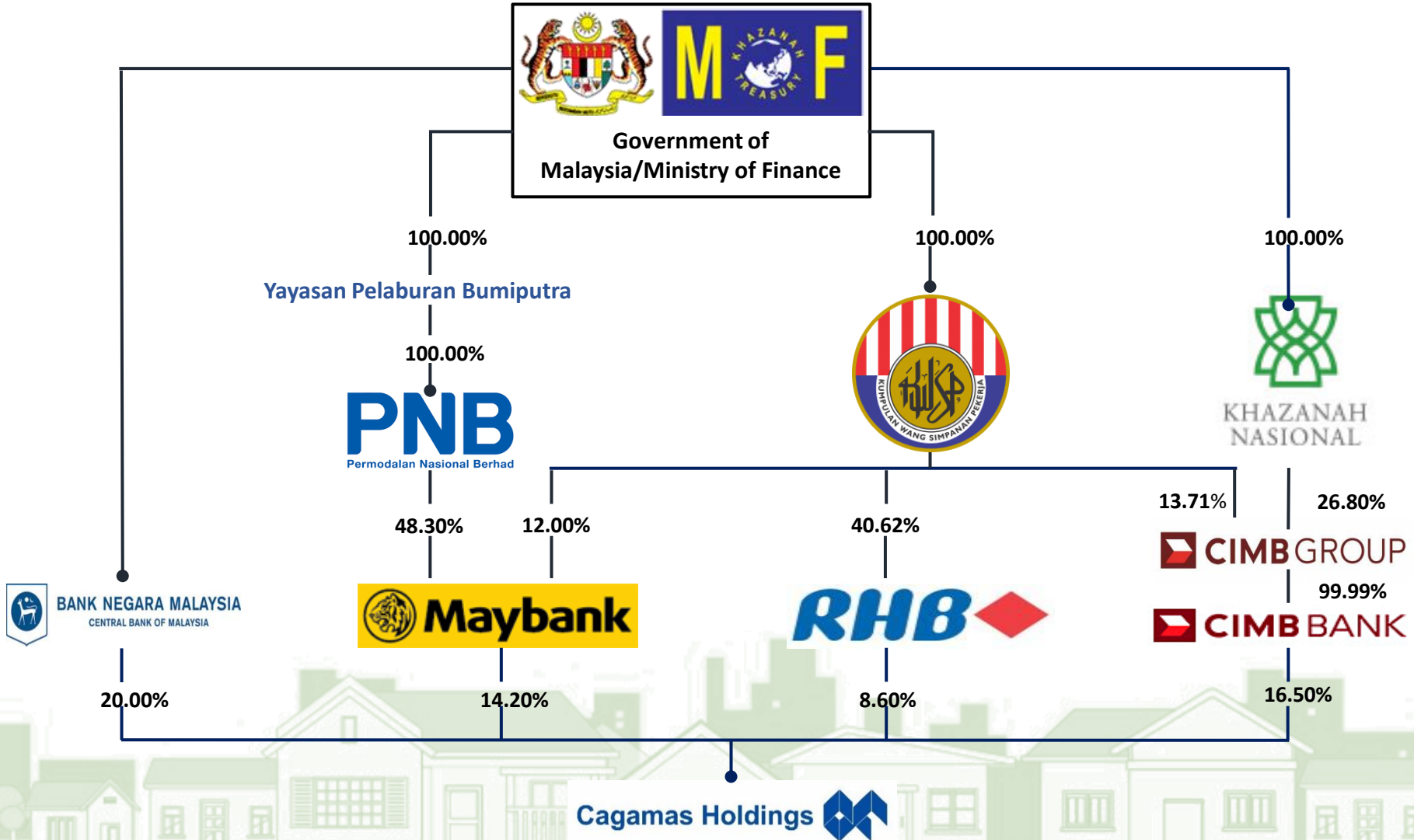


 BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA	20.0%	 Standard Chartered	3.1%
 CIMB BANK	16.5%	 AFFINBANK	2.9%
 Maybank	14.2%	 UOB 大華銀行	2.2%
 RHB	8.6%	 OCBC Bank	2.0%
 AmBank	8.0%	 Bank of Tokyo-Mitsubishi UFG	0.5%
 PUBLIC BANK	7.0%	 Bangkok Bank	0.3%
 HongLeong Bank	6.0%	 Scotiabank	0.2%
 HSBC	4.1%	 Deutsche Bank	0.2%
 ALLIANCE BANK	3.7%	 中國銀行馬來西亞 BANK OF CHINA (MALAYSIA) BERHAD	0.2%

Note: 0.3% shareholding by SIBB Berhad a wholly-owned subsidiary of CIMB Bank

INDIRECT OWNERSHIP BY THE GOVERNMENT OF MALAYSIA

Close links with the Central Bank of Malaysia and Government of Malaysia



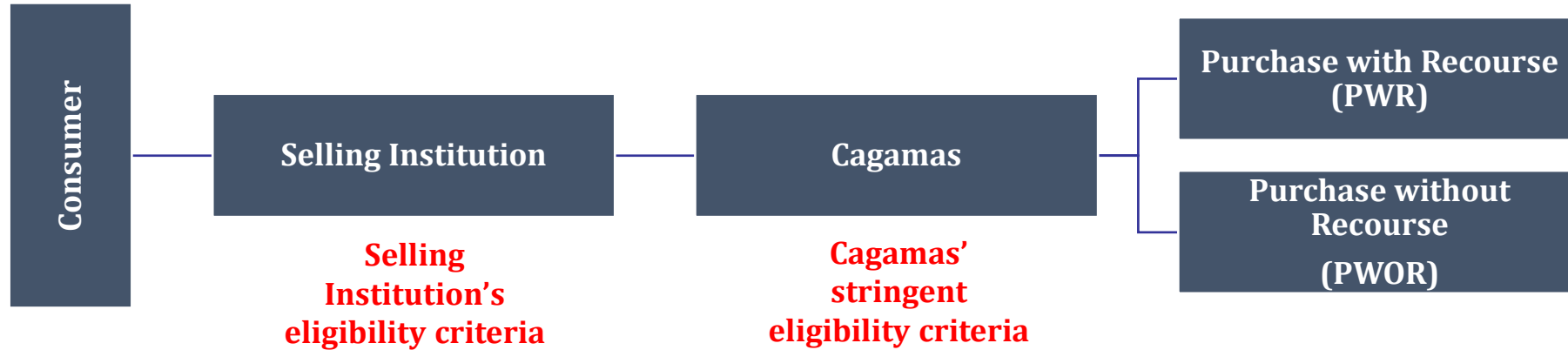
SECTION 2

BUSINESS OVERVIEW



BUSINESS OVERVIEW

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



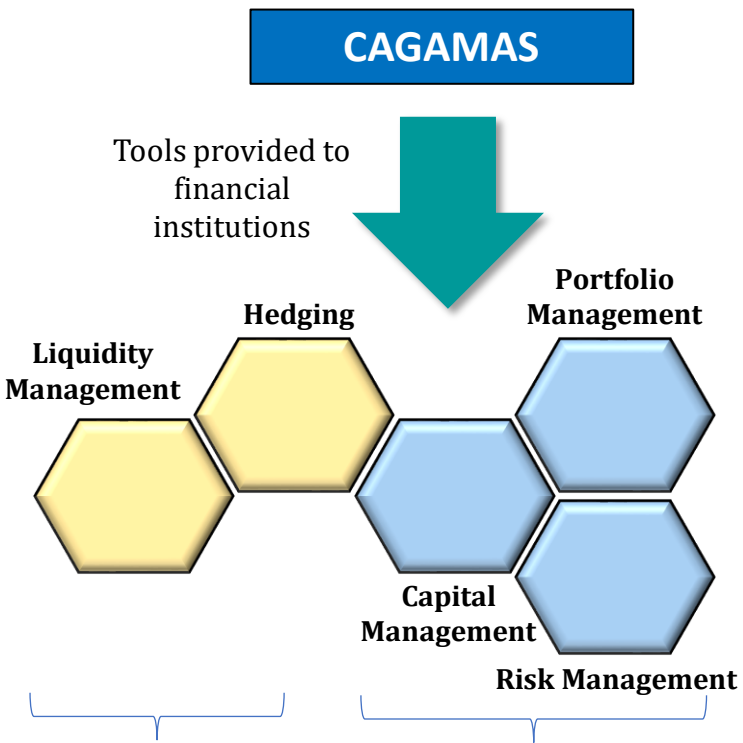
- The Selling Institution will have applied its own eligibility criteria in granting the loan / financing to the consumer
- Cagamas will have applied its own stringent eligibility criteria in determining that the loan / financing to be purchased from the Selling Institution is of sufficient quality to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

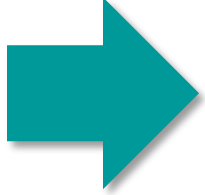


BUSINESS OVERVIEW (CONT'D)

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



Types of loans / financing purchased under each scheme



Purchase with Recourse

- Housing Loans /Islamic House Financings
- Commercial and Industrial Property Financings
- Infrastructure Loans
- Study Loans
- SME Loans
- Hire Purchase and Leasing Debts
- Personal Loans/Islamic Personal Financings
- Rahn Financings

Mortgage Guarantee Programme (MGP)*

- Housing Loans
 - Islamic House Financing
 - Skim Rumah Pertamaku /My First Home Scheme
 - Skim Perumahan Belia / Youth Housing Scheme
- MGP offers “first loss” protection on a mortgage portfolio while the mortgage assets remain on the originator’s books

* Under Cagamas SRP Berhad

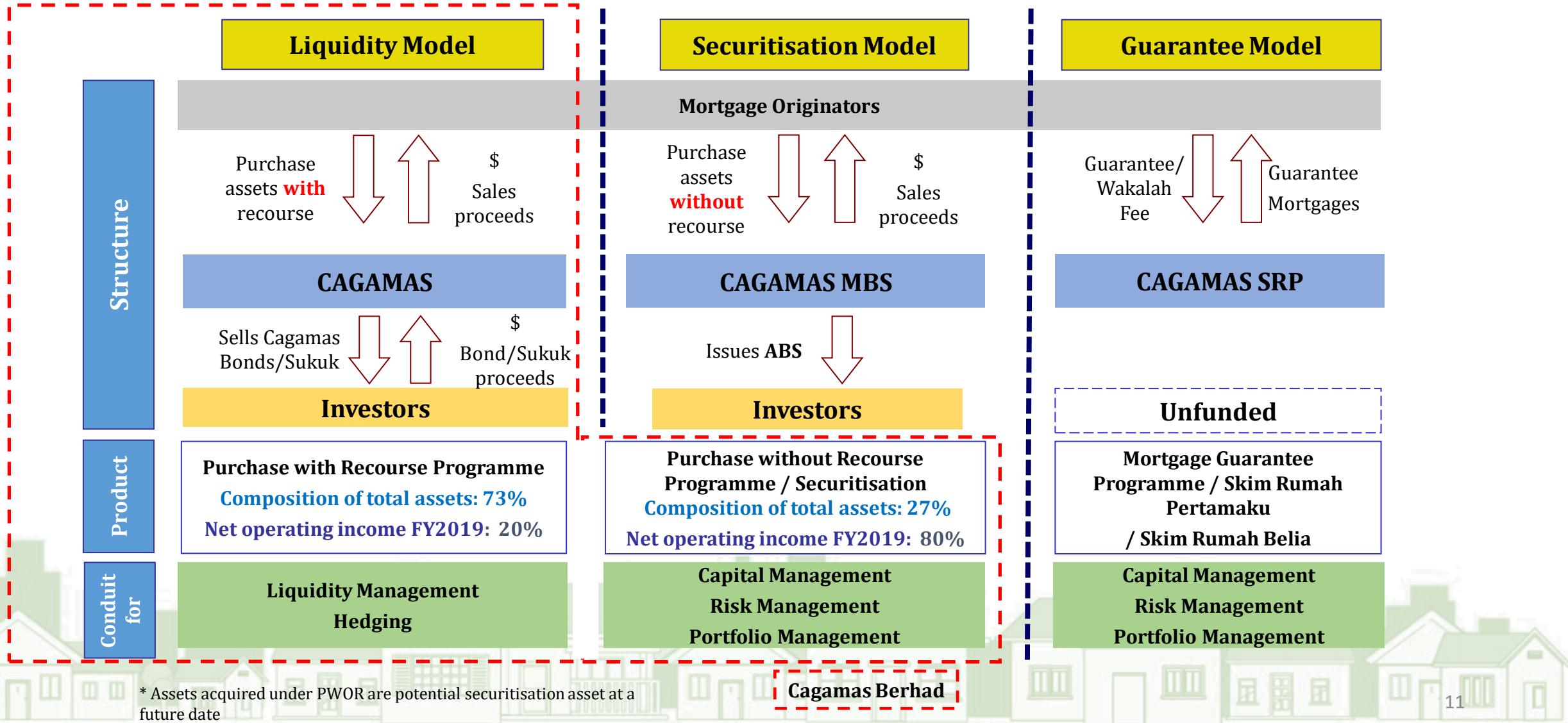
Purchase without Recourse

- Housing Loans /Islamic House Financings
- Hire Purchase /Islamic Hire Purchase
- Islamic Leasings



CAGAMAS BUSINESS MODEL

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



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

Cagamas is governed by the following regulations under the respective authorities

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 and 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

Bursa Malaysia

Electronic Trading Platform (ETP)

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

Securities Commission of Malaysia

Capital Markets and Services Act 2007 (CMSA)

- Registered Persons status under the CMSA

Laws of Malaysia

Companies Act 2016

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

Labuan Companies Act 1990

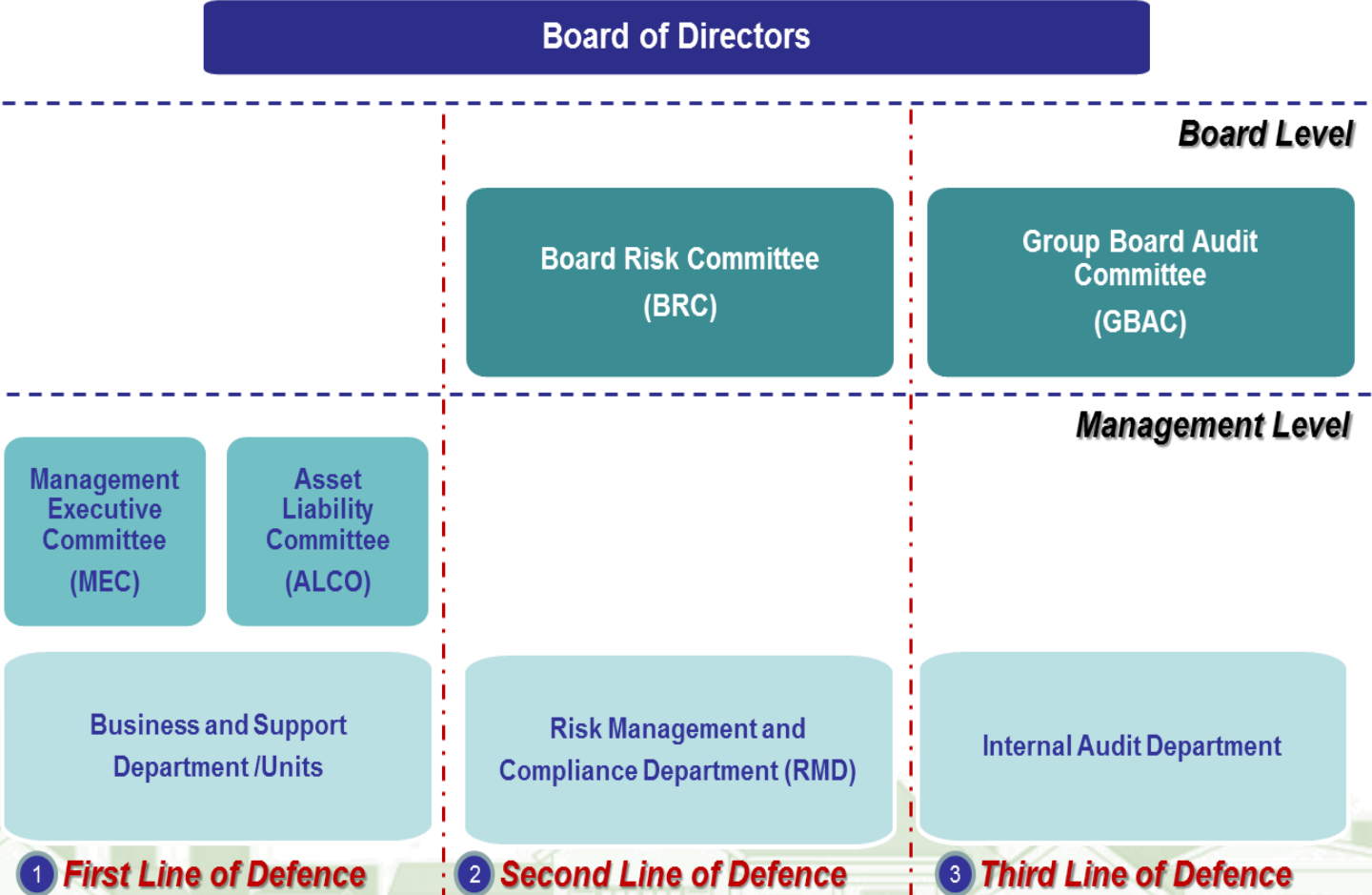
- Incorporated under the Labuan Companies Act and are subject to provision of the Act

REGULATORS



ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

The Cagamas Group takes a holistic and enterprise-wide view in managing risk across the subsidiaries with regular evaluation of risks. 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 defense when managing risk



- 1 The business units within Cagamas are the first line of defense, 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 and Compliance Department (RMD) acts as Cagamas' second line of defense 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 RMD 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 defense and is responsible for independently reviewing the adequacy and effectiveness of risk management processes, the system of internal controls and compliance with risk policies.

STRONG RISK MANAGEMENT FRAMEWORK

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

Business Units
Identify Product/ Business Activity



Review by relevant functions i.e. Treasury, Risk Management, Legal, Finance, IT, and Operations Department



Reviewed & Recommended by Management Executive Committee



Reviewed by BRC



Approved by BOD

- 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

Eligibility Criteria

Credit Approval Process

Liquidity Management

Match Funding Policy

Reserves in cash & liquid assets

MYR and Multi-currency MTN Programme

ASSET LIABILITY MANAGEMENT

Proactive asset and liability management to mitigate risks and optimise profitability

Market Risk & Liquidity Risk

- Match-Funding Policy – All asset purchases are funded by bonds of matched size and duration
- Duration Gap – The duration gap of the Company shall not exceed 6 months
- Liquidity Gap Limit – Net funding requirement by assessing all of the Company’s cash inflow against outflows
- Liquidity Ratio – Company’s ability to pay off its short term debt obligation. Ratios are higher than 1.0

Funding Risk

- Interbank borrowing and repurchase agreement (REPO) as ‘Approved Interbank Institution’¹
- Intraday credit facility from BNM as ‘RENTAS’² member
- Strong shareholders’ funds as additional source for liquidity needs
- Cagamas Debt programme – MYR60 billion MTN/IMTN, MYR20 billion CP/ICP and USD5 billion Conventional/Islamic Multi-Currency MTN Programme
- Issuance and distribution of its own debt securities as ‘Registered Person’ under CMSA³
- Facility Agent of its own debt securities as a ‘FAST’⁴ member

Credit Risk - Investment

- Prudent Investment Policy
- Stringent Credit Concentration Limit Exposure
- Regular Credit Review

1. 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

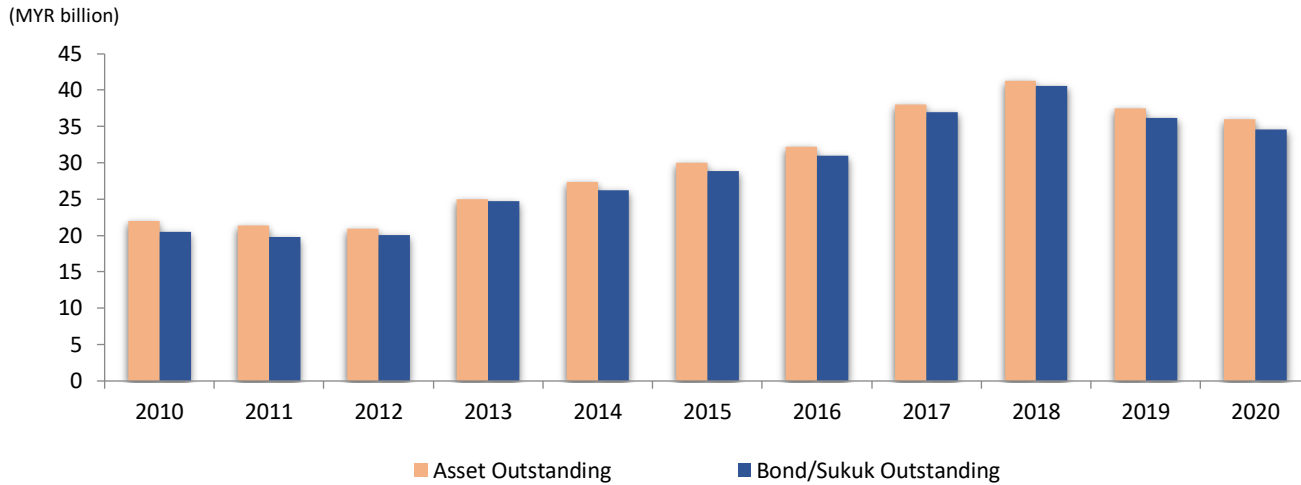
2. Real Time Electronic Transfer of Funds and Securities is a real time gross settlement system for transfer and settlement of interbank funds and scriptless securities transactions

3. The Capital Markets and Services Act 2007 issued by the Securities Commission of Malaysia in relation to dealing with fund raising activities

4. Fully Automated System for Issuing/ Tendering

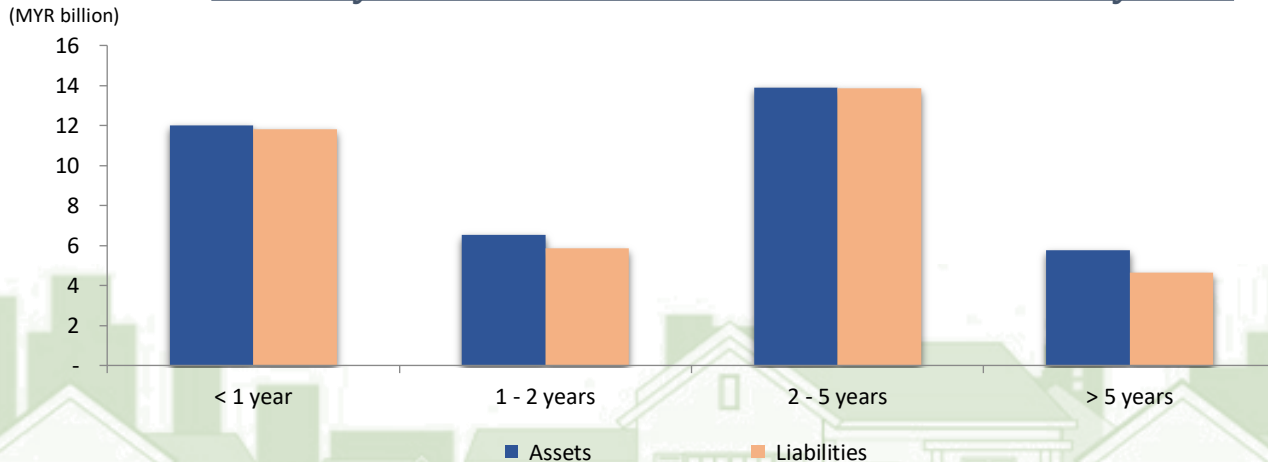
PRUDENT ASSET LIABILITY MANAGEMENT

Outstanding of Asset vs Bonds/Sukuk as at 31 May 2020



- Cagamas practices 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 Asset vs Liabilities as at 31 May 2020

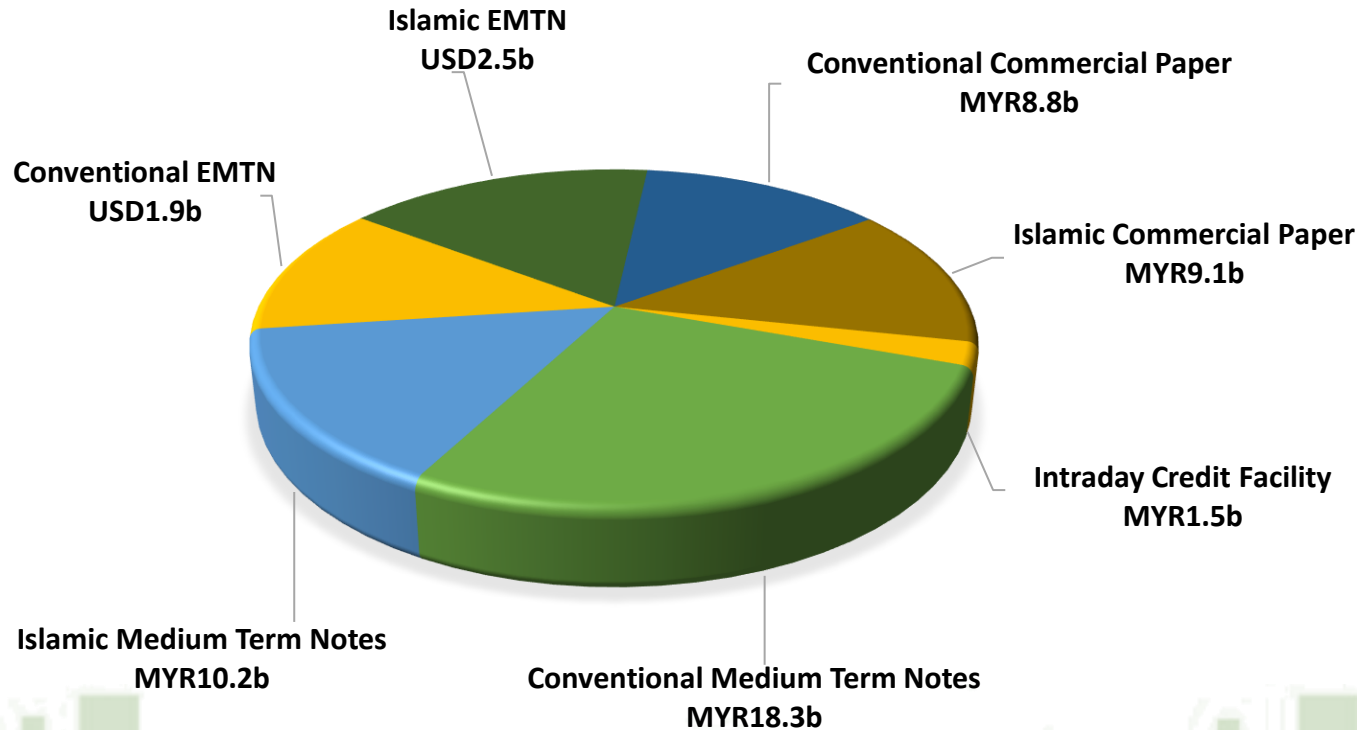


- The maturities of the assets and liabilities are also matched as close as possible
- Cagamas also places limits on maximum shortfall against shareholders' funds and liquidity ratio to ensure sufficient funds to meet maturing liabilities

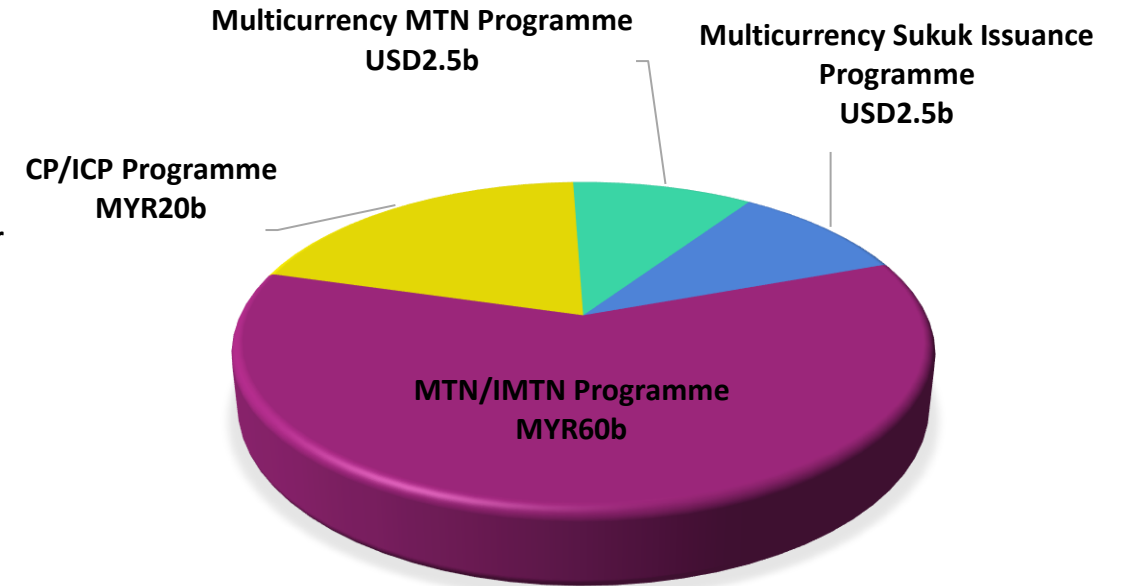
MANAGING FUNDING RISK

Cagamas is the only non-financial institution granted access to intraday credit facility provided by Bank Negara Malaysia

Outstanding Funding Facilities Available as at 31 December 2019



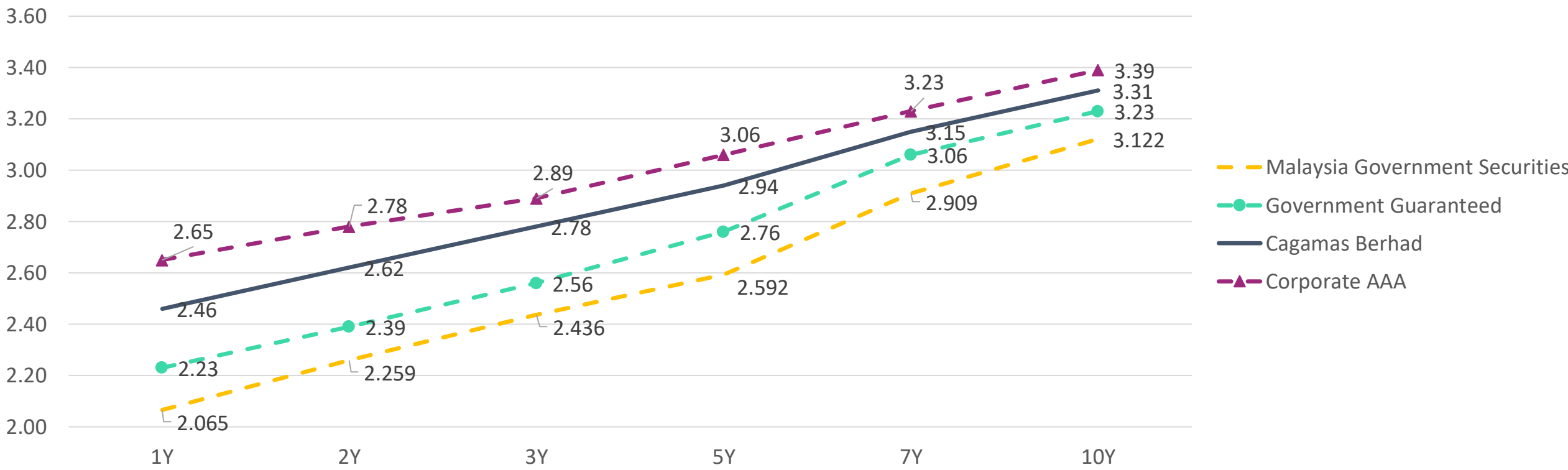
MYR & FCY Funding Programmes



In addition to these, Cagamas has a strong shareholders' funds of close to MYR4 billion as additional liquidity buffer

BOND YIELD COMPARISON

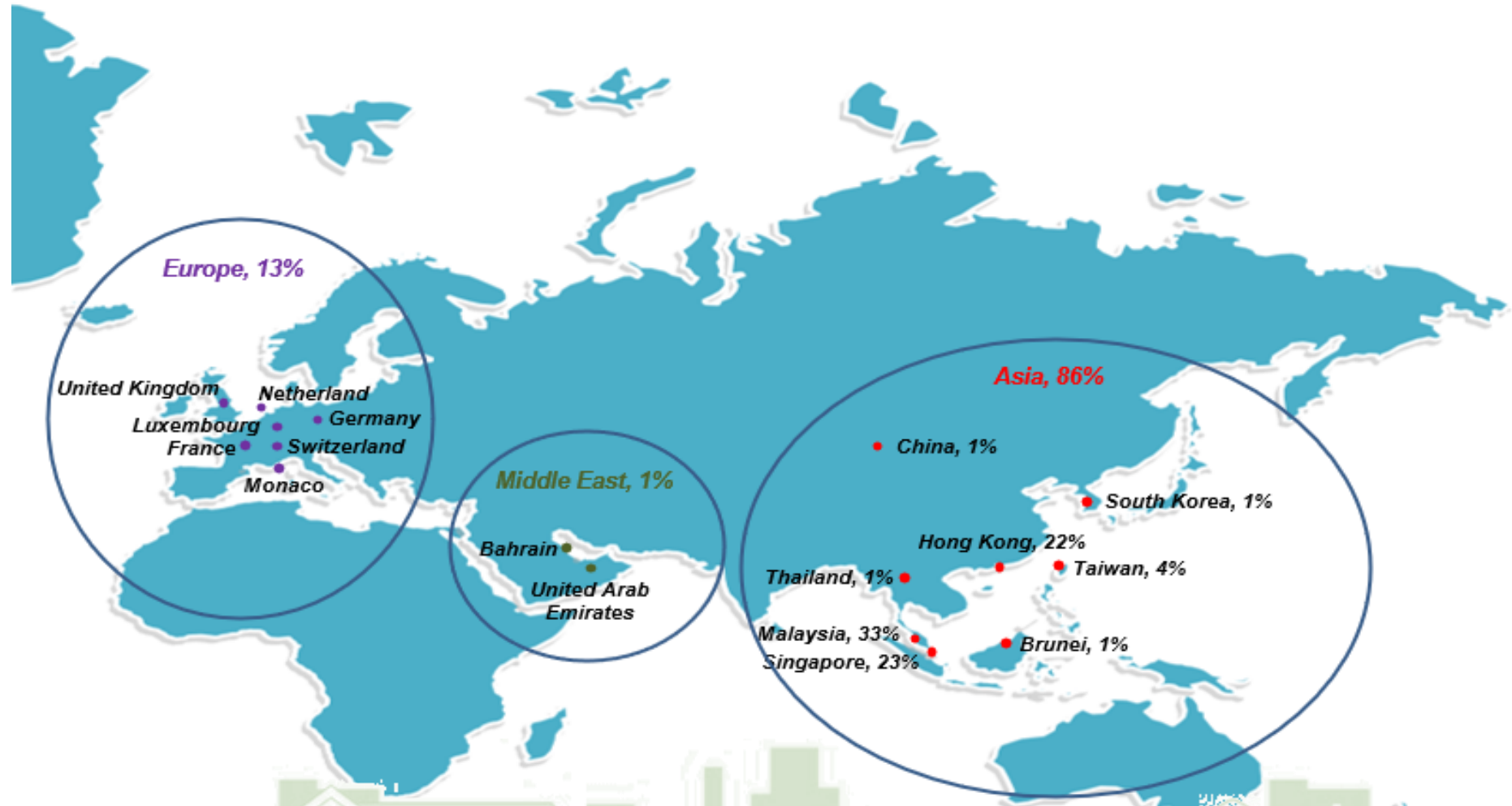
Cagamas debt securities continued to outperform its peers



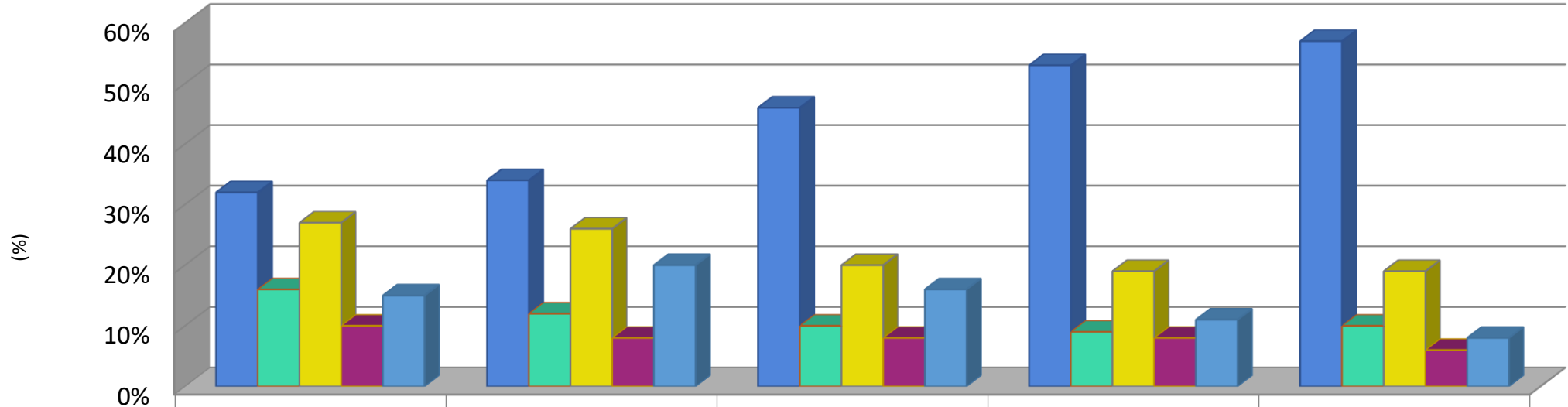
*Source: Bond Pricing Agency Malaysia (BPAM) as at 10 June 2020



CAGAMAS GLOBAL INVESTOR NETWORK



INVESTOR PROFILE BASED ON OUTSTANDING DEBT SECURITIES



	2015	2016	2017	2018	2019
Financial Institutions	32%	34%	46%	53%	57%
Insurance Companies	16%	12%	10%	9%	10%
Provident/Pension Funds	27%	26%	20%	19%	19%
Others*	10%	8%	8%	8%	6%
Non-Residents	15%	20%	16%	11%	8%



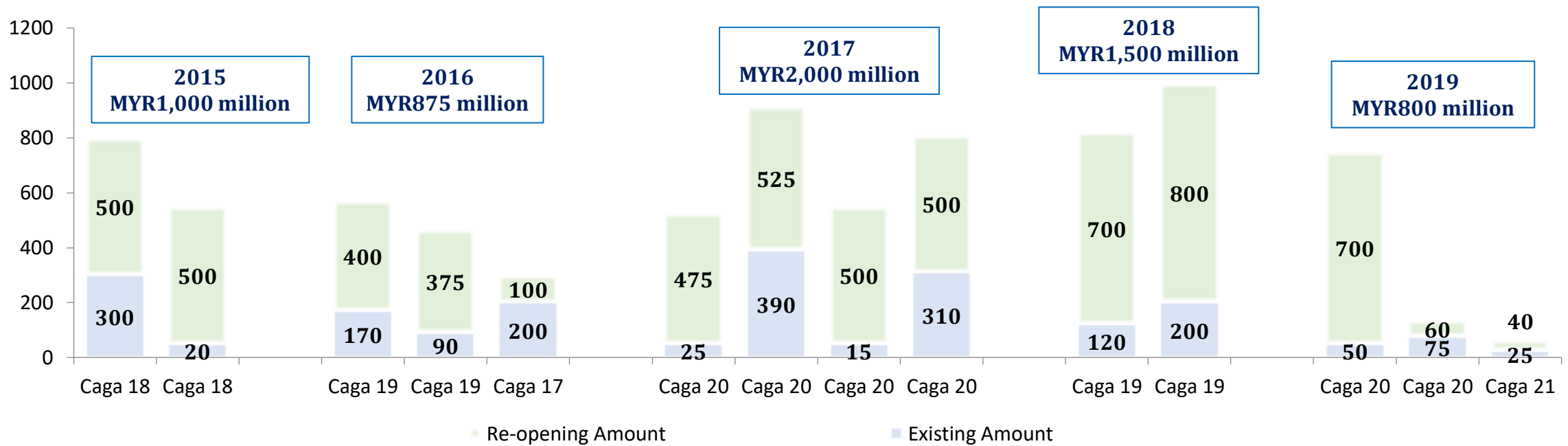
SECTION 3

INITIATIVE TO PROMOTE MARKET LIQUIDITY



RE-OPENING INITIATIVES

The reopened bond/sukuk are more in demand amongst investors to promote healthier secondary liquidity



- Since 2015, Cagamas has successfully reopened a total of 14 tranches for a combined size of MYR6,175 million.
- Enlarged issue size that meet the minimum size pre-requisite for inclusion into influential local currency bond index increases weightage of Cagamas bonds in the indices, thus promoting greater visibility of Cagamas debt securities particularly among international investors.
- Cagamas has also set new benchmark in 2019 with the Company and the Country's first ever dual tranche bonds and sukuk reopenings.



Cagamas debt securities continue to be included in widely followed global indices

No.	INDICES	MYR	HKD	RMB	USD
1	Markit iBoxx ALBI Index	✓	✓	✓	
2	BofA Merrill Lynch Diversified Local Emerging Markets Non-Sovereign Index (LOCL)	✓		✓	
3	BofA Merrill Lynch Broad Local Emerging Markets Non-Sovereign Index (LCCB)	✓	✓	✓	
4	BofA Merrill Lynch Diversified Broad Local Emerging Markets Non-Sovereign Index (LCCD)	✓		✓	
5	S&P Pan Asia Bond Index	✓			
6	S&P Malaysia Bond Index	✓			
7	S&P Hong Kong Quasi and Foreign Government Bond Index		✓		
8	Barclays Capital Offshore Renminbi (CNH) Bond Index			✓	
9	FTSE-BOCHK Offshore RMB Bond Index Series			✓	
10	FTSE-BOCHK Offshore RMB Investment Grade Bond Index			✓	
11	Citi Dim Sum (Offshore CNY) Bond Index			✓	
12	Barclays Global Aggregate Index				✓
13	J.P Morgan Asia Credit Index (JACI)				✓
14	Citi World Broad Investment-Grade (WorldBIG) Index				✓
15	Citi Asian Broad Bond Index (ABBI)				✓
16	Markit iBoxx Asian USD Dollar Bond Index				✓
17	BofA Merrill Lynch US Emerging Markets Liquid Corporate Plus Index (EMCL)				✓

SECTION 4

FINANCIAL HIGHLIGHTS



FINANCIAL YEAR 2019 KEY RATIOS

**OPERATING
REVENUE**

MYR1.9
BILLION

**COST TO
INCOME**

14.9%

TOTAL ASSETS

MYR40.7
BILLION

**PROFIT BEFORE
TAX**

MYR318
MILLION

LCR RATIO

3,410%

**RETURN ON
EQUITY**

8.4%

**SHAREHOLDERS
FUND**

MYR3.9
BILLION

NSFR RATIO

114%

**NET INTEREST
INCOME
MARGIN**

1.0%

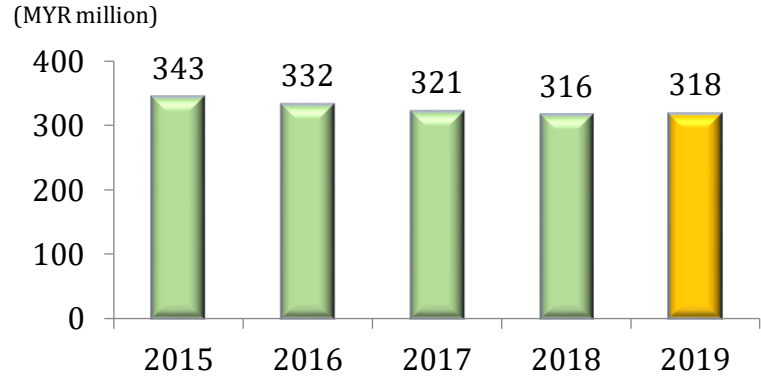
**TOTAL CAPITAL
RATIO**

30.7%

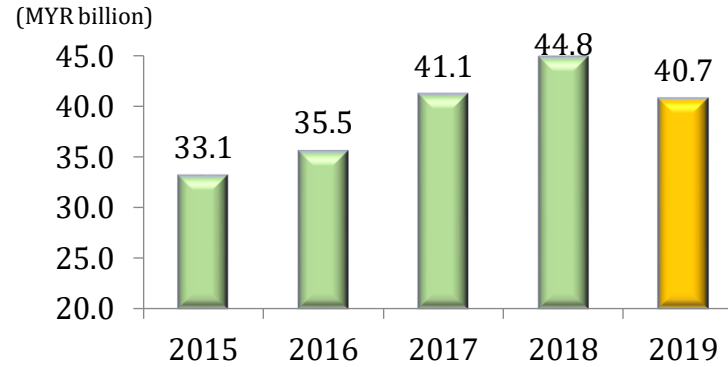
FINANCIAL HIGHLIGHTS

HEALTHY ASSET GROWTH WITH SUSTAINED PROFITABILITY

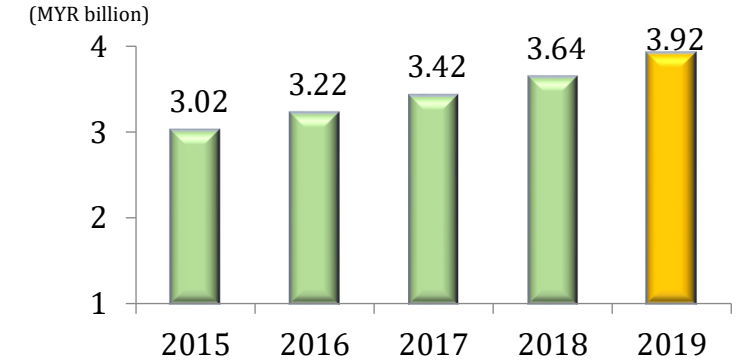
Profit Before Tax



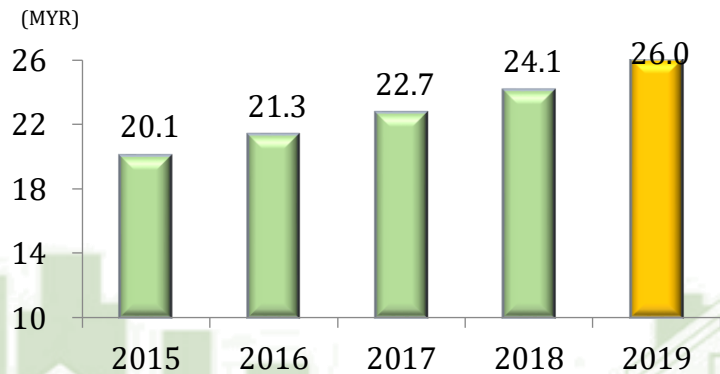
Asset Size



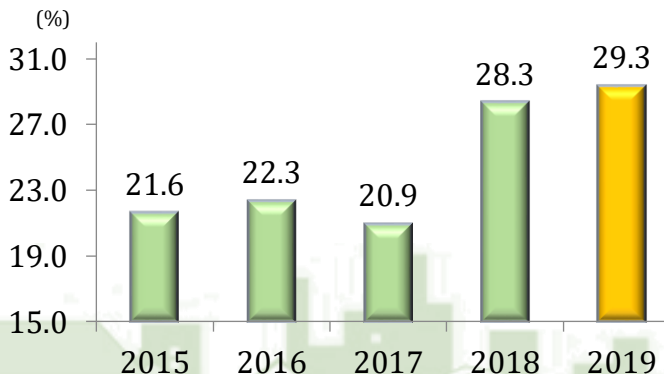
Shareholders' Fund



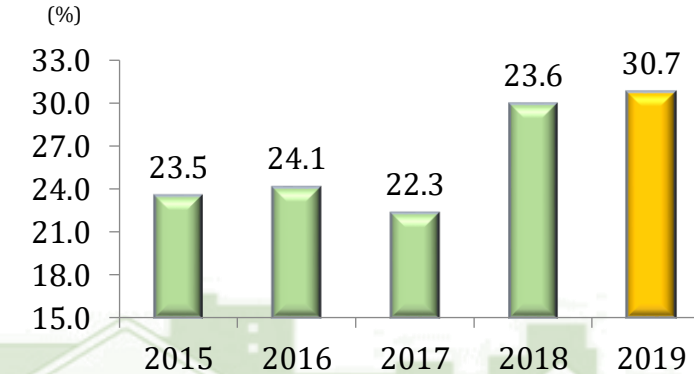
Net Tangible Asset per share



Core Capital Ratio



Total Capital Ratio



SECTION 5

CREDIT STRENGTH



KEY CREDIT STRENGTH

Strong Shareholding Structure

**Global Rating of A3 by Moody's
equal to Malaysia's Sovereign
Rating**

**Systemically Important to
Domestic Financial System**

Experienced Board of Director

**Strong Risk Management
Framework**

**Robust Asset Quality and Solid
Capitalisation**

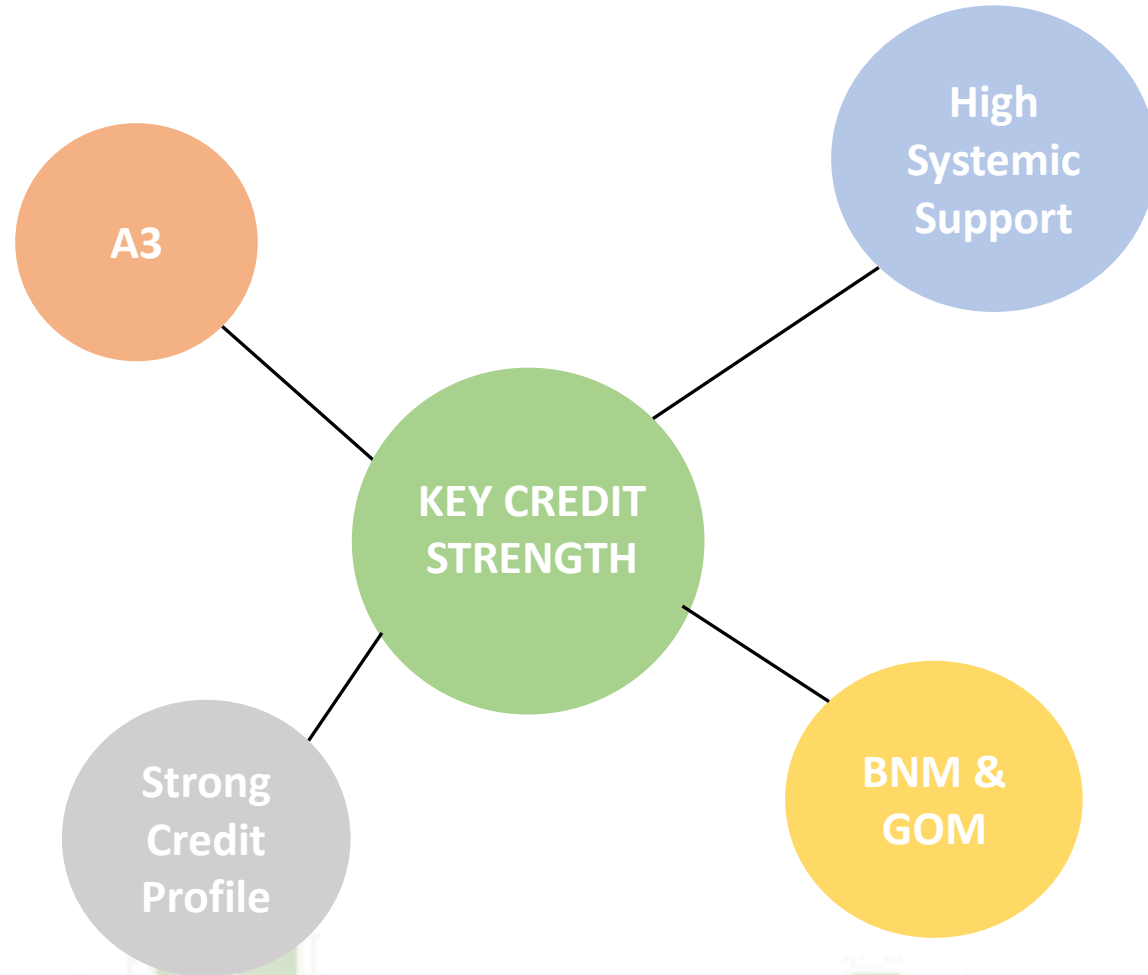
**Establishing New Products for
Market Development in a
Prudent Manner**

Strategic Business Model

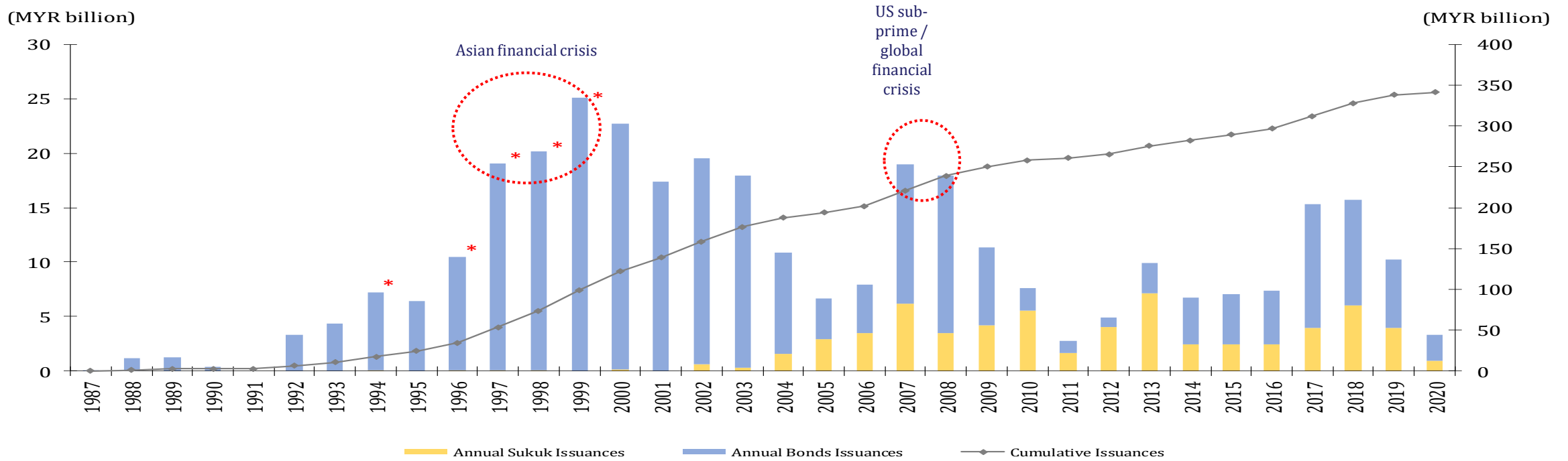
**Sound and Resilient Financial
Profile**

KEY CREDIT STRENGTH

- **Sovereign Equivalent Rating**
- **Special policy role**
 - ✓ Supporting the national objective to increase home ownership & promote development of Malaysia debt capital market
- **High systemic importance in Malaysian financial sectors**
 - ✓ Significant linkages with other financial institutions and prominent role in the debt capital market
- **Close linkages with BNM and the Government**
- **Strong Capitalisation**
- **Good Asset Quality**
- **Stable Profitability**



SYSTEMATICALLY IMPORTANT TO DOMESTIC FINANCIAL SYSTEM

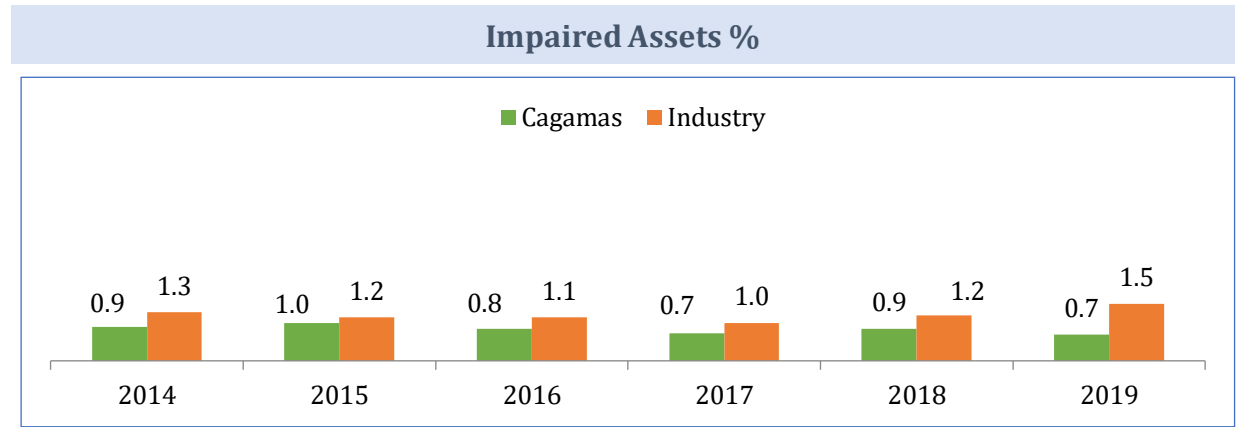


- Cagamas plays a systemically important role in the domestic financial system, underscored by its dual function as liquidity provider and as a leading issuer of conventional bonds and Sukuk**
- Provide credit and portfolio risk management solutions
 - Provide capital management solutions
 - Conduit 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 MYR341 billion to the financial market and has successfully redeemed MYR304 billion with not even a single technical default as at 31 May 2020.

ROBUST ASSET QUALITY AND SOLID CAPITALISATION

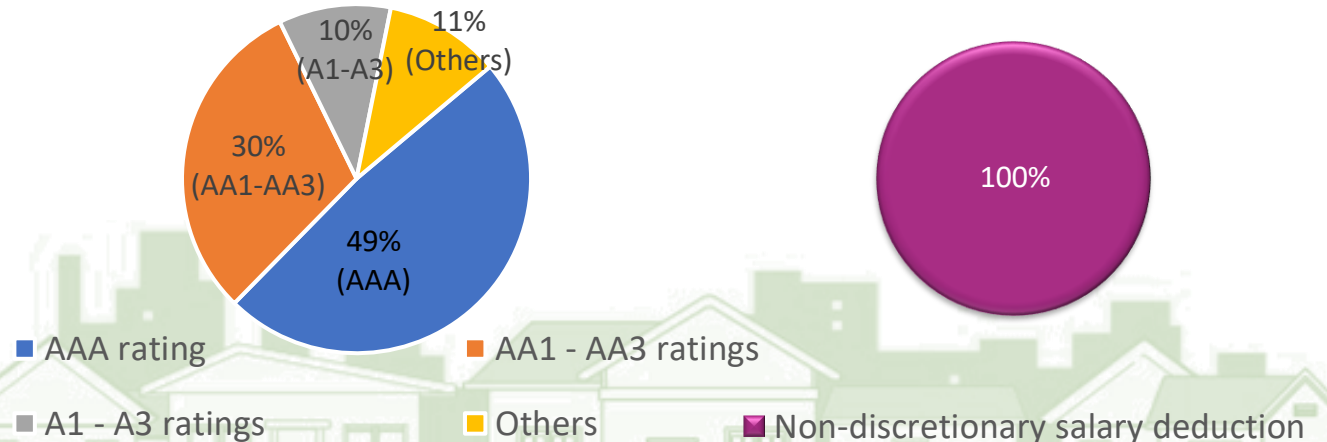
Cagamas' asset quality is robust, premised on its exposure to highly rated PWR counterparties and the provision of loans/financings with non-discretionary salary deduction at source as a key feature of its PWOR portfolio

- As at 31 December 2019, more than 75% 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 0.7% as at 31 December 2019, lower than the Malaysian banking system's gross impaired loan/financing ratio of 1.5% for residential property mortgages
- The ratio of its PWR and PWOR receivables stood at about **73:27** as at 31 December 2019



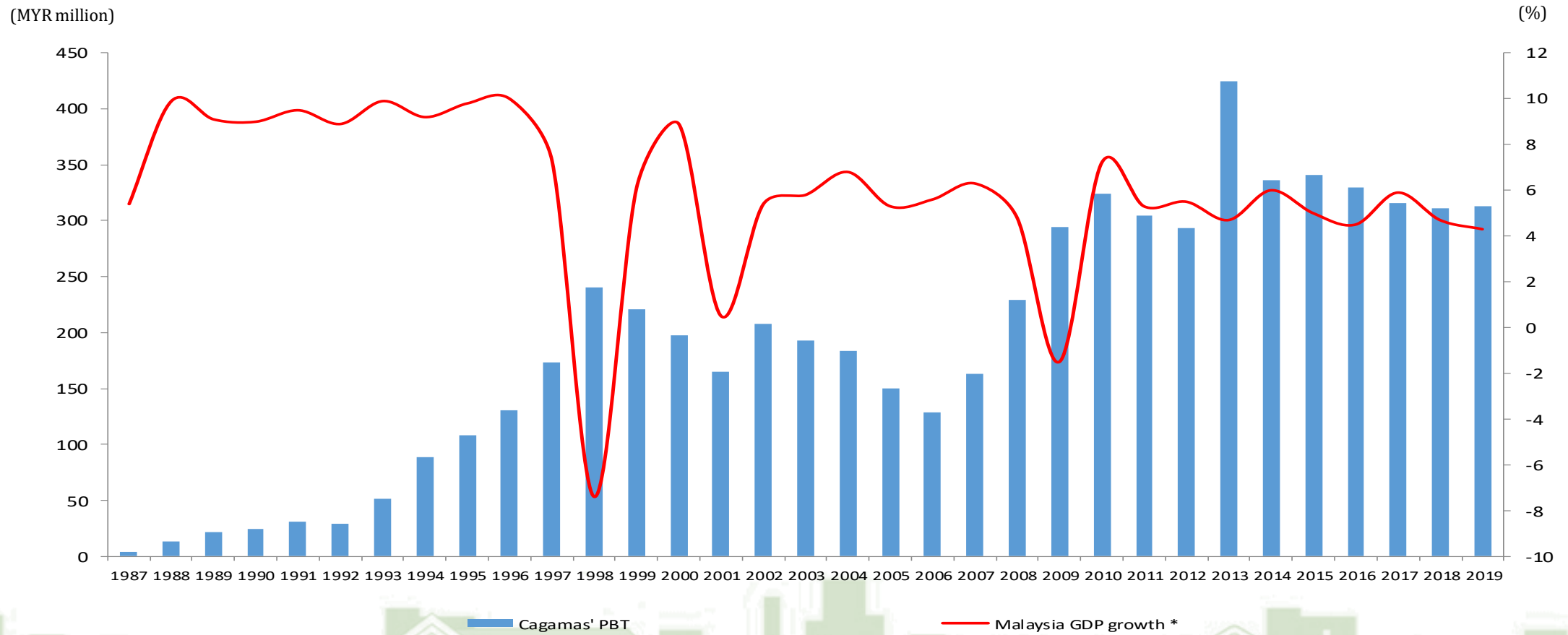
Counterparties exposure by local ratings for PWR assets as at 31 December 2019

Collection exposure for PWOR assets as at 31 December 2019

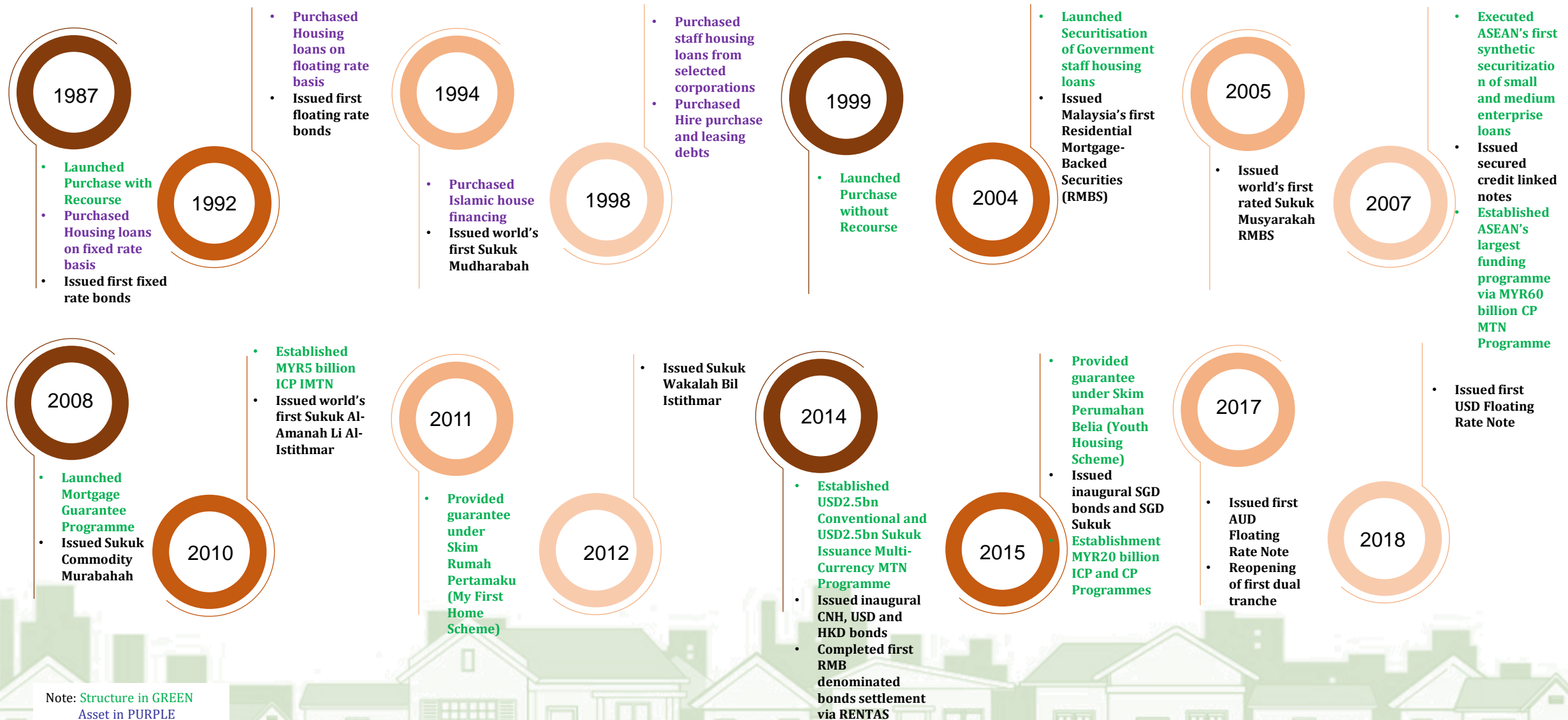


SOUND AND RESILIENT FINANCIAL PROFILE

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



INNOVATIVE PRODUCTS FOR MARKET DEVELOPMENT



Note: Structure in GREEN
Asset in PURPLE
Bond / Sukuk in BLACK

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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