

# Moody's: Cagamas mulls foreign currency debt issue

**PETALING JAYA:** Cagamas Bhd's move to establish US\$2.5 billion (RM7.9 billion) medium-term note (MTN) programme in Sept 2014, suggests that it might soon be issuing foreign currency debt, Moody's Investors Service said.

"We view the MTN programme as credit positive, as it will allow Cagamas to tap a larger pool of investors, in particular, investors preferring foreign currency denominated debt," Moody's Associate analyst Shaoyong Beh said yesterday.

Moody's recently released report titled "Cagamas Bhd: Answers to Frequently Asked Questions", pointed out that Cagamas' standalone credit metrics are generally strong, as highlighted by its baar baseline credit assessment.

According to Moody's, Cagamas' asset quality is significantly stronger than the average for Malaysian banks.

The majority of Cagamas' portfolio consists of housing assets extended mainly to public-sector employees. The credit risks

associated with these assets are mitigated by the greater employment stability of most public-sector jobs, and the automatic deduction of debt repayments from borrowers' monthly salaries.

Given Cagamas' policy mandate and business model, Moody's said its balance sheet is likely to follow a counter-cyclical trend, growing in times of duress in the banking and/or property sector, therefore potentially increasing its risk exposure during such periods.