

# CAGAMAS TO ISSUE RM410M IN BONDS

MARC affirms national mortgage corporation's 'stable' outlook on back of its sound capitalisation, liquidity

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**C**AGAMAS Bhd is issuing RM410 million worth of conventional and Islamic bonds, with the proceeds to be used to fund the purchase of mortgage loans and Islamic house financing from the financial system.

The issuances comprise RM180 million in conventional medium term notes (CMTN) and RM230 million in Islamic medium term notes (IMTN).

"We are pleased with foreign investors' continued participation in the issuances, which signify their confidence and acceptance of ringgit-denominated is-

suance, and of Cagamas's papers, in particular.

"We are also pleased that the company's proactive engagements with foreign investors and continuous initiatives to promote secondary market trading of Cagamas papers have been successful," said chief executive officer Datuk Chung Chee Leong.

Malaysian Rating Corp Bhd (MARC) has affirmed the "stable" rating on Cagamas's bond and sukuk issuances due to its sound capitalisation and liquidity.

The ratings agency also incor-

porated Cagamas's systemic importance in the domestic financial system, arising from its status as the national mortgage corporation and largest domestic issuer of corporate bonds.

"The 'stable' outlook reflects MARC's expectations that Cagamas will continue to maintain its strong credit, liquidity profile and prudent risk management," said MARC.

It noted that last year, Cagamas's total outstanding loans and financing rose 7.1 per cent to RM32.5 billion.

"Loans and financing under the



*Datuk Chung Chee Leong*

purchase without recourse (PWOR) scheme has not been available for acquisition since 2015. As a consequence, the proportion of PWOR to PWR (purchase with recourse) assets has continuously declined to 40:60 as at end-December from 45:55 in 2015," it said.

MARC said the increased proportion of PWR assets in Cagamas's portfolio was positive.

It takes comfort from the low counter-party risk of the originating financial institutions and corporates, given that 86.8 per cent of the PWR assets were purchased from originators rated "AA" and above, as at end-2016.

MARC said Cagamas's plans to diversify its portfolio to include

infrastructure and small and medium enterprise (SME) loans was at a nascent stage.

Last year, Cagamas's pre-tax profit fell 3.3 per cent to RM332 million, dented by lower net interest and financing income.

Net interest margin fell to 0.8 per cent from 2015's 0.93 per cent, due largely to the decline of higher-yielding PWOR assets as opposed to PWR assets.

Cagamas' favourable access to the domestic and international debt market and ability to structure its liabilities to match loans and financing assets remain key factors in the stability of its funding and liquidity profile.

Last year, Cagamas raised RM7.4 billion from 21 new debt issuances.