

Scaling Up Housing Finance | Malaysia's Experience

Kenya Affordable Housing Conference 2022

Datuk Chung Chee Leong

President/ Chief Executive Officer Cagamas

24 November 2022



Agenda

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SECTION 3

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Finance Ecosystem**

SECTION 4

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Achievements & Challenges



SECTION 1

MALAYSIA'S HOUSING MARKET



KEY PLAYERS IN THE DEVELOPMENT OF HOUSING FINANCE MARKET IN MALAYSIA



Malaysia's Housing Finance Market

Private Sector

- Commercial Banks (Conventional and Islamic Banks)
- Development Financial Institutions (DFIs)
- Other FIs and NBFIs: Insurance Companies, Co-operatives
- Property Developers

Public Sector

- Ministry of Housing and Local Government (KPKT)
- Public Sector Housing Financing Board (LPPSA)
- Employees Provident Fund (EPF)

Secondary Mortgage Market



PREVAILING HOUSING MARKET CONDITIONS IN MALAYSIA (1/2)

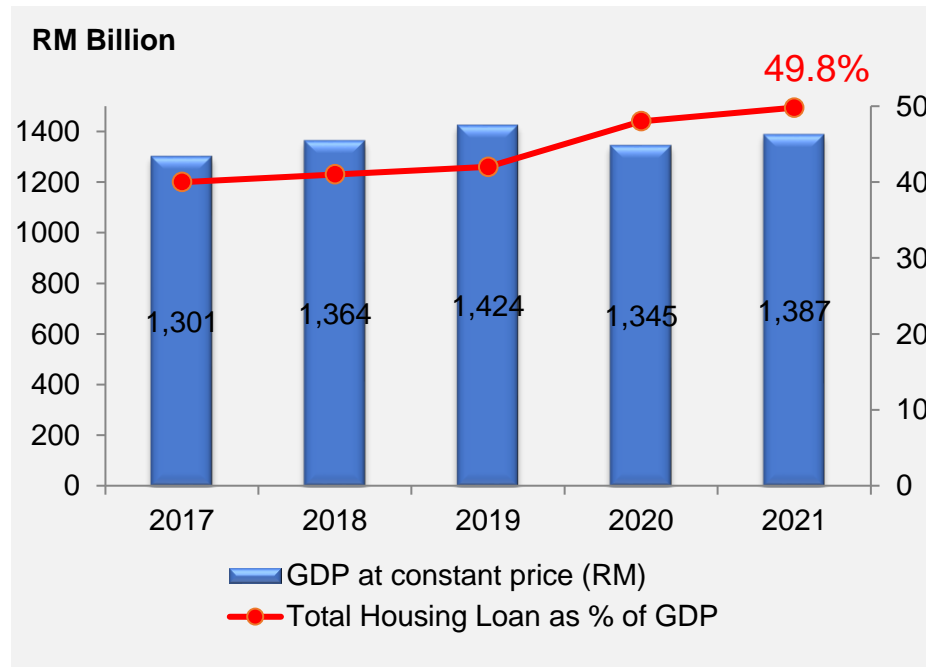


Housing loan outstanding to GDP is 49.8% in 2021, signifying its significant contribution to the economy

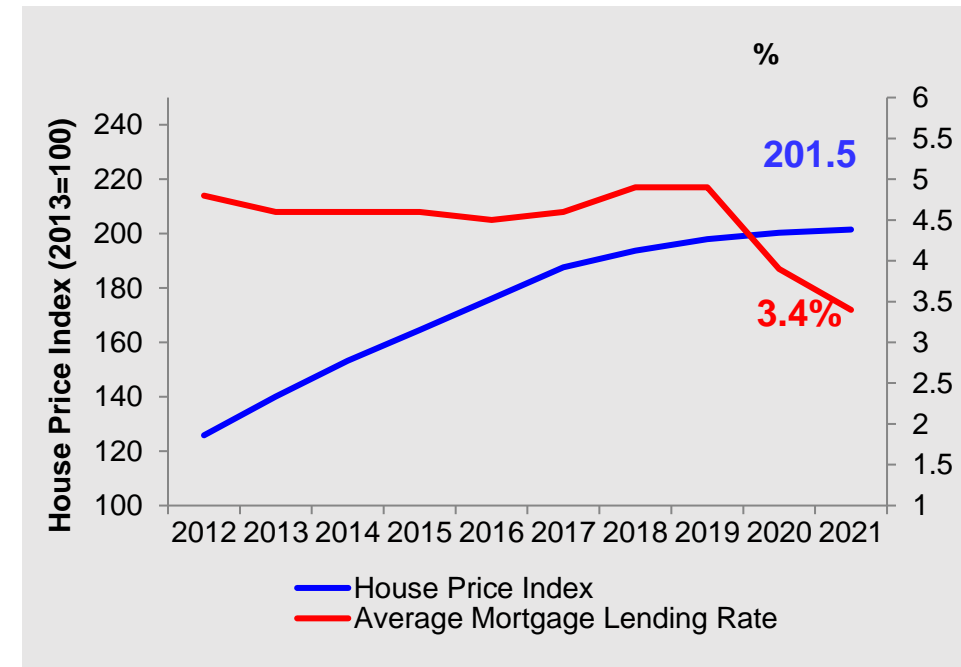


During the pandemic, **House Price Index continued to rise**, albeit at a slower pace, while Average Mortgage Lending Rate declined

Housing Loan Outstanding to GDP



House Price Index vs Average Mortgage Lending Rate



Source : Bank Negara Malaysia

LIVING IN A BRIGHTER FUTURE

PREVAILING HOUSING MARKET CONDITIONS IN MALAYSIA

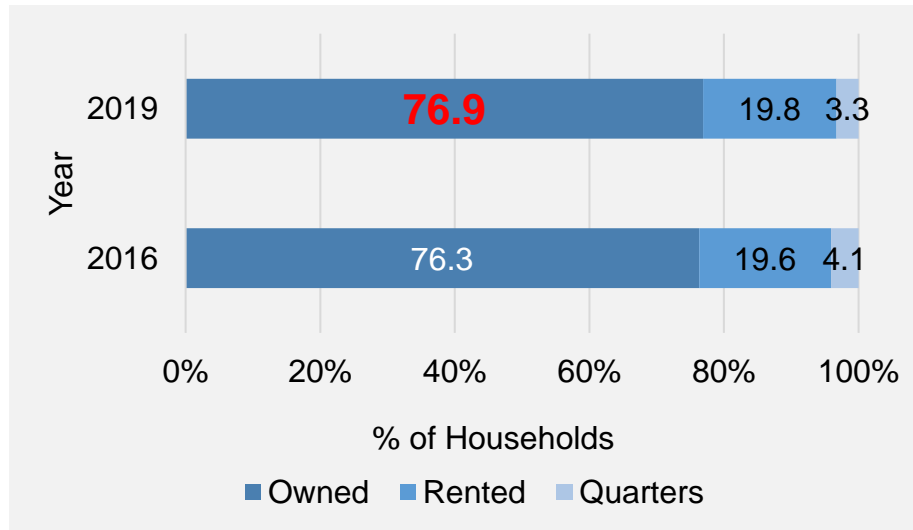


Homeownership rate in 2019 was 76.9%, an increase from 76.3% in 2016



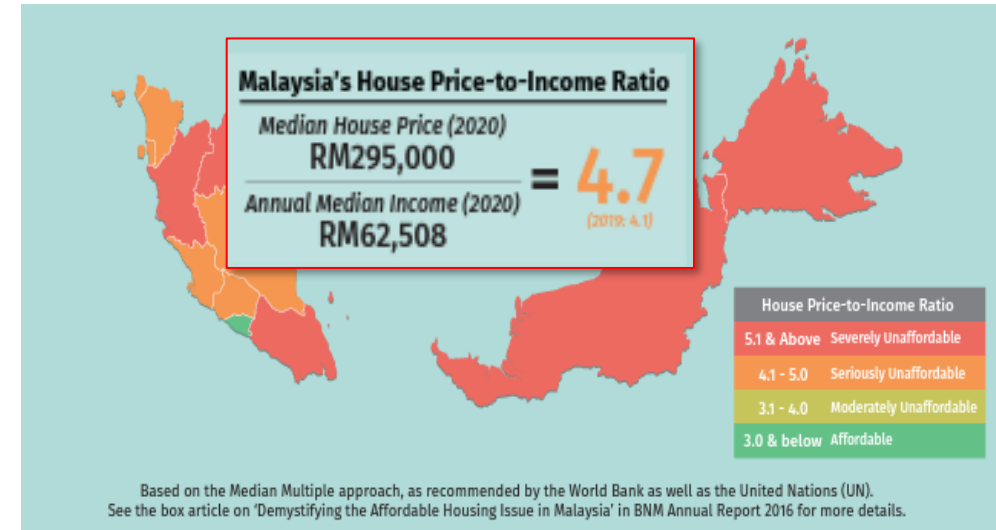
Median house price is 4.7 times of median household income in 2021 vs 4.1 in 2019

Percentage of households by type of occupied dwellings



Source: Household Income & Basic Amenities Survey Report 2019, Department of Statistics Malaysia

Housing affordability based on House Price-to-Income ratio



Source: BNM Financial Stability Report Second Half 2021



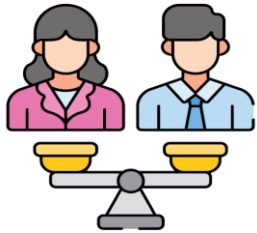
THE 12TH MALAYSIA PLAN



- The 12th Malaysia Plan aims to achieve the goal of becoming a prosperous, inclusive and sustainable country in line with the Shared Prosperity Vision 2030 and the Sustainable Development Goals 2030 (SDG 2030).
- It is centered on 3 main themes:
 - i. Resetting the economy
 - ii. Strengthening security, wellbeing and inclusivity
 - iii. Advancing sustainability
- Strengthening well-being include healthcare services, **providing affordable housing**, promoting healthy lifestyle and promoting unity.
- The National Housing Policy (2018-2025) and National Affordable Housing Policy (NAHP) served as frameworks for the implementation of affordable housing.

MALAYSIA'S NATIONAL HOUSING POLICY (2018-2025)

Objective: Gathering public and private sector resources to address the mismatch between demand and supply



FOCUS 1

Ensuring Good Quality Housing For All

FOCUS 2

Improving Accessibility and Affordability of Housing

FOCUS 3

Ensuring Quality & Cohesive Neighbourhoods

FOCUS 4

Improving Housing & Transportation Coordination for Better Quality of Life

FOCUS 5

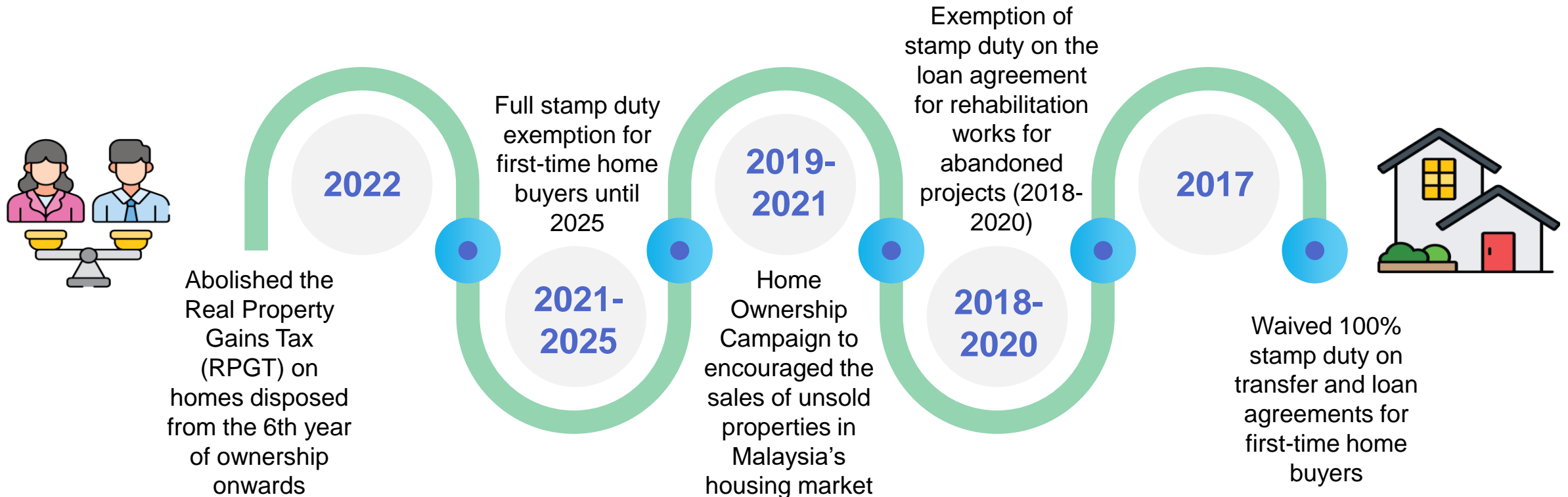
Strengthening Institutional Capabilities to Deliver the National Housing Policy (2018-2025)

Source : Ministry of Housing and Local Government (KPKT)

LIVING IN A BRIGHTER FUTURE

SELECTED MACROPRUDENTIAL MEASURES INTRODUCED BY THE GOVERNMENT

Over the years, the Government continues to introduce new measures to facilitate the housing finance system and also to curb house price speculations. Among the measures introduced :



Source : Ministry of Finance (MOF), Ministry of Housing and Local Government (KPKT), Bank Negara Malaysia (BNM)

GOVERNMENT ASSISTED FINANCIAL SCHEMES

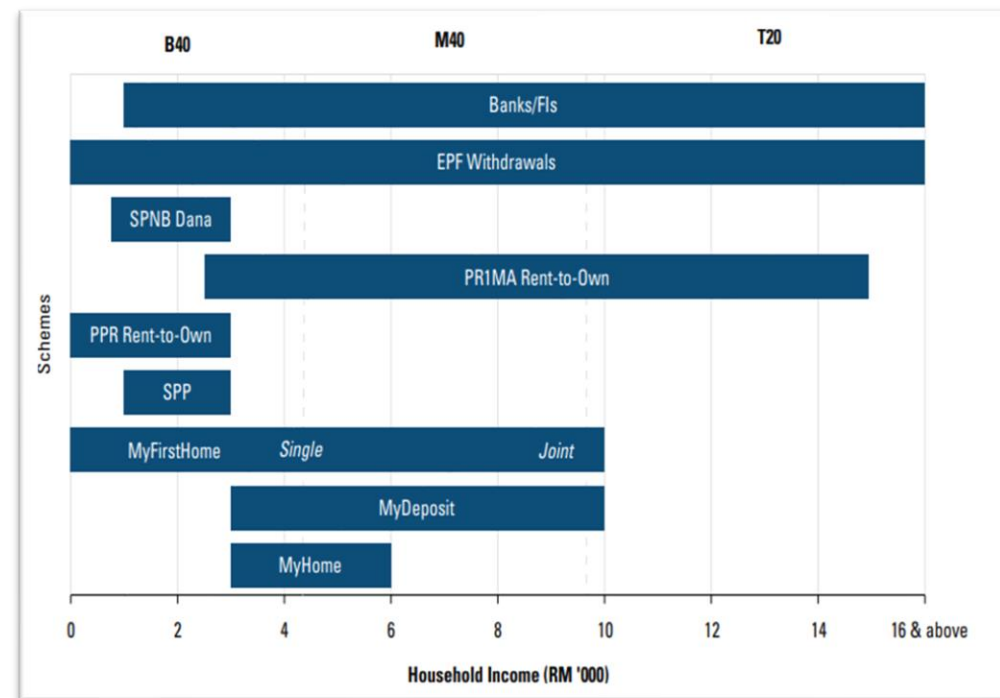


Provision of adequate, affordable and quality houses for all Malaysians in various income levels with the introduction of various targeted housing schemes.

1. Housing Loan Scheme or Skim Pinjaman Perumahan (SPP)
2. Financing under Syarikat Perumahan Negara Berhad (SPNB)
3. MyHome Scheme
4. MyDeposit Scheme
5. **MyFirst Home Scheme or Skim Rumah Pertamaku (SRP)***
6. **Youth Housing Scheme or Skim Perumahan Belia (SPB)***
7. Rent-to-Own (RTO) for Program Perumahan Rakyat (PRR-RT)
8. Rent-to-Own for Perumahan Rakyat 1 Malaysia (PRIMA-RTO)
9. EPF Withdrawals
10. i-Biaya (latest home financing umbrella aggregator introduced by the Government in 2022)

*Mortgage guarantee scheme offered by Cagamas SRP Berhad
Source : Khazanah Research Institute; BNM

Schemes based on targeted household income groups



Note: The household income threshold range: B40 below RM4,849 @USD1,059, M40 between RM4,850 @USD1,057 to RM10,959 @USD2,387, T20 RM10,960 @ USD2,388 and above. Rate as 15 Nov 2022 : USD4.59: RM1

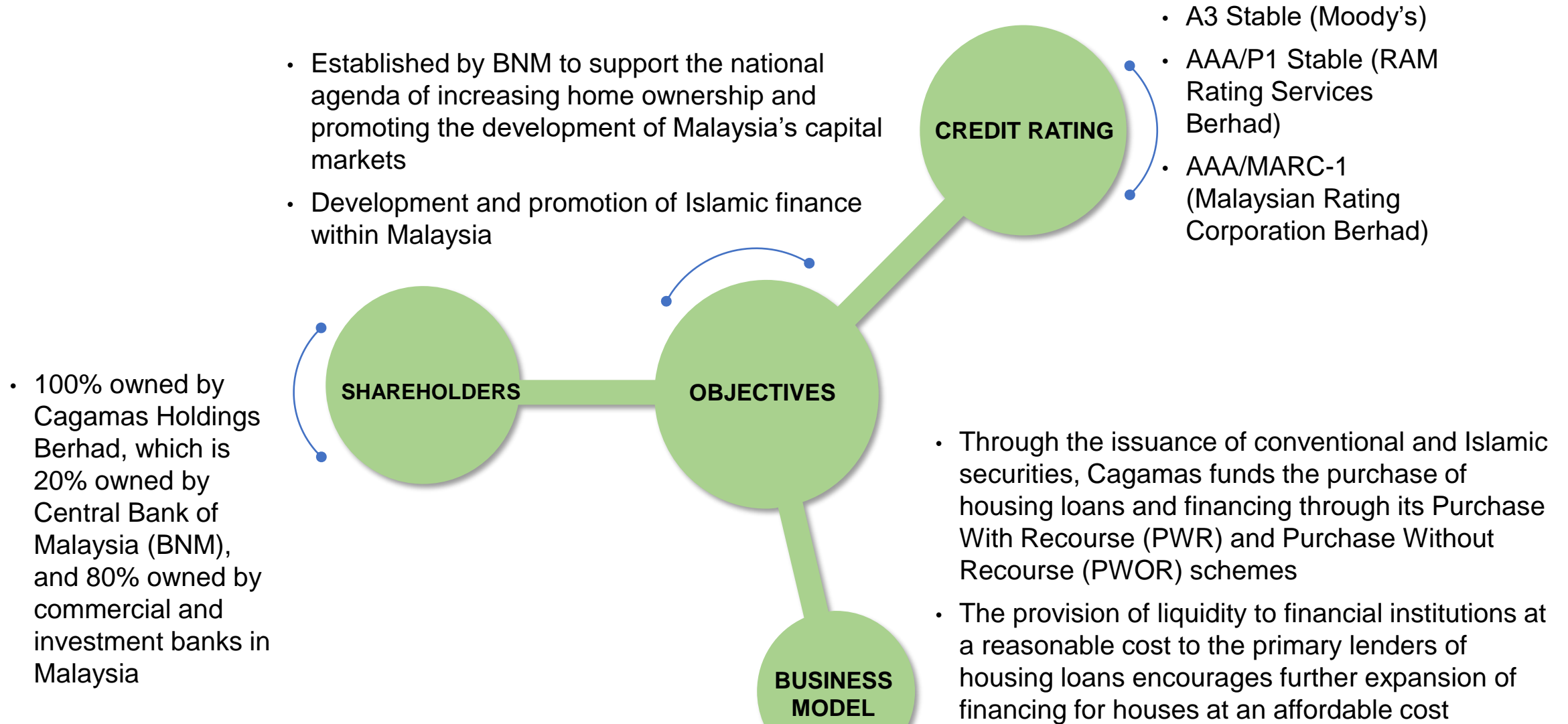
SECTION 2

OVERVIEW ON CAGAMAS

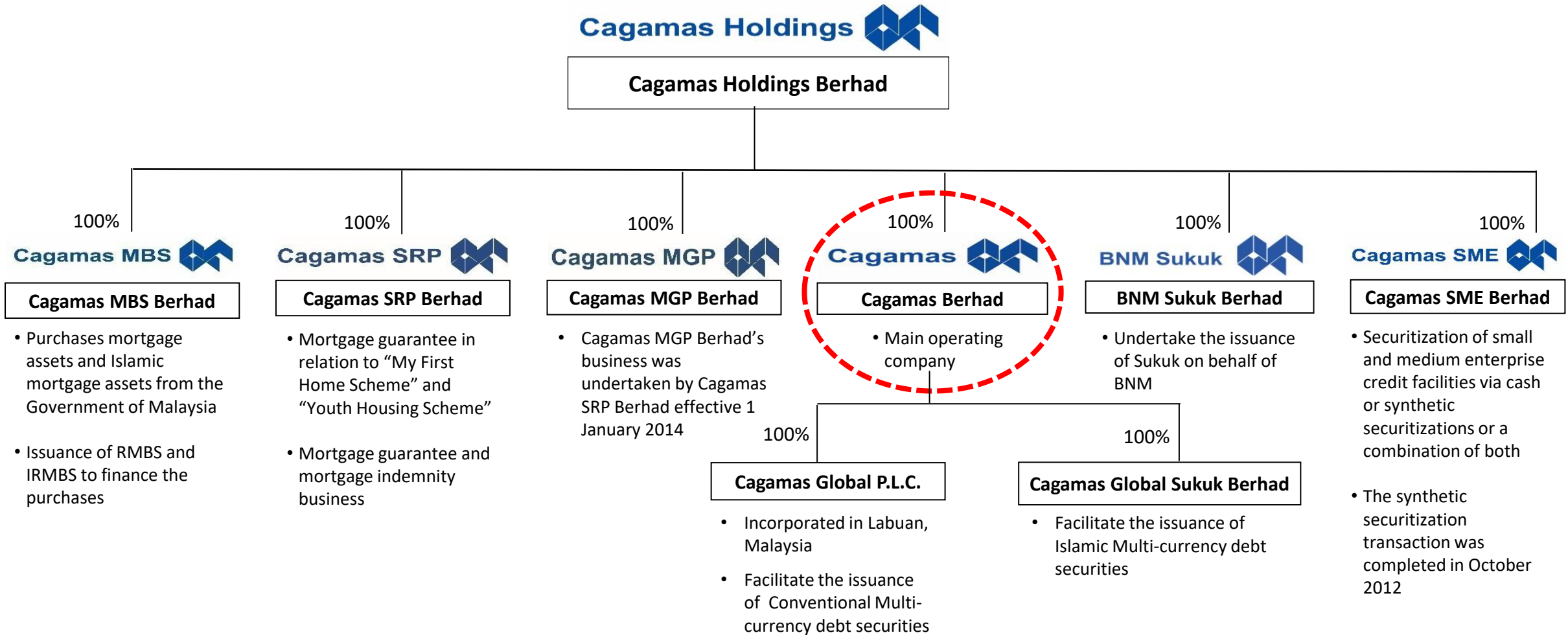


CAGAMAS BERHAD AT A GLANCE

(incorporated 2nd December 1986)

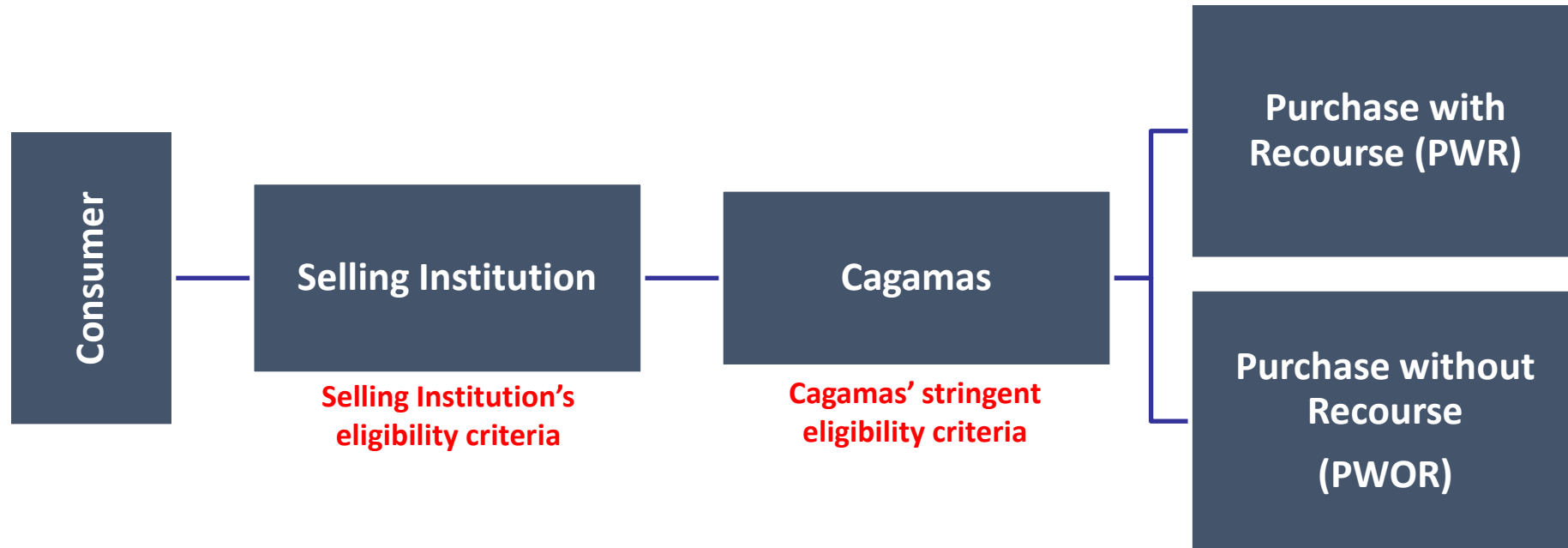


STRUCTURE OF CAGAMAS GROUP



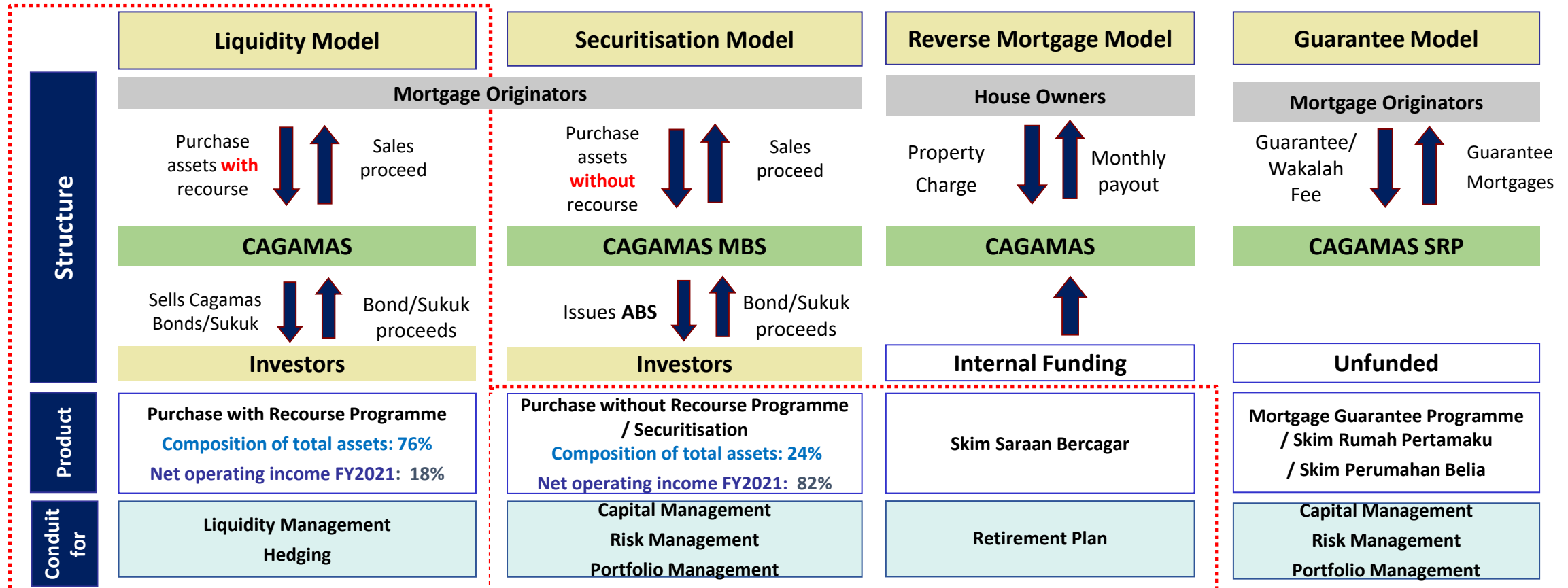
CAGAMAS BUSINESS MODEL

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 (CONT'D)

Cagamas is primarily engaged in the purchasing of loans and financing from financial and non-financial institutions under PWR, PWOR, guaranteeing housing loans and financing under Mortgage Guarantee Programme (MGP) schemes and most recently, providing financing on the back of home equity under Reverse Mortgage Programme



Cagamas Berhad

Notes :

1. Assets acquired under PWOR are potential securitisation asset at a future date
2. Skim Saraan Bercagar was launched in December 2021 and is currently internally funded for the pilot launch

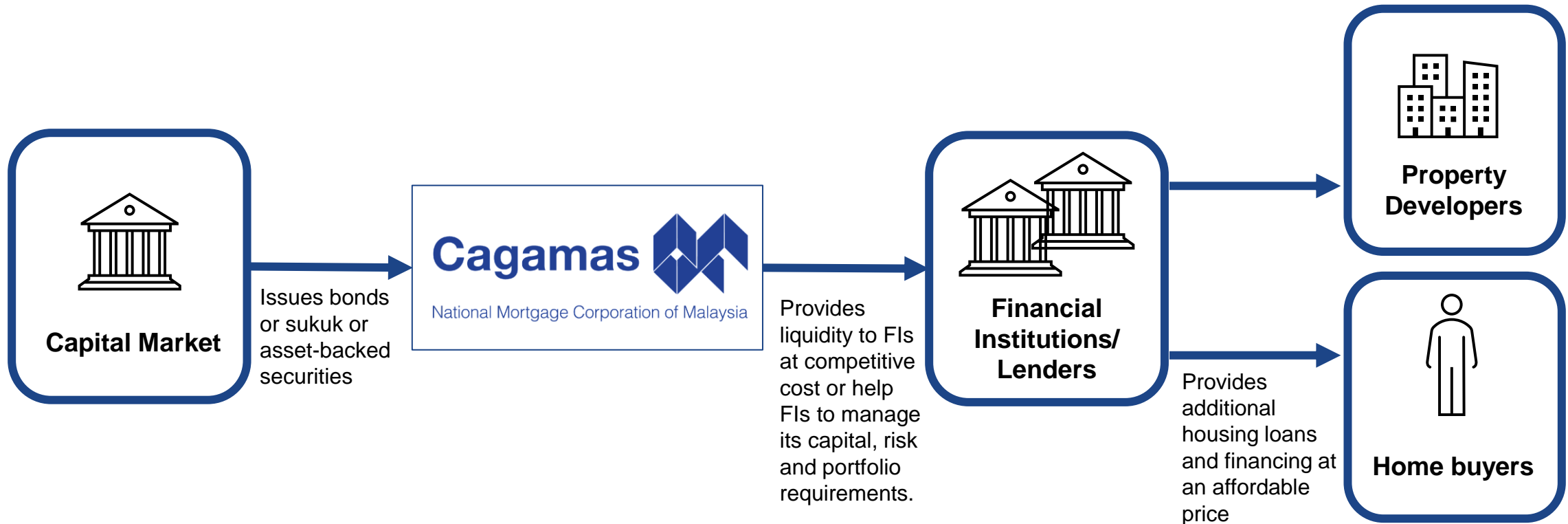
SECTION 3

CAGAMAS' ROLE IN MALAYSIA'S HOUSING FINANCE ECOSYSTEM



CAGAMAS' ROLE IN MALAYSIA'S HOUSING FINANCE ECOSYSTEM

Supporting sustainable housing finance system in the primary market

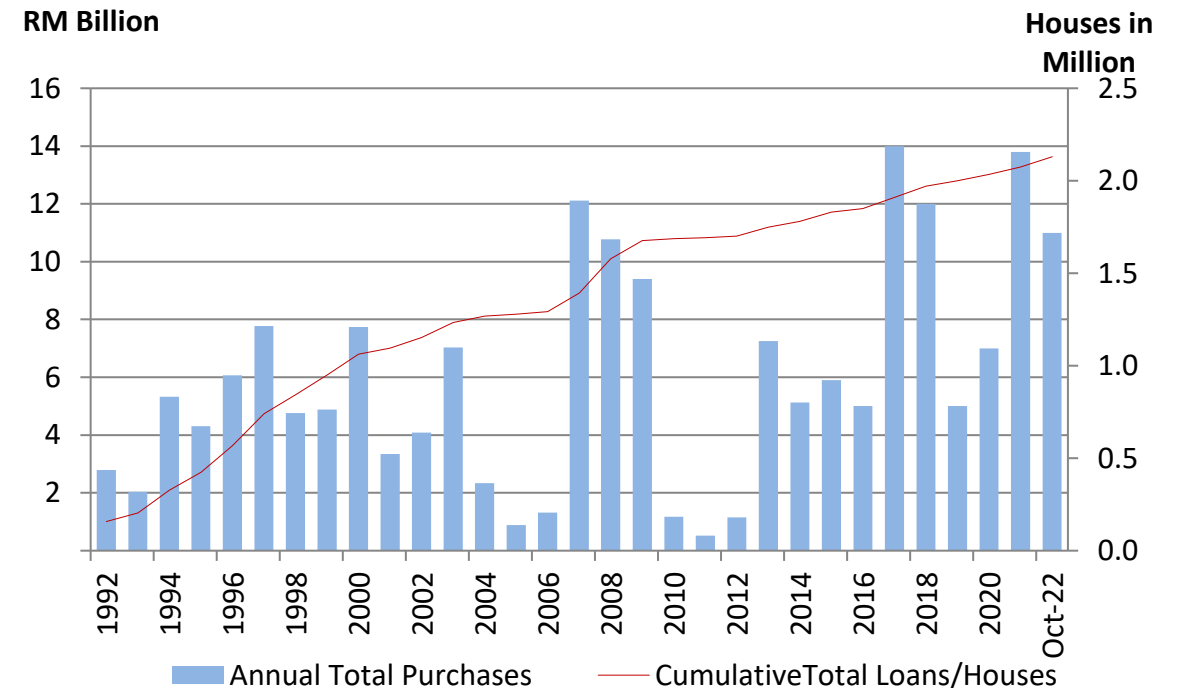


CAGAMAS ROLE IN MALAYSIA'S HOUSING FINANCE ECOSYSTEM

Supporting sustainable housing finance system in the primary market

- Providing liquidity and hedging to mortgage financier
- Provide lower cost of funds – AAA funding and high demand of Cagamas securities
- Narrow the gap between the maturity structure of the housing loans and the source of funds
- Link the mortgage market to the capital market securities – development of the Residential Mortgage Backed Securities (RMBS) market for both conventional and Islamic
- Develop innovative structures for mortgage financier – mortgage guarantee to promote home ownership among first-time homebuyers

CUMULATIVE REFINANCED HOUSING LOANS



Cagamas has cumulatively refinanced housing loans in the secondary market equivalent to **RM190 billion** of around **2.1 million** houses

IMPACT OF CAGAMAS' ESTABLISHMENT

Supporting sustainable housing finance system in the primary market

Reducing maturity mismatch

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

Enhance liquidity

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

Development of Capital Market

Spurring development of Corporate Bonds/ Sukuk market in Malaysia

Funds at reasonable cost

Providing Financial Institutions with funds at reasonable cost through its ability to generate high investor demand for its issuances

Issuances of quality papers

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

Innovative Sukuk

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



CAGAMAS' KEY SUCCESS FACTORS

KEY SUCCESS FACTORS

✓ Solid financial standing & shareholding

- Profitable going concern
- Strong shareholders fund of RM4.2 billion as at 30 Sep 21
- High TCR of 40.3%
- Strong shareholders : BNM and FIs

✓ Strong management team

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

✓ Support given by regulators

Implicit and explicit support given:-

- Implicit: Through Central Bank of Malaysia's shareholding in Cagamas
- Explicit: Through incentives by government and regulators at the initial stage

SECTION 4

LATEST BUSINESS HIGHLIGHTS



KEY BUSINESS HIGHLIGHTS

STRONG FUND RAISING

Achieved total issuances of **MYR20.2 billion (Nov 2022)** bonds and sukuk, the highest since 2002.

FOREIGN CURRENCY ISSUANCES

Concluded 5 foreign currency issuances in Singapore Dollar (SGD) amounting to **MYR2 billion (Oct 2022)** equivalent

HEALTHY PWR GROWTH

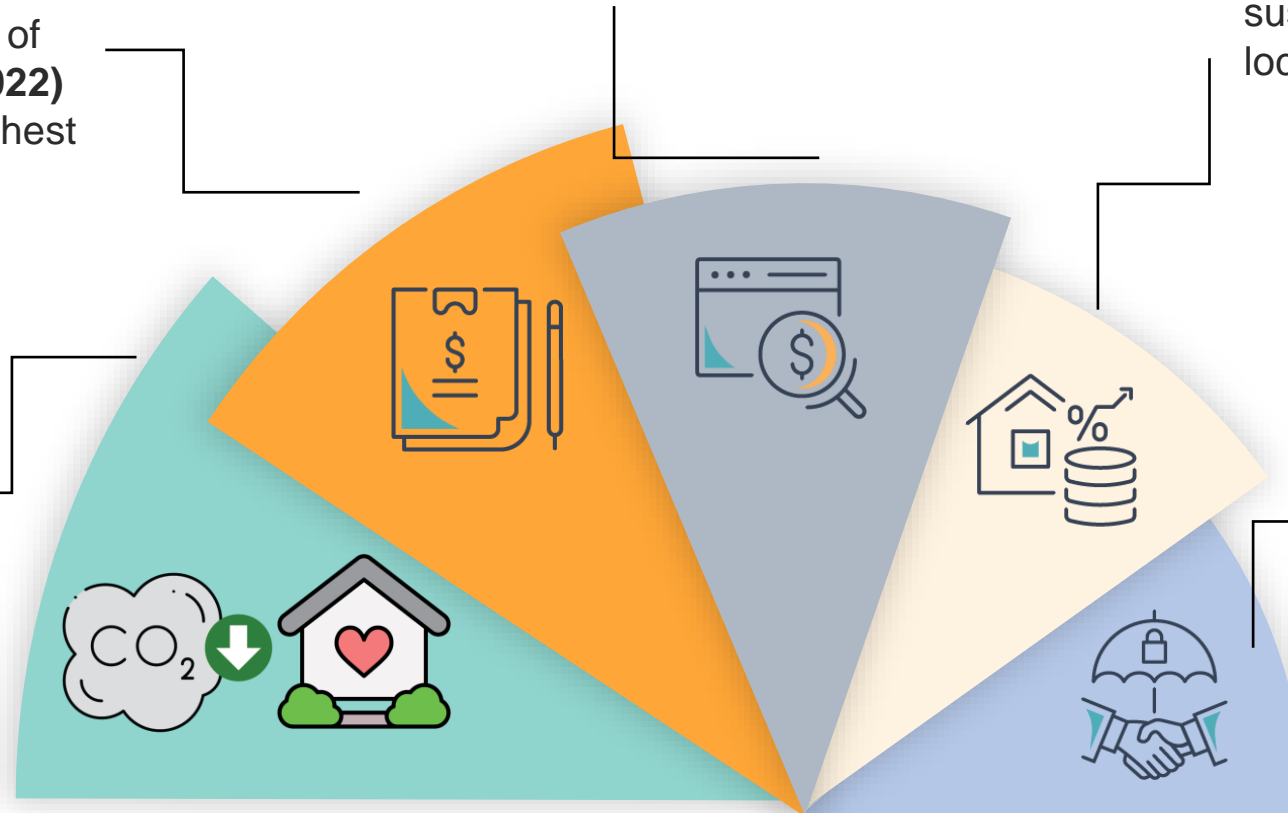
Purchased **MYR14.9 billion (Nov 2022)** of housing loans, home financings and eligible sustainability assets from the local financial institutions

SUSTAINABILITY

Successful conclusions of ASEAN Sustainability/ Social Bonds and SRI Sukuk amounting to a total of **MYR1.7 bil (Oct 2022)** to fund the purchase of eligible sustainability assets

INNOVATIVE SOLUTIONS

Launched Malaysia's first **Skim Saraan Bercagar** (Reverse Mortgage Scheme) in December 2021 for retirees



CAGAMAS SUSTAINABILITY BOND/SUKUK ISSUANCES



To-date, Cagamas has issued **RM2.49 billion** of Sustainability Bond and Sukuk in total which comprises of:

- RM700 million of ASEAN Sustainability Bond
- RM400 million of ASEAN Sustainability SRI Sukuk
- RM455 million of ASEAN Social Bond
- RM935 million of ASEAN Social SRI Sukuk

Proceeds from the issuances were used for the purchase of loans/financing related to:

- Affordable Housing
- Small Medium Enterprises
- Renewable Energy
- Wastewater Management

CAGAMAS HOLISTIC OFFERINGS TO RETAIL MARKET TO PROMOTE HOME OWNERSHIP

Skim Rumah Pertamaku (My First Home Scheme)



- **Launched in March 2011** with the objective of assisting first-time homebuyers to purchase their first home sooner through full financing from the participating banks.
- Collaboration with the **Ministry of Finance, Central Bank of Malaysia and 26 participating Financial Institutions**

Skim Saraan Bercagar (Reverse Mortgage Scheme)



- **Launched by Cagamas in December 2021**, the first reverse mortgage scheme in Malaysia that allows senior homeowners to convert their home equity into monthly cash income with no repayments upon the borrower's demise.
- To kick-off, Cagamas allocate RM100 million to assist the elderly in financing their retirement.

SKIM RUMAH PERTAMAKU (MY FIRST HOME SCHEME)

Skim Rumah Pertamaku (SRP) (My First Home Scheme)



SKIM RUMAH PERTAMAKU

- **Launched in March 2011** with the objective of assisting first-time homebuyers to purchase their first home sooner through full financing from the participating banks.
- Collaboration with the **Ministry of Finance, Central Bank of Malaysia and 26 participating Financial Institutions**

SRP | Benefits to home buyers



Lower barrier of entry

Enable first-time home buyers among the salaried worker, self employed and gig economy worker to purchase home without the need to pay for down payment



Higher margin of financing

Home buyers can obtain up to 110% financing from participating banks



Accessible through most banks

Application can be made through 26 participating banks



Applicable to various types of properties

Type of residential property includes under construction or completed unit from the primary or secondary market

SRP | Product Structure



Provides up to 110% financing



Recognise 90% Credit Risk

Provides guarantee up to 20% on 'first loss' basis



Provides allocation for the guarantee fee



SRP'S PERFORMANCE AS OF SEPTEMBER 2022



84,408

Successful applicants under the SRP since 2011



RM 19.3 bil

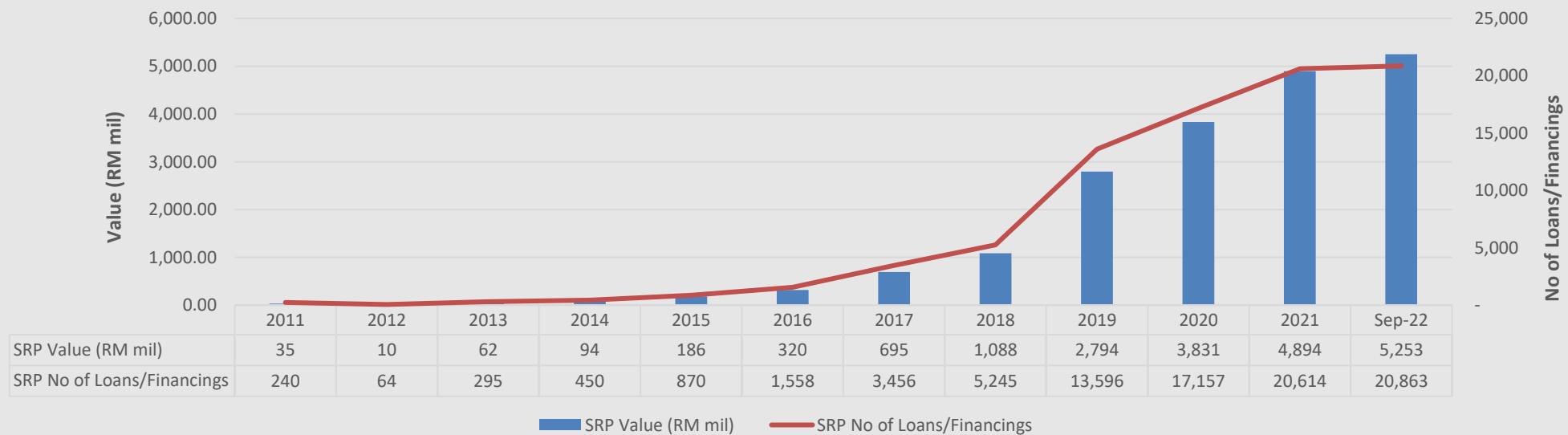
Total financing value approved under the SRP since 2011



91%

Applicants from the B40 income group^

Loans / Financings Approved under Skim Rumah Pertamaku (SRP)



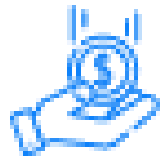
^ Refers to monthly income of RM4,850 and below

SKIM SARAAN BERKAGAR (REVERSE MORTGAGE SCHEME)

Skim Saraan Berkagar (SSB) is targeted for the elderly or retirees who are 55 years old and above.

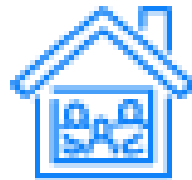
- Allowing them to convert their home equity into a fixed monthly income stream
- Gain access to a lifetime of supplemental income stream
- Continuing to stay in their home and age in place

KEY FEATURES OF SSB



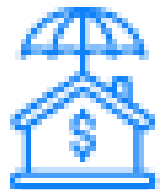
Lifetime tenure

Fixed monthly payouts throughout the entire life of the borrower or joint borrower.



Residing in own home

Borrower and joint borrower can continue to stay in their property throughout their life.



No repayment during lifetime

Repayment only due when borrower or joint borrower passes away, whichever later.



Non-recourse

Borrower's estate will not be responsible for any shortfall to settle the RM loan if the sale proceeds of the property is less than the outstanding loan amount.

Any balance from the sale proceeds of the property will be passed on to the borrower's estate.



SECTION 5

ACHIEVEMENTS & CHALLENGES



CHALLENGES



AWARDS AND ACCOLADES

2022



Industry Leadership Award



Islamic Issuer of the Year-Quasi-Sovereign




Best Quasi (Sovereign Sukuk)

1.5 billion ringgit triple-tranche commodity Murabaha sukuk



Top Issuance (Conventional)



Top Issuance (All)



GIFA Market Leadership Award (Islamic Securitization)



Top Issuance - Conventional

YEAR 2021



GIFA Market Leadership Award (Islamic Securitization)

YEAR 2021



Islamic Issuer of the Year - Quasi-Sovereign

YEAR 2021



Best ASEAN Sustainability SRI Sukuk - Quasi-Sovereign (Best in Sustainable Finance)

YEAR 2021



Best ASEAN Sustainability SRI Sukuk - Quasi-Sovereign (Best Deals by Country)

YEAR 2021



Best Quasi-Sovereign Sukuk

YEAR 2020

500 million Ringgit Commodity Murabahah Sukuk



GIFA Special Awards (Islamic Financial Advocacy)

YEAR 2020



GIFA Excellence Awards (Islamic Securitisation)

YEAR 2020



Islamic Issuer of the Year-Quasi-Sovereign

YEAR 2020



Top Traded Amount-Conventional

YEAR 2020



Islamic Finance Advocacy Award (Capital Market)

2019



Islamic Issuer of the Year-Quasi-Sovereign

2019



Top Issuance - All

Top Traded Amount - Conventional

2019



Best Local Currency Sukuk

2019

1.5 billion Ringgit Commodity Murabahah Sukuk



Islamic Issuer of the Year-Quasi-Sovereign

2018



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



Islamic Finance Advocacy Award (Capital Market)

2018



Best Local Currency Sukuk


2017

375 Million Ringgit Commodity Murabahah Sukuk



Best Islamic Issuer-Quasi-Sovereign

2017



Outstanding Contribution for the Development of Shariah-Compliant Mortgage Securitisation

2016



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Cagamas Berhad

Registration No. 198601008739 (157931-A)

Level 32, The Gardens North Tower, Mid Valley City,
Lingkar Syed Putra, 59200 Kuala Lumpur,
Malaysia.

TEL : +603-2262 1800

FAX : +603-2282 9125

E-MAIL : info@cagamas.com.my

WEBSITE : www.cagamas.com.my



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