



Cagamas Berhad

National Mortgage Corporation of Malaysia

Housing Finance Conference Abuja Nigeria

Housing Finance in Malaysia : The Cagamas Model

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Cagamas



National Mortgage Corporation of Malaysia



Agenda

1. Overview of Malaysia's Housing Finance Market
2. History and Structure of Cagamas
3. Business Model
4. Regulatory Environment of Cagamas
5. Role and Impact of Cagamas
6. Financial Performance
7. Key Success Factors



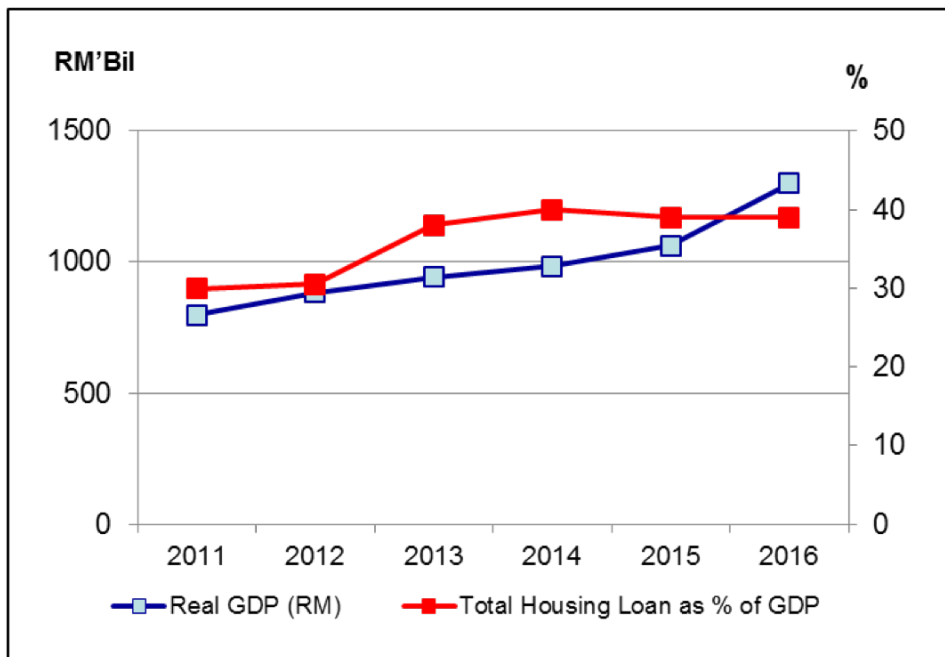
Malaysian Housing Finance Market





Malaysia – 2016 Quick Facts

- **31.4 million population with 41.06% of young population (age 25 – 54) (July 2016)**
- **GDP growth of 4.2% with Real GDP of RM1,229 bil (USD299.0*)**
- **GDP per capita RM38,716 (USD9,420*) (2016, at constant prices)**
- **Stable unemployment rate at 3.6%**



Housing Development in Malaysia

- Growth of mortgage as a significant contributor to Malaysian GDP - **39% in 2016**

Source: Department of Statistics, Malaysia, Central Bank of Malaysia, Annual Report (Various years)





Primary Mortgage Market in Malaysia

Mortgage Originators in Malaysia consists

of:

1 Private Sector

- Commercial Banks
- Malaysia Building Society Berhad (MBSB)
- Other Housing Credit Institutions

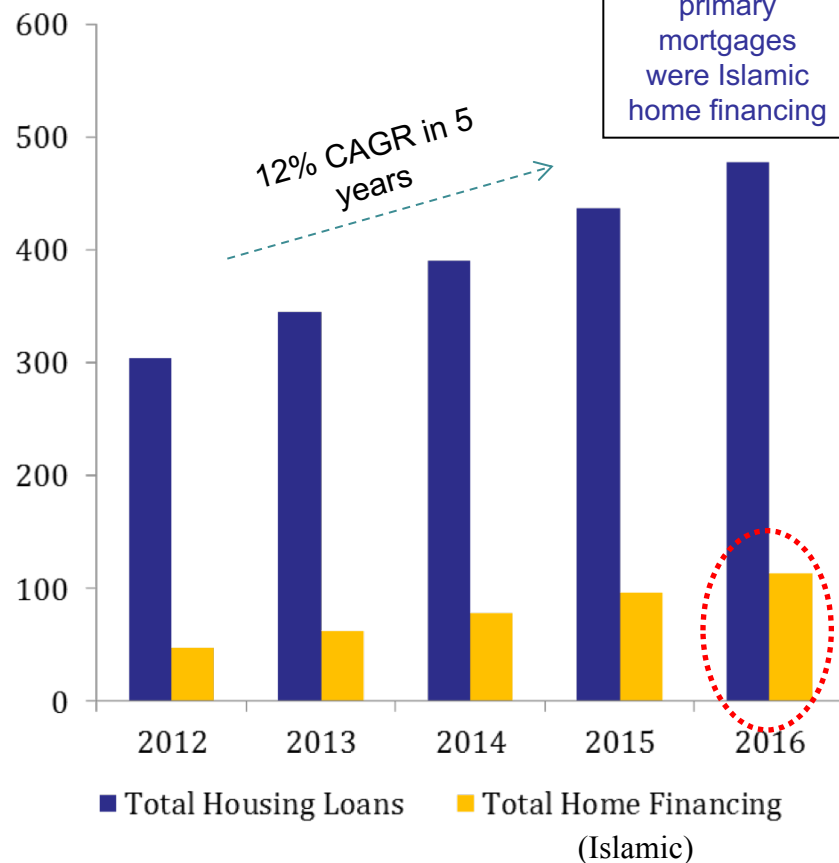
2 Public Sector

- The Public Sector Housing Financing Board (LPPSA)

- As at 2017, there are 28 Commercial Banks and 16 Islamic Banks in Malaysia
- Average growth in Islamic home financing is 12% in 5 years from 2012

Mortgage Outstanding in the Banking System

RM Billion



Source: Central Bank of Malaysia, Annual Report, various years





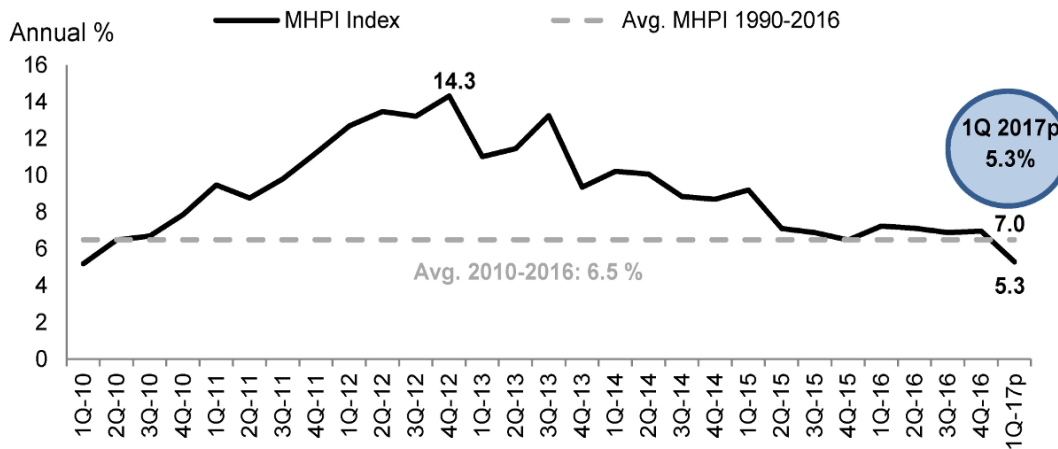
Malaysian House Price Index

According to NAPIC's house price index (HPI), the Malaysian all-house price has grown steadily since 2000, and accelerated between 2009 and 2014 (Figure 4). While the all-house price grew at a CAGR of 5.6% between 2000 and 2014, between 2009 and 2014, it grew at a CAGR of 10.1% (2000-2009: 3.1%).

The HPI is a weighted index, with weights reflecting quality, age and floor size, and is estimated by hedonic regression.

- In Q1 2017, the Malaysian House Price Index increased by 5.3% (4Q 2016: 7.0%), amid a slower growth in both landed and high-rise property prices.
- This reflects a moderation in house prices particularly in selected developed states in Malaysia

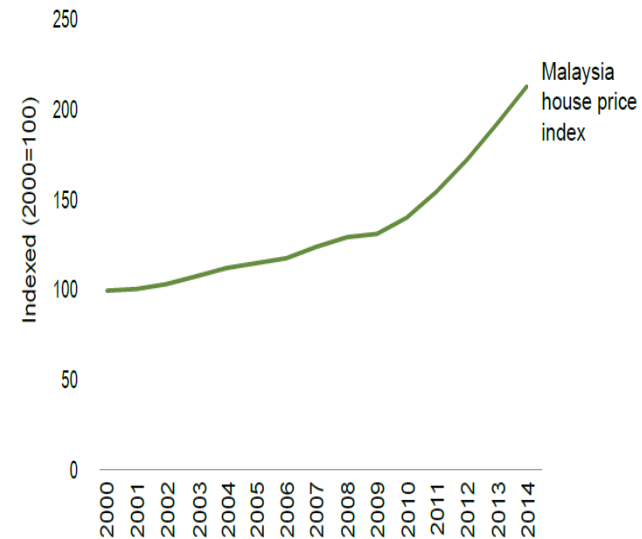
Malaysian House Price Index (MHPI)



Source: National Property Information Centre (NAPIC)

p Preliminary

Malaysia's house price index, 2000-2014



Source: National Property Information Centre





Government's Role in Promoting Housing Finance

- Increase supply of housing to the market
- Provision of adequate, affordable and quality houses
- Enhancing accessibility to housing finance supply
- Encourage home ownership

Government Policy

Promote Home Ownership

- Objective of housing policy
 - to increase accessibility to adequate, affordable and quality houses
- Actively promote home ownership since the 1970s
 - especially among the lower and middle income groups





Measured and Initiatives Introduced by Government

Year	Measures						
2008	Monthly withdrawal from Employees Provident Fund (Account 2) for the repayment of housing loans						
2013	<ul style="list-style-type: none"> Raising RPGT for local buyers <table border="1" data-bbox="401 442 653 614"> <tr> <td>1-3 yr</td> <td>30%</td> </tr> <tr> <td>4 yr</td> <td>20%</td> </tr> <tr> <td>5 yr</td> <td>15%</td> </tr> </table> After 5th year, no RPGT for local buyers but properties bought by local companies will be taxed at 5% RPGT for foreign buyers raised to 30% for the first 5 years and 5% thereafter 	1-3 yr	30%	4 yr	20%	5 yr	15%
1-3 yr	30%						
4 yr	20%						
5 yr	15%						
2014	<ul style="list-style-type: none"> Prohibition of the Developer Interest Bearing Schemes (DIBS) Minimum purchase price for foreigners raised from RM500k to RM1 million Four unit limit for bulk purchase by individual – any higher to seek permission from Controller of Housing 						
Others	Provision of adequate, affordable and quality houses for all Malaysians : <ol style="list-style-type: none"> My First Home Scheme (2011) Perumahan Rakyat 1 Malaysia (PR1MA). My Home Scheme (2014) 						



Home Financing Schemes In Malaysia

Schemes	Youth Housing Scheme	1Malaysia People's Housing Project (PR1MA)	My First Home Scheme
Target segment	Married Malaysian citizen couples aged between 21 to 45 years .	Malaysian citizen and at least 21 years old at the time of the application; Those who currently own no more than one property	Young adults entering the workforce with fixed income. 40 years old or less (age next birthday is 41 years old or less)
Salary Range	Combined household income not exceeding RM 10,000 per month	Open to Individuals or families (husband and wife) with an average monthly household income of between RM2,500-RM7,500	Gross income of not more than RM5k p/m for single borrower and gross income of not more than RM10k per month for joint borrowers
Service/Product Offering	Provision of financing / loan up to RM500,000 with a financing tenure up to 35 years or at the age of 65, whichever is earlier to the eligible borrower.	RM1.9 billion to be allocated to build 123,000 affordable housing units in strategic locations	Guarantees 10% on a “first loss” on mortgage loans given by banks (Guarantees provided by Cagamas to FIs)
Eligible Property	Homes ranging from RM100,000 to RM500,000	Homes ranging from RM100,000 to RM400,000	Housing valued between RM100k to RM500k





Home Financing Schemes In Malaysia

Schemes	People-Friendly Home	Housing Loan Fund for Lower Income Group	My Home Scheme
Salary Range	Household gross income does not exceed RM1,500	Household gross income between RM500 and RM1,200	Household gross income for MyHome1 (RM3k-RM4k) and MyHome2 (RM4k-RM6k)
Service/Product Offering	- 1/3 funded by Govt - 2/3 via zero interest financing	Funding to build a new house with a cost not exceeding RM25,000 or to buy a fully built low cost house	RM30,000 incentive for each affordable house
Eligible Property	1000 sq ft 3 bedroom 2 bathroom single storey bungalow	Low cost house	Housing valued between (MyHome1 RM80k-RM120k) (MyHome2 RM120k-RM250k)
Max Loan Amount	RM76K	RM20K	MyHome1 (RM90K) MyHome2 (RM220K)
Lending Rate	Zero interest	- Zero interest on first RM10,000 - 4% service charge on 2nd RM10,000	Respective BLR of the offering FI



History and Structure of Cagamas



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Establishment of Cagamas Berhad

- Creation of a secondary mortgage market as a result of a liquidity crunch in the 1980s and public policy objective of a “homeownership democracy”
- Spearhead the development of Private Debt Securities (PDS) market
- The market situation in the mid-1980’s:

Funding mismatch in financial institutions resulting in liquidity crunch

Financial institutions were not lending to homebuyers despite demand

Limited funding source in the market since no bond market



There was a need in the market for an institution to:

1. Function as intermediary between primary lenders and investors of long term funds; and
2. Take on role of credible issuer of mortgage securities





Incorporation of Cagamas

- As a direct result of the needs of the market, Cagamas Berhad was incorporated in December 1986 as the National Mortgage Corporation of Malaysia with the following objectives:

1

Alleviate liquidity problem and reduce funding mismatch within the banking sector

2

Promote home ownership

3

Spearhead development of the private debt securities market



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Shareholding Structure for Cagamas Holdings

➤ Shareholders Demographics:

BNM 20%

Commercial Banks 73%

Investment Banks 7%

Shareholders of Cagamas Holdings Berhad as at June 2017



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Shareholding: 20.0%



Shareholding: 16.5%



Shareholding: 14.2%



Shareholding: 8.6%



AmBank

Shareholding: 8.0%



PUBLIC BANK

Shareholding: 7.0%



HONG LEONG BANK

Shareholding: 6.0%



Shareholding: 4.1%



ALLIANCE BANK

Shareholding: 3.7%



Shareholding: 3.1%



Shareholding: 2.9%



Shareholding: 2.2%



Shareholding: 2.0%



Bank of Tokyo-Mitsubishi UFJ

Shareholding: 0.5%



Bangkok Bank

Shareholding: 0.3%



Shareholding: 0.2%

Deutsche Bank



Shareholding: 0.2%

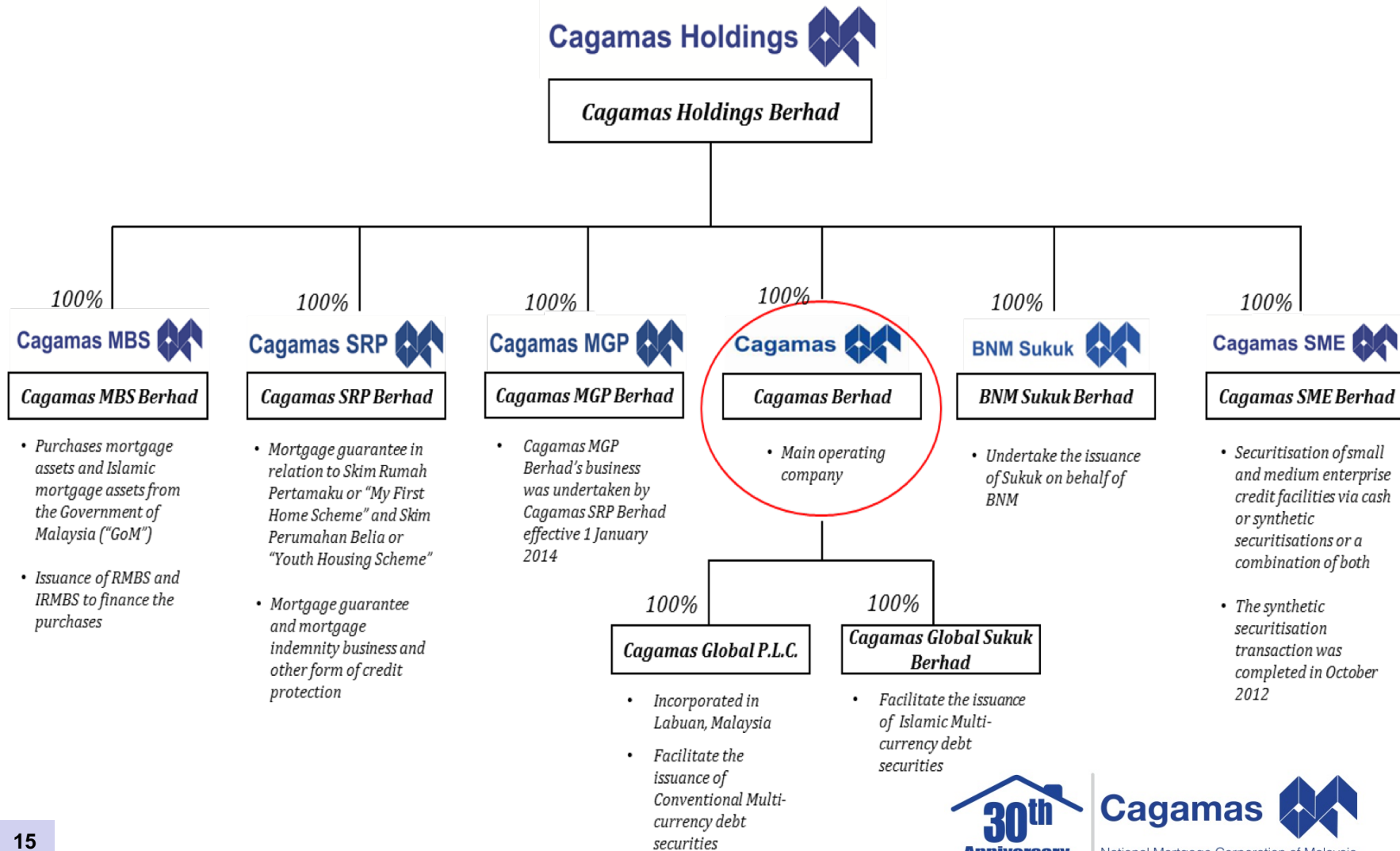
Note: SIBB Berhad 0.3% and The Royal Bank of Scotland Berhad 0.2%





Structure of the Cagamas Group

Cagamas is a wholly owned subsidiary of Cagamas Holdings Berhad and remains the core revenue and profit generator for Cagamas Group





Vision and Objectives

- Vision of Cagamas

To be the **leading securitisation house** in Malaysia and in the region and to actively support the further development of the capital market and financial sector in Malaysia

- From its initial 3 objectives, the role of Cagamas in today's market has evolved to include playing an important and active role as a catalyst for the Governments' and Bank Negara Malaysia's initiative for the economy and financial sector:

1

Promote **home ownership**/home accessibility and affordability

2

Enhance and support the **stabilisation** of the financial sector

3

Develop the **Islamic financial sector**

4

Develop the Malaysian **capital market**



Business Model



Cagamas

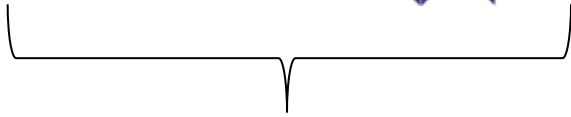


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Overview of Business Model

Cagamas is primarily engaged in purchasing of loans/financing from financial and non-financial institutions under the Purchase with Recourse (PWR), Purchase without Recourse (PWOR) and guaranteeing housing loans/financing under Mortgage Guarantee Programme (MGP) scheme



Tools provided to financial institutions

Types of loans / financing purchased under each scheme

Purchase with Recourse (PWR)

- Housing Loans/Hire Purchase and Leasing Debts
- Islamic House Financing/Hire Purchase
- Commercial and Industrial Property Financing
- Personal Loans
- Islamic Personal Financing
- Rahn Financing

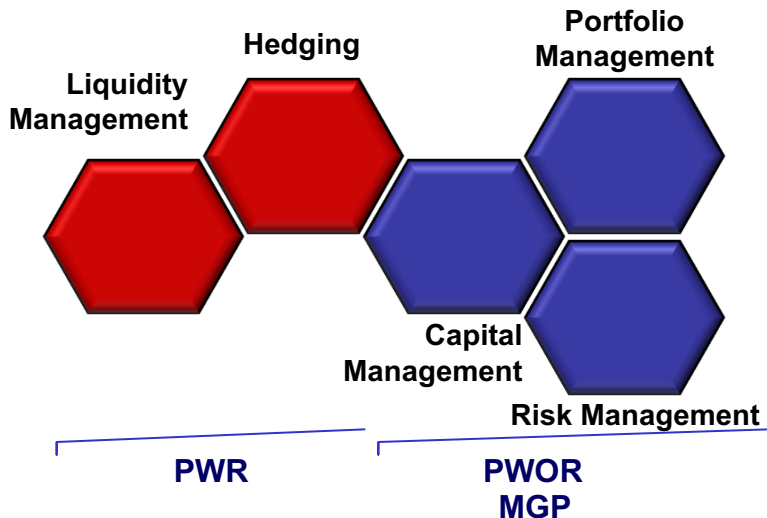
Purchase without Recourse (PWOR)

- Housing Loans/Hire Purchase & Leasing
- Islamic House Financing/Hire Purchase & Leasing

Mortgage Guarantee Programme (MGP)*

- Housing Loans
- Islamic House Financing
- Skim Rumah Pertamaku ("SRP")
- Skim Perumahan Belia ("SPB")

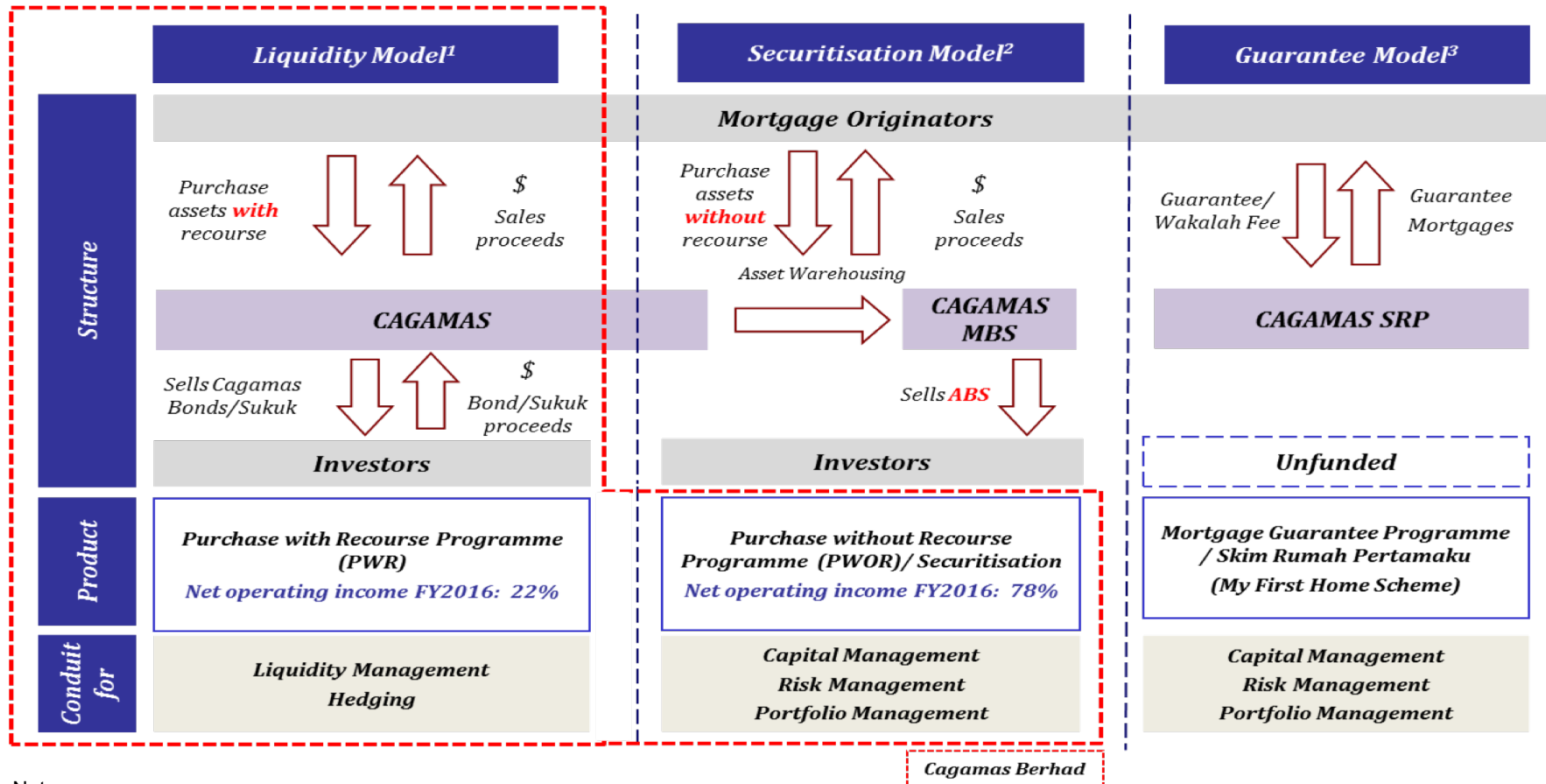
MGP offers "first loss" protection on a mortgage portfolio while the mortgage assets remain on the originator's books





Overview of Business Model

- Cagamas provides liquidity and risk/capital management solutions to the financial system



Notes

1. Purchases loan/financing assets with recourse to the Originator i.e. the Originator is responsible for any loss arising from default by the customers
2. Purchases loan/financing assets without recourse. Originator (Seller) receives principal of the receivables upfront and may receive excess spread as servicer fee upon collection of loans/financing installment
3. Offers 'first loss' protection on a mortgage portfolio while the mortgage assets remain on the Originator's books



Purchase With Recourse (PWR)



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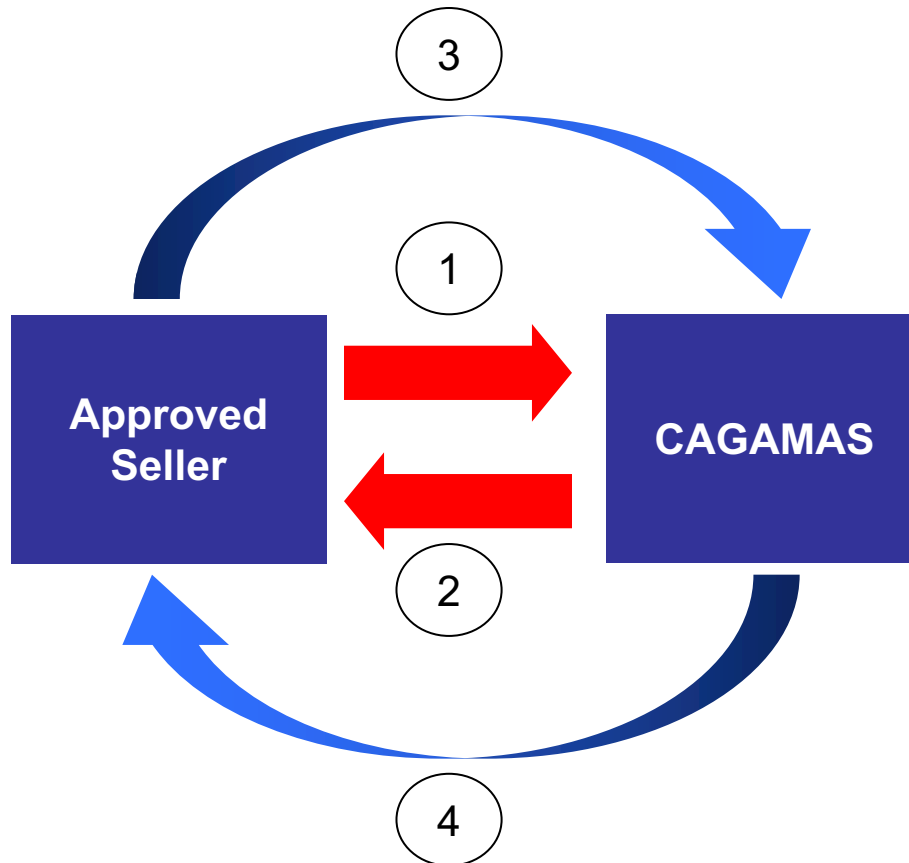
What is Purchase With Recourse (PWR)?

- Approved Seller (AS) sells loans/financings to Cagamas with an obligation to repurchase and replace loans/financings which are non-compliant during the contract period
- In substance, Cagamas funds the AS against security of the underlying loans/financings
- Purchase is at par based on principal balance outstanding of loans/financings
- Purchase consideration can be in cash or Cagamas bonds/sukuk
- Excess of financing rate over Cagamas rate is retained by the AS
- AS has the option to repurchase the loans/financings at the principal balance outstanding (at the contract maturity date) if the AS does not agree to the new Cagamas rate offered





PWR Mechanism



1. AS sells loans/financings to Cagamas on WITH RECOURSE basis
2. Cagamas pays CASH or issue BOND/SUKUK as consideration for loans/financings purchased
3. Post sale, AS continues to collect Mortgage Instalment and remits Cagamas Instalment to Cagamas, and monitor the performance of the customers
4. AS retained the difference between the Mortgage Instalment and Cagamas Instalment as MARGIN upon receipt of loans/financings collections





PWR Benefits

- Liquidity at competitive cost (since Cagamas bonds/sukuk are rated AAA by RAM and MARC, and assigned international credit rating of A3 by Moody's) to originate more loans/financings and enhance lending/financing operations
- Alternative funding source from the capital market
- Avenue to raise funds at fixed rates (hedging against rising interest rates)
- Fast turnaround time (within 10 business days) with the standardised documentation
- Maintain asset growth since loans/financings remain on AS' books





Purchase Without Recourse (PWOR)



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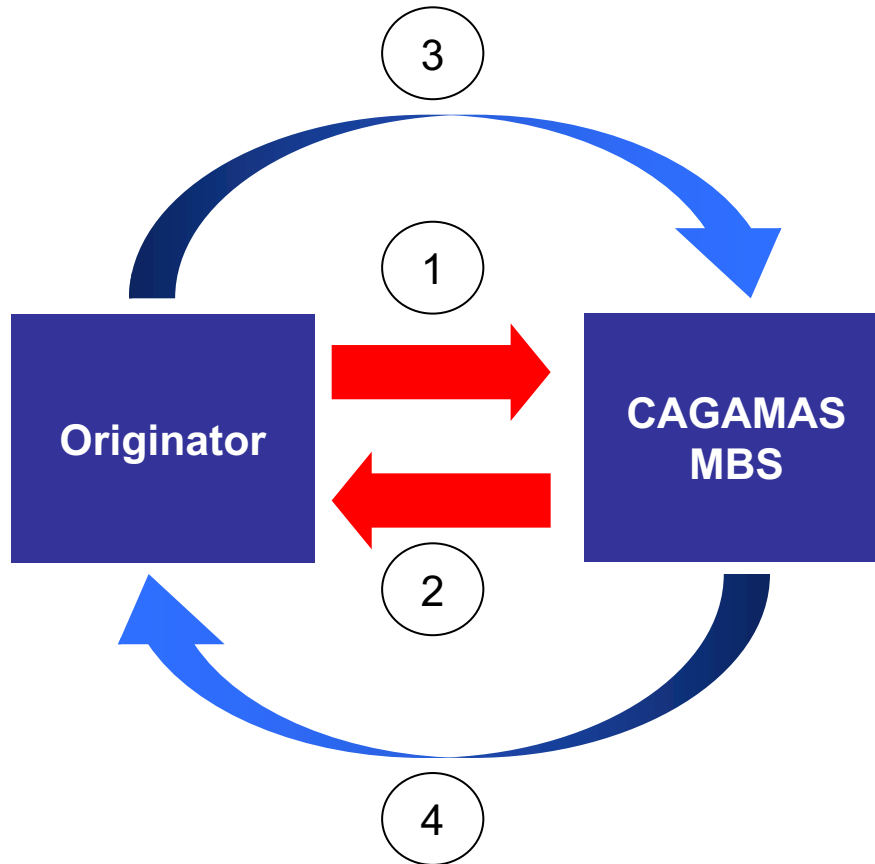
Securitisation: Definition *

- An arrangement which involves the *transfer of assets or risks to a third party* where such transfer is funded by the issuance of debt securities or Islamic securities to investors
- Payments to investors in respect of such debt securities or Islamic securities are *principally derived, directly or indirectly,* from the cash flows of the assets





Securitisation Mechanism



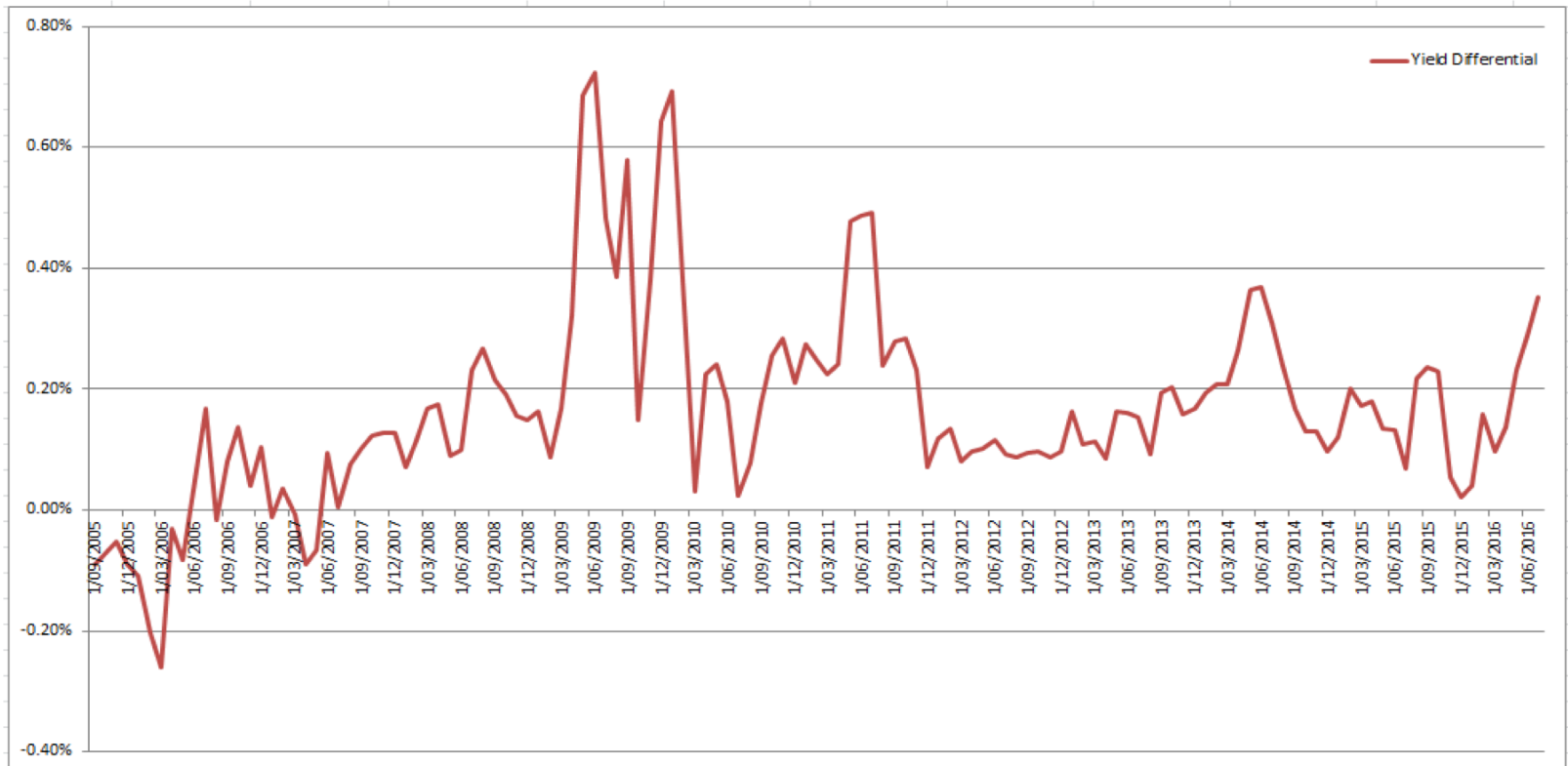
1. Originator sells loans/financings to Cagamas MBS on a NON- RECOURSE basis
2. Cagamas MBS issues residential mortgage-backed securities (RMBS) and pays CASH as consideration for loans/financings purchased
3. Post sale, Originator continues to service customers and remits collections to Cagamas MBS
4. Cagamas MBS pays servicer fee to Originator upon receipt of collections





Impact of Subprime Crisis on Securitisation

- Yield of Cagamas RMBS is higher than Cagamas bonds since the subprime crisis and this has dampened the Malaysian securitisation market



- Therefore, Cagamas undertakes its securitisation transactions under the Purchase Without Recourse (PWOR) scheme



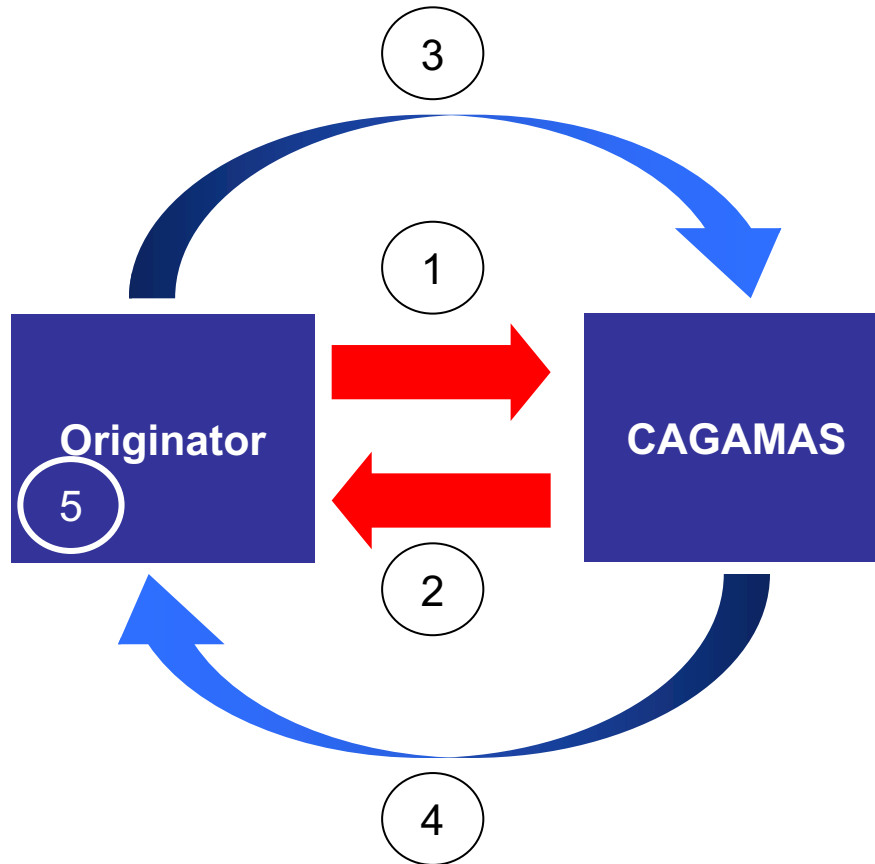
What is Purchase Without Recourse (PWOR)?

- Outright sale to Cagamas, with no recourse for default risk
- Standardised Islamic/conventional structure and documentation
- Payment of instalment to Cagamas only when borrower/obligor pays
- Pricing from par to premium, depending on quality of assets
- Cash purchase or settlement by Cagamas bonds/sukuk
- Excess spread paid to seller as servicer fee
- Seller will be appointed as servicer for loans/financing sold.





PWOR Mechanism



1. Originator sells loans/financings to Cagamas on a NON- RECOURSE basis
2. Cagamas pays CASH or issue BOND/SUKUK as consideration for loans/financings
3. Post sale, Originator continues to service customers and remits instalment payments to Cagamas
4. Cagamas pays servicer fee to Originator upon receipt of loan/financing collection
5. Originator saves on Capital Charge after loans/financings are sold to Cagamas





PWOR Benefits

- Transfer of credit risk and interest/profit rate risk
- Reduces liquidity risk and maturity mismatch
- Manages portfolio concentration risk
- Full capital relief
- Improves Return on Assets/Capital Adequacy
- Ability to shift to fee based income
- Improves earning stability (sale at a premium allows locking of profits)





Mortgage Guarantee Programme (MGP)



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Guarantee Scheme Provided by Cagamas SRP Berhad

- **Portfolio Mortgage Guarantee (PMG)**
 - ✓ Launched in July 2008, PMG offers 'first loss' protection up to 95% LTV on a mortgage portfolio while the mortgage assets remain on the bank's books
- **My First Home Scheme**
 - ✓ Launched in March 2011 to assist single or married young working adults to own their first home via 100% financing from 22 participating banks/Islamic banks
- **Youth Housing Scheme**
 - ✓ Launched in July 2015 to assist married youth adults to own their first home via 100% financing from Bank Simpanan Nasional (BSN)





What is Portfolio Mortgage Guarantee (PMG)?

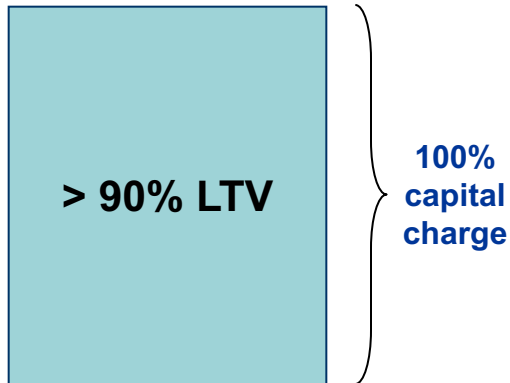
- Credit protection on portfolio basis
- Protection provided subject to compliance with eligibility criteria, one of which is that the loan/financing must be at least 1 year seasoning
- Credit protection of up to 95% Loan-to-Value (LTV)
- Standardised guarantee programme for both conventional and Islamic mortgage financing
- Payment of Guarantee or Wakalah fee by the Originator either one-off or annual basis
- All banking groups with housing loans/financing origination can buy credit protection under the programme



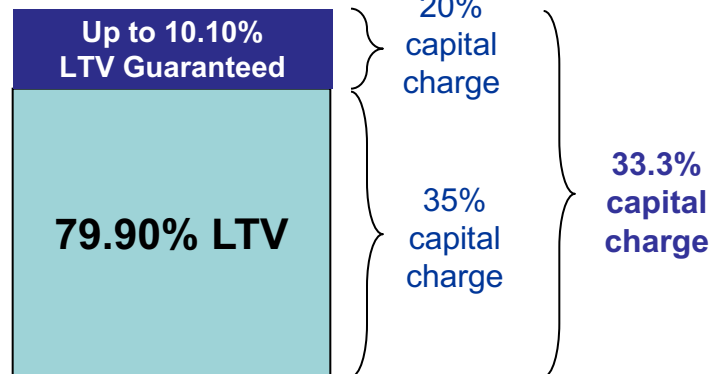
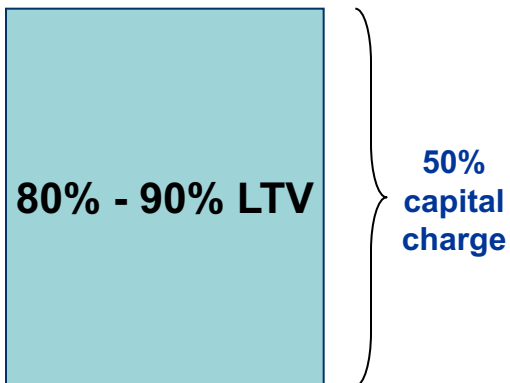
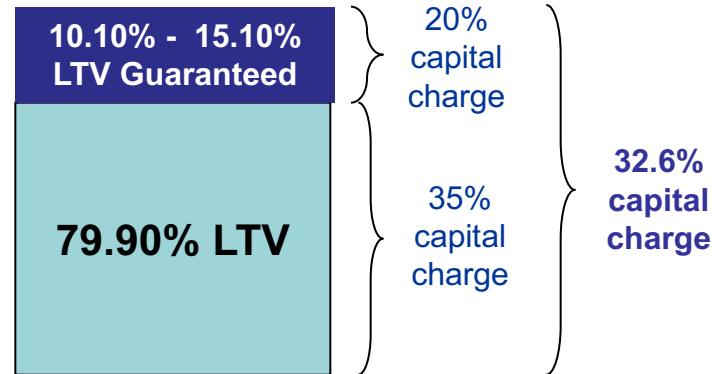


Pre and Post Portfolio Mortgage Guarantee

Pre PMG



Post PMG





What is My First Home Scheme ?

- Credit protection on individual loan/financing basis
- Protection provided subject to loan/financing compliant with Scheme's criteria and bank's underwriting and credit standards
- Guarantee the first 10% on a 'first-loss' basis on a loan/financing of 100% LTV
- Standardised guarantee programme for both conventional and Islamic home financing
- One-off payment of Guarantee or Wakalah fee by the Government
- Only participating banking groups offers the scheme





What is Youth Housing Scheme?

- Credit protection on individual loan/financing basis
- Protection provided subject to loan/financing compliant with Scheme's criteria and BSN's underwriting and credit standards
- Guarantee the first 10% on a 'first-loss' basis on a loan/financing of 100% LTV or up to a period of 5 years, whichever comes first
- Standardised guarantee programme for both conventional and Islamic home financing
- Annual payment of Guarantee or Wakalah fee by the Government
- Scheme is solely offered by BSN
- Only 20,000 units are offered on first come first served basis
- Government gives financial assistance of RM200/month to eligible borrowers for the first 2 years

- Transfer part of credit risk with 'first loss' protection
- Enhance capital relief
- Manage portfolio concentration risk
- Assets remain on bank's balance sheet
- Improve RWCR
- Limit credit exposure to acceptable level



Regulatory Environment of Cagamas



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Regulatory Environment

- **Cagamas is governed by the following regulations under the respective authorities**



BANK NEGARA MALAYSIA
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

- 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

Bank Negara Malaysia



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Capital Markets and Services Act 2007 (CMSA)

Registered Persons status under the CMSA

Securities Commission



Electronic Trading Platform (ETP)

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

Bursa Malaysia



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

Others





Role and Impact of Cagamas



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Role and Impact of Cagamas

Role of Cagamas within the Financial/Mortgage Sector

- Catalyst for the Government's and Bank Negara Malaysia's initiative for the economy and financial sector
- 4 key areas:

1

Promote **home ownership**/home accessibility and affordability in Malaysia

2

Enhance and support the **stabilisation** of the financial sector in Malaysia

3

Develop the **Islamic financial sector**

4

Develop the **Malaysian capital market**





Role and Impact of Cagamas

1. Promote home ownership/home accessibility and affordability in Malaysia

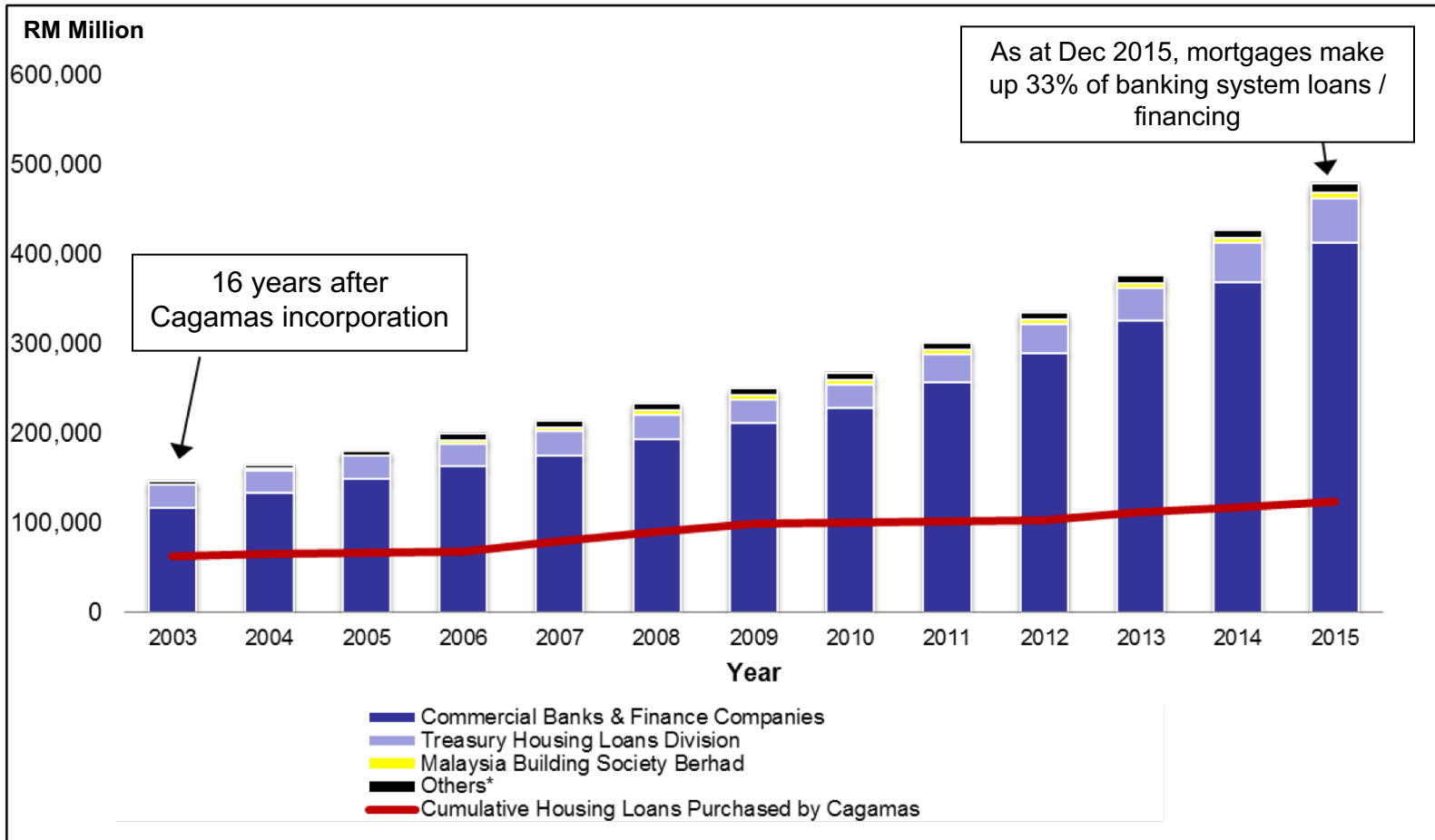
- Provide liquidity and hedging to mortgage financier – PWR programme
- Provide match funding – multi-tenor PDS
- Provide lower cost of funds – AAA funding
- Link the mortgage market to the capital market – development of the RMBS market
- Promote the origination of longer tenure housing loan/financing
 - ✓ Longer tenure loan/financing of up to 25 or even 30 years
 - ✓ Demand for houses has strengthened and housing loans/financings are more affordable
- Generate strong competition among financial institutions in mortgage financing
 - ✓ Provide access to competitively priced funds, resulting in easy access to affordable housing loan/financing (particularly the low cost sector)
- Develop innovative structures for mortgage financier – mortgage guarantee under the ‘My First Home Scheme’ and ‘Youth Housing Scheme’ to promote home ownership among young working adults





Housing Credit Outstanding – Banking Sector

Cagamas as important source of funding to the mortgage market.



Source: BNM Annual Report, various years

* Others inclusive of Bank Kerjasama Rakyat Malaysia Berhad, Borneo Housing Mortgage Finance Berhad, Bank Simpanan Nasional and Sabah Credit Corporation



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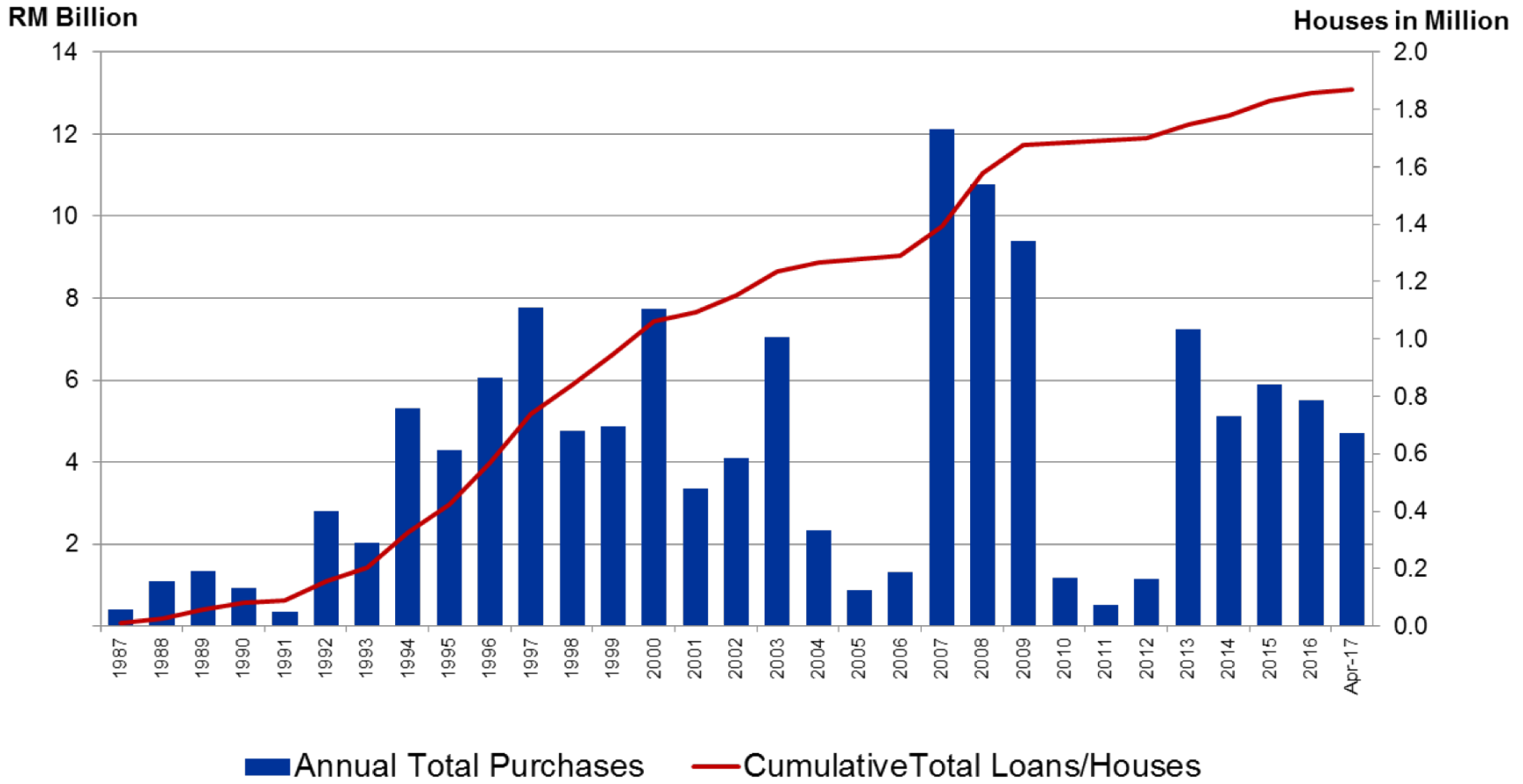


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Role and Impact of Cagamas

- ***Cagamas has cumulatively refinanced housing loans in the secondary market equivalent to RM133 billion or around 1.9 million houses***





Role and Impact of Cagamas

2. Enhance and support in the stabilisation of the financial sector in Malaysia

- 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 loan/financing standards

} **PWOR and MGP**

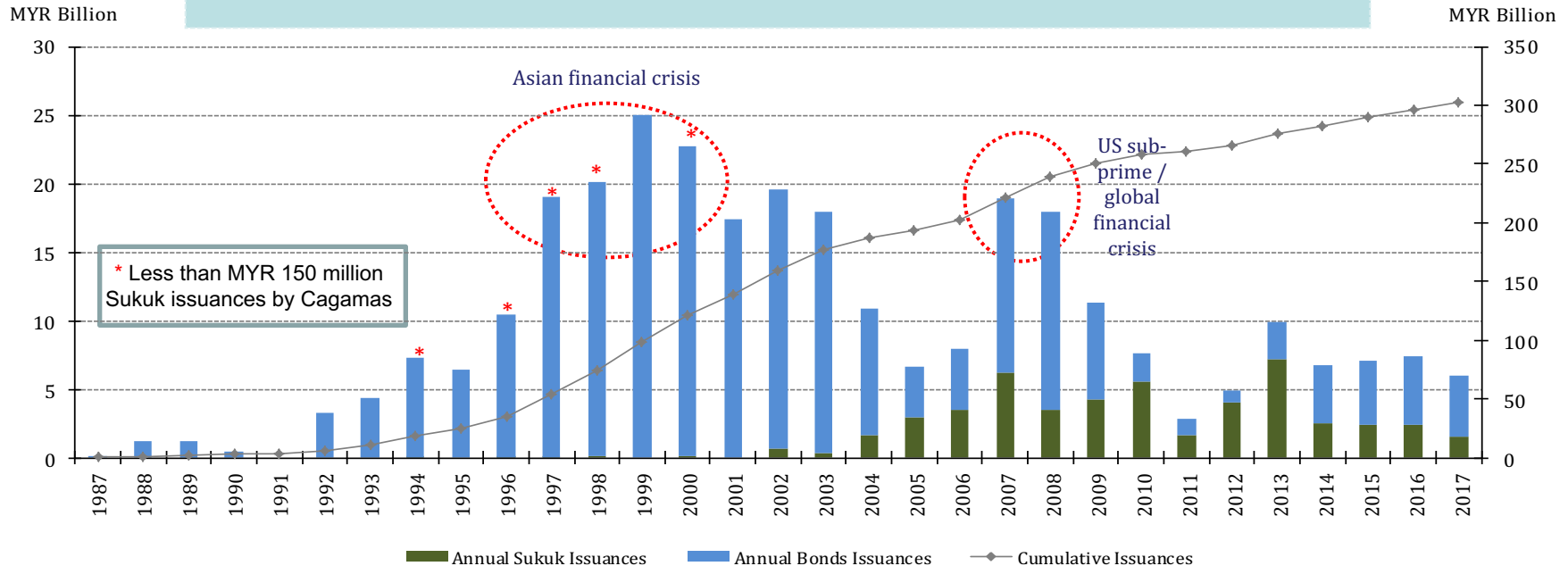




Role and Impact of Cagamas

- **Provided liquidity of about RM302.7 billion (USD 74 billion) to the financial sector as at June 2017**

Crucial provider of liquidity during times of crisis



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



- Cagamas Group has issued debt securities worth MYR302.7 billion to the financial market and has successfully redeemed MYR264.6 billion with not even a single technical default as at June 2017



Role and Impact of Cagamas

3. Develop the Malaysian Capital Market

- Significant player in the debt securities market
 - ✓ 2nd largest issuer of corporate bonds and sukuk after the Government of Malaysia

- Enhance the quality of capital market via structuring of high investment grade instruments
 - ✓ Approx. 22.2% of AAA Corporate bonds and sukuk outstanding
 - ✓ Approx. 63.4% of AAA ABS outstanding

- Contribute to the depth and breadth of capital market via structuring of sophisticated instruments

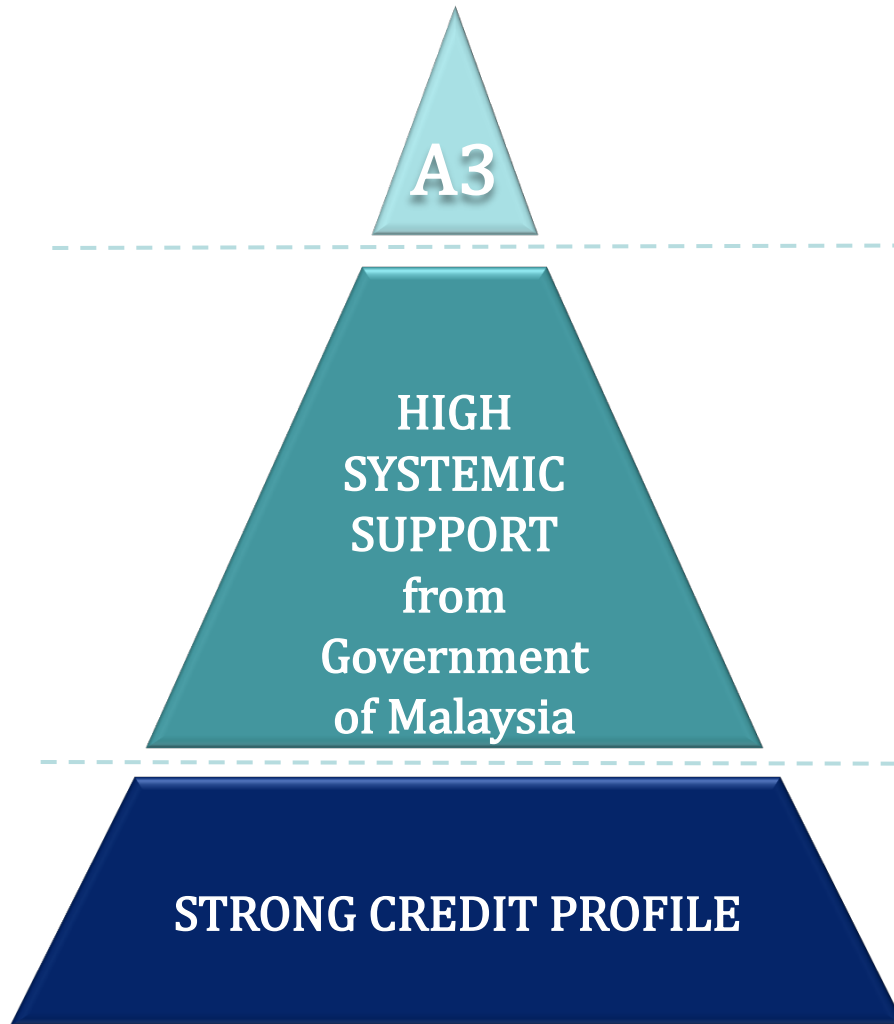
- Provide an alternative form of investment in high quality corporate bonds and sukuk
 - Large volume of highly-rated multi-tenor Cagamas debt securities has given investors new instruments for investing their surplus funds





Role and Impact of Cagamas

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



- **Sovereign Equivalent Rating**

- **Special policy role**
 - ✓ Supporting the national objective to increase home ownership & promote development of Malaysia debt capital market
- **Close linkages with BNM and the Government**
- **High systemic importance in Malaysian financial sectors**
 - ✓ Significant linkage with other FIs and prominent role in the debt capital market

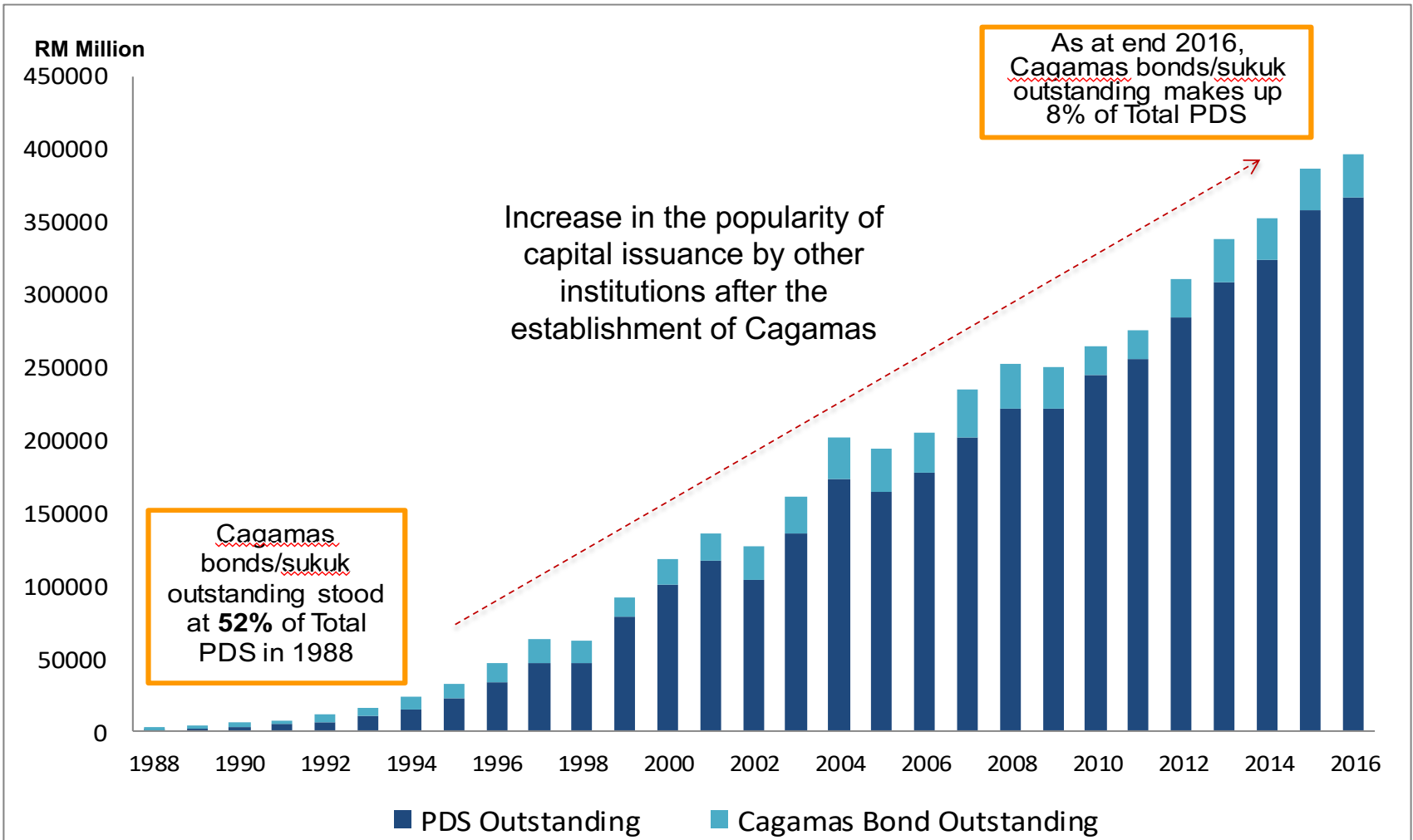
- **Strong Capitalisation**
- **Good Asset Quality**
 - ✓ Above-industry-average
- **Stable Profitability**





Role and Impact of Cagamas

- ***Cagamas' share in PDS Market declined with development of the debt capital market***



Source: BNM Annual Reports and BPAM since 2012



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Role and Impact of Cagamas

4. Develop the Islamic financial sector

- Significant player in the Islamic debt securities market
 - ✓ Approx. 12.5% of AAA Sukuk market
 - ✓ Approx. 64.7% of AAA Islamic ABS market

- Enhance the quality of Islamic capital market via structuring of high investment grade sukuk

- Contribute to the depth and breadth of Islamic capital market via structuring of sophisticated instruments

- Support the promotion of Malaysia as an International Islamic Financial Centre





Financial Performance



Cagamas

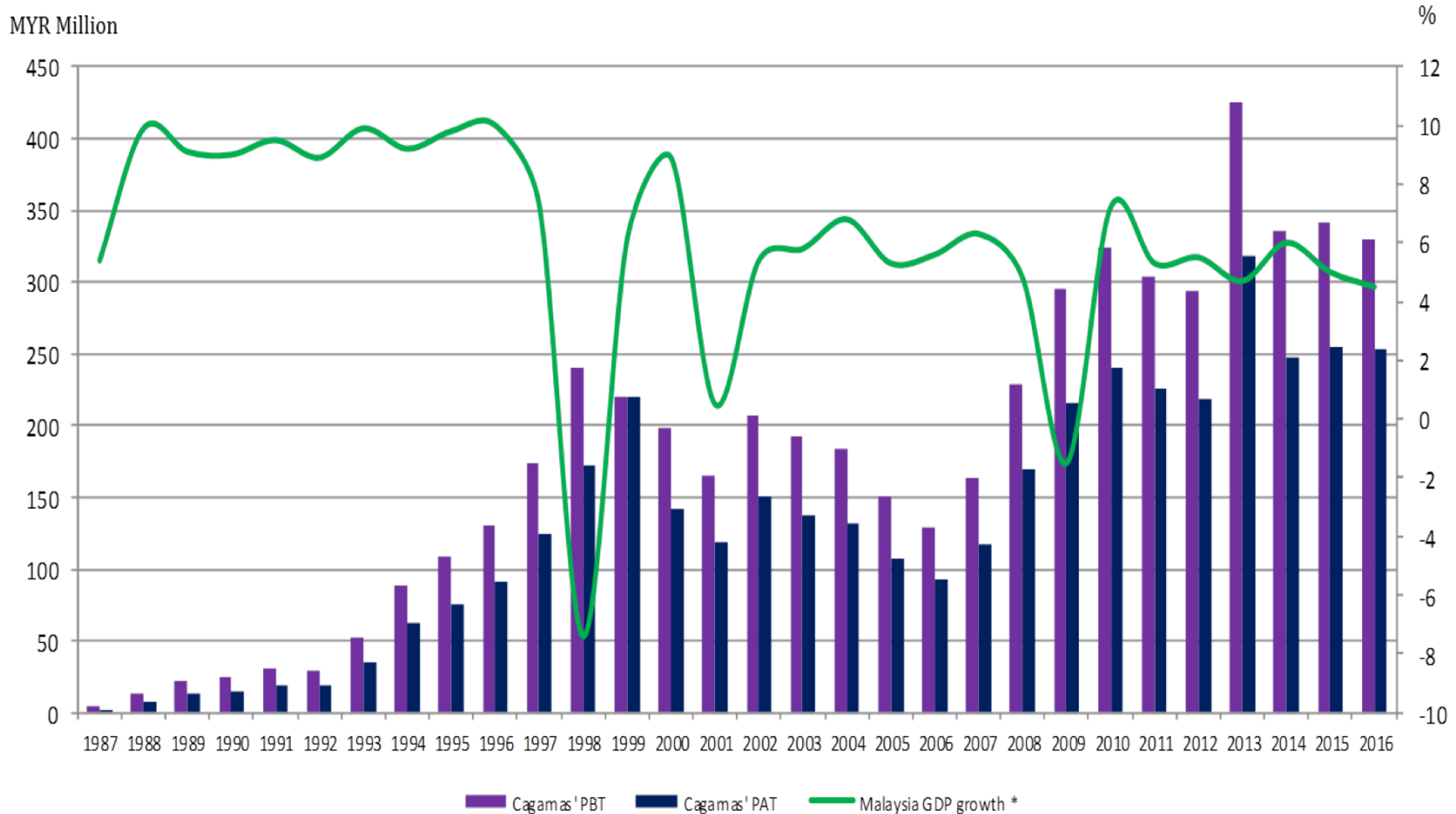


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Sound and Consistent Financial Performance

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



*Source: The World Bank
Department of Statistics Malaysia



Cagamas

National Mortgage Corporation of Malaysia





Facts and Figures

Key Financials (Cagamas Berhad Group) as at 31 December 2016

- ✓ Profit before tax: RM332 million
- ✓ Asset size: RM32.5 billion (Islamic assets: 36.8% of total portfolio)
- ✓ Shareholders' funds: RM3.22 billion
- ✓ Return on Equity (ROE): 10.7%
- ✓ Risk Weighted Capital Ratio (RWCR): 24.1%

Conventional Bond and Sukuk Issuance (Cagamas Berhad Group) as at 30 June 2017

- ✓ Issued RM292.5 billion Bonds/Sukuk to date (Sukuk: RM46.3 billion)
- ✓ Outstanding Bonds/Sukuk of RM34.3 billion (Sukuk: RM11.0 billion)
- ✓ Accounts for 22.2% of AAA Bonds/Sukuk Outstanding (12.5% of AAA Sukuk Outstanding)

Asset-Backed Securities (ABS) Issuance as at 30 June 2017

- ✓ Issued RM10.2 billion Residential Mortgage-Backed Securities (RMBS) (Islamic RMBS: RM4.2 billion)
- ✓ Outstanding RMBS of RM3.8 billion (Islamic RMBS: RM1.7 billion)
- ✓ Accounts for 63.4% of AAA ABS Outstanding (64.7% of AAA Islamic ABS Outstanding)





Facts and Figures

Prolific Issuer

- ✓ 2nd largest issuer of debt securities after the Government of Malaysia
- ✓ Largest issuer of AAA debt securities in the Malaysian market
- ✓ Cumulatively issued RM302.7 billion (Group incl. Cagamas MBS) of debt securities since inception with no default experience
- ✓ Regarded by World Bank as the most successful secondary mortgage liquidity facility model

Outstanding Credit Standing

- ✓ Cagamas debt securities continue to be assigned the highest credit ratings of AAA by RAM Rating Services Berhad and Malaysian Rating Corporation Berhad
- ✓ No rating downgrade even during the Asian financial crisis and global financial crisis
- ✓ Tenure extend up to 20 years and serves as benchmark for other corporate bonds and sukuk

Highly Rated Multi Currency Funding Platform

- ✓ Assigned local and foreign currency long-term issuer ratings of A3 by Moody's Investors Service which are on par with Malaysia's sovereign ratings
- ✓ An alternative funding source and allows for widening of investor base to include foreign investors

Innovative and Award Winning Transactions

- ✓ Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) (RM1 billion) in 2010 being the 1st transaction of its kind in the world
- ✓ Synthetic Securitisation of SME Loans (RM600 million) in 2007 being the 1st transaction in the ASEAN region
- ✓ Sukuk Musyarakah Residential Mortgage-Backed Securities (RMBS) (RM2.05 billion) in 2005 being the 1st rated transaction in the world



Key Success Factors



Cagamas



National Mortgage Corporation of Malaysia



Key Success Factors

- **Superior rating**
 - ✓ A3 international rating and AAA local rating has a direct impact on Cagamas' cost of funds, related margins and competitive edge

- **Speed-to-market/fast turnaround time**
 - ✓ Structure is designed to be executed within a short time (1 week to 3 weeks)

- **Standardised documentations and processes**
 - ✓ Standardised documentations are used to enable multiple transaction and reduces time to market (Master agreements and transaction agreements format)
 - ✓ Processes are standardised and streamlined within the organisation to enable fast turnaround

- **Flexibility to meet differing requirements of investors/mortgage originators**
 - ✓ Caters for different asset classes
 - ✓ Caters for both conventional and Islamic assets
 - ✓ Interest only/bullet repayment option
 - ✓ Asset swap option





Key Success Factors

- **Solid financial standing and shareholding**
 - ✓ Profitable going concern
 - ✓ Strong shareholders funds of RM3.2 billion
 - ✓ High RWCR of over 24%
 - ✓ Strong shareholders in the form of BNM and financial institutions

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

- **Support from regulators**
 - ✓ Implicit and explicit support given:
 - Implicit: Through BNM's shareholding in Cagamas
 - Explicit: Through incentives by government and regulators





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