

Cagamas Berhad

National Mortgage Corporation of Malaysia

London Sukuk Summit 2016

Unlocking Liquidity In Islamic Home Financing Via Sukuk Issuance- The Cagamas Way

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Content

- Growth Of Islamic Financial System
- Islamic Liquidity Instruments
- Cagamas Background
- Unlocking Liquidity With Cagamas' Business Model
- Cagamas' Islamic Multicurrency MTN Programme
- Cagamas' Islamic Multicurrency Issuances



Growth of Islamic Financial System

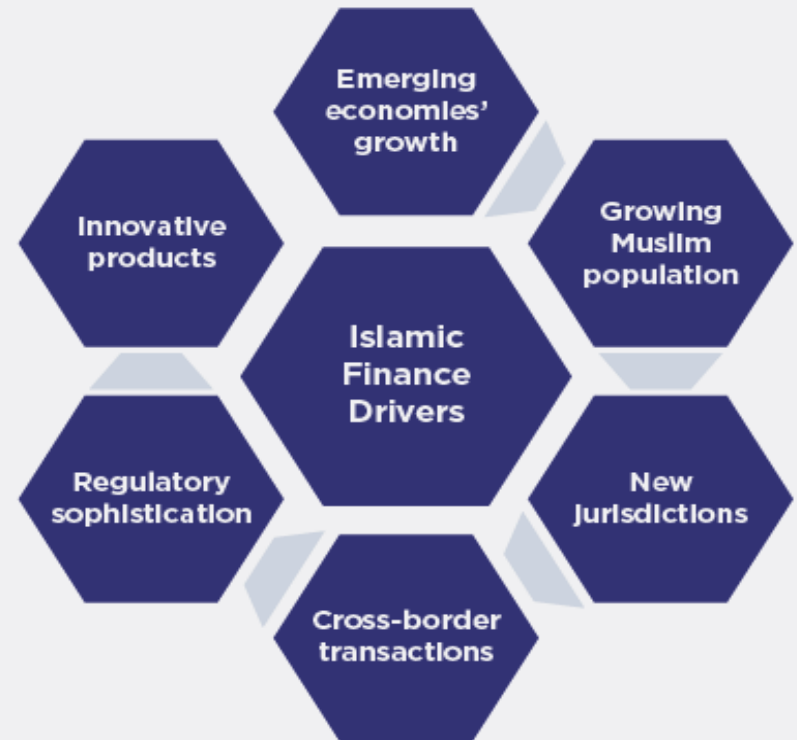
Malaysia's Islamic capital market has more than tripled in size between 2005 and 2015, reflecting a compounded annual growth rate of 11.7 per cent

Securities Commission Malaysia (SC) said the market reached RM1.69 tln (USD0.42tln) by end-2015, representing 60 per cent of the entire Malaysian capital market.

Malaysia continues to be the global leader in the sukuk market, commanding 54.3 per cent of the global sukuk outstanding as at end 2015

Islamic finance is increasingly becoming part of the **growth strategies** of an increasing number of global financial institutions

Key Growth Drivers for Islamic Finance (2015-2020)

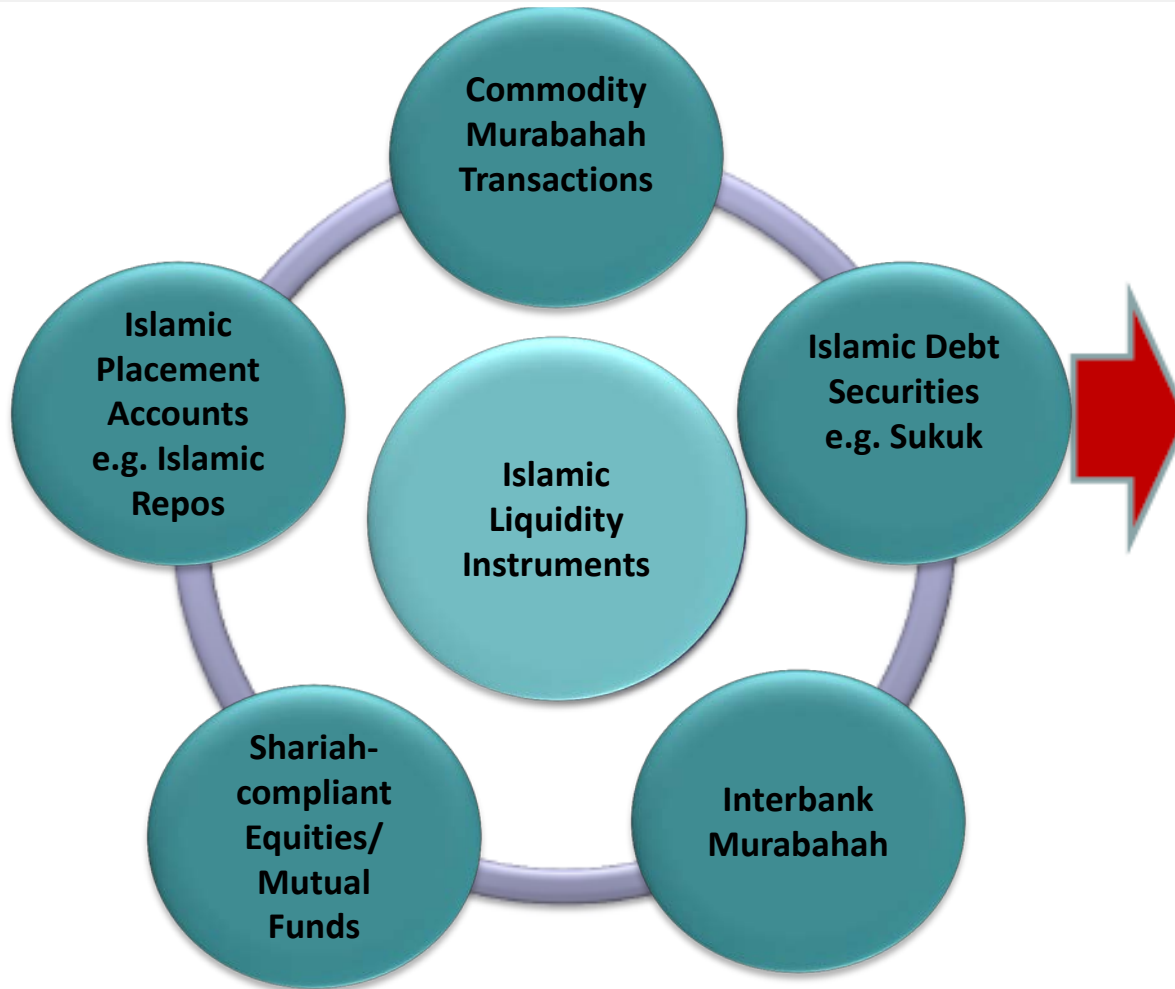


Source: Various, KFH Research Database



Islamic Liquidity Instruments

Common sources of liquidity for Islamic Financial Institutions...



Cagamas, being the largest issuer of corporate Sukuk in Malaysia, will continue to play an active role in advancing the presence and the diversity of Islamic finance by introducing new and innovative Islamic products in the financial market



Cagamas Background

Roles

- ✓ Promote home ownership/home accessibility and affordability in Malaysia
- ✓ Develop the Islamic financial sector
- ✓ Develop the Malaysian Capital Market
- ✓ Enhance and support in the stabilisation of the financial sector

Prolific Issuer

- ✓ 2nd largest issuer of debt securities after the Government of Malaysia
- ✓ Largest issuer of AAA debt securities in the Malaysian market
- ✓ Have issued more than RM290 billion of debt securities (no default experience)
- ✓ Regarded by World Bank as most successful secondary mortgage liquidity facility model

Multi Currency Funding

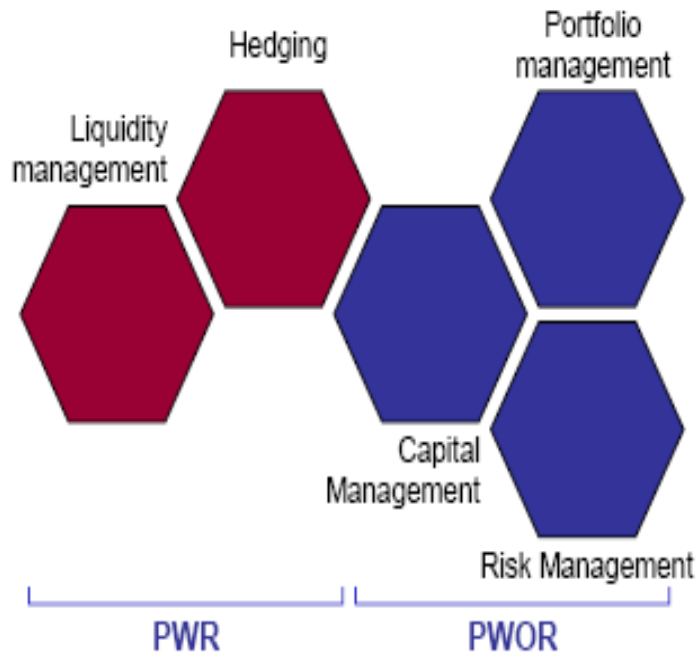
- ✓ Assigned A3 international rating by Moody's (equivalent to country's sovereign rating)
- ✓ An alternative funding source and allows for widening of investor base to include foreign investors

Outstanding Credit Standing

- ✓ Cagamas debt securities continue to be assigned credit ratings of AAA by RAM Rating Services Berhad (RAM) and Malaysian Rating Corporation Berhad (MARC)
- ✓ No rating downgrade even during the Asian financial crisis
- ✓ Tenure of from 3 months and up to 20 years and serves as benchmark for other Private Debt Securities (PDS)



Unlocking Liquidity With Cagamas' Business Model



- Cagamas purchases **Islamic financing assets** and fund the purchases through the issuance of **Islamic securities**
- Financing debts are purchased either on a with recourse basis (**Purchase with Recourse**) or on a without recourse basis (**Purchase without Recourse**)

We Purchase

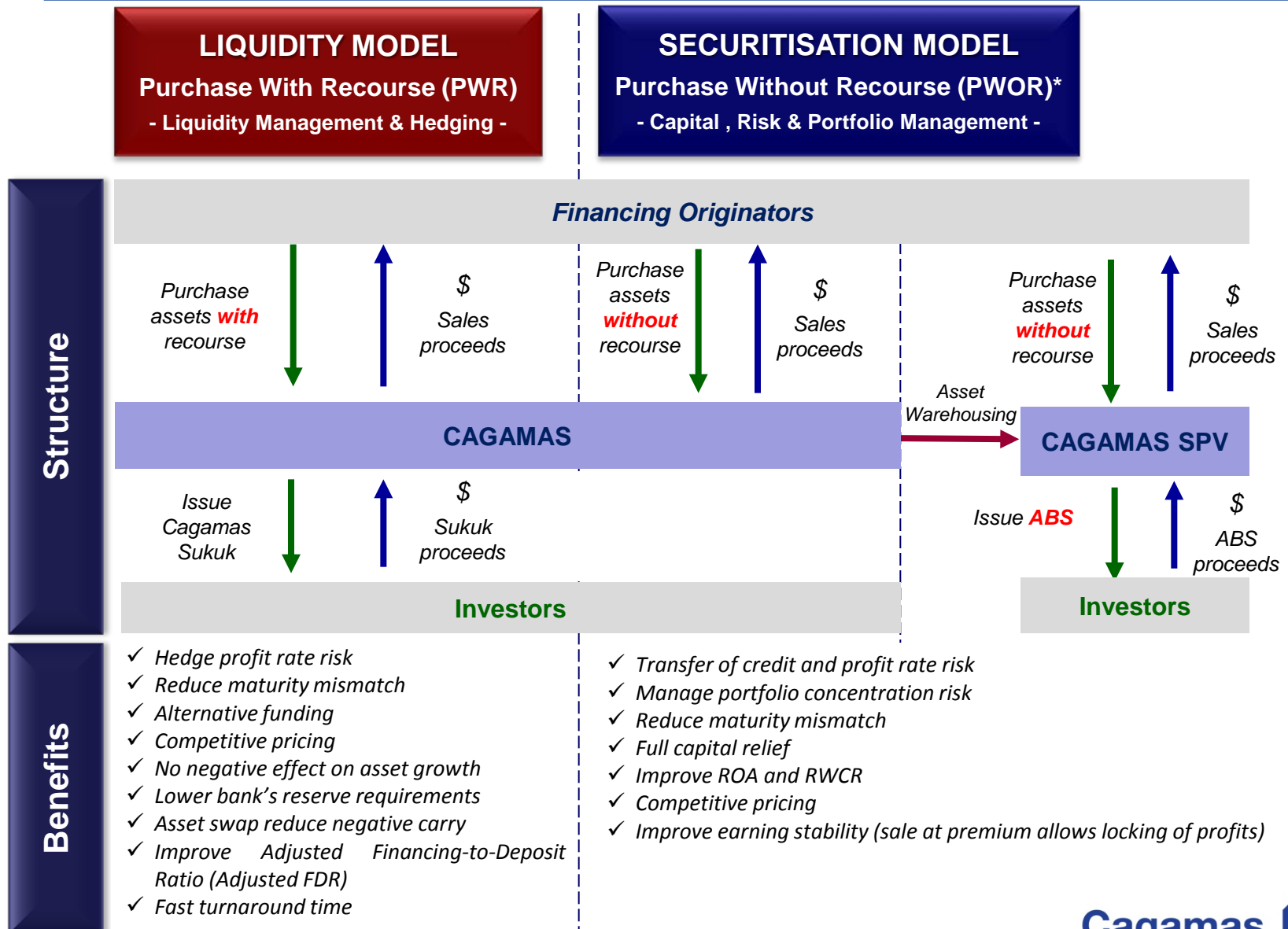
- *Islamic House Financing*
- *Islamic Hire Purchase/Leasing*
- *Islamic Personal Financing*
- *Rahn Financing*
- *Small and Medium Enterprise (SME) Financing*

We Issue

- *Islamic RMBS*
- *Islamic CPs (e.g. Sukuk Murabahah)*
- *Islamic MTNs (e.g. Sukuk Murabahah, Sukuk Wakalah Bil Istithmar)*
- *Islamic EMTN Multi-currency (e.g. Sukuk Wakala)*
- *Sukuk al-Amanah li al-Istithmar (ALIm)*



Unlocking Liquidity With Cagamas' Business Model



*can be funded through RMBS structures or secured /unsecured debt



Cagamas Experience: Sukuk Issuances 1994 - 2015

Cagamas had helped spur the development of the Sukuk market since 1994 by:

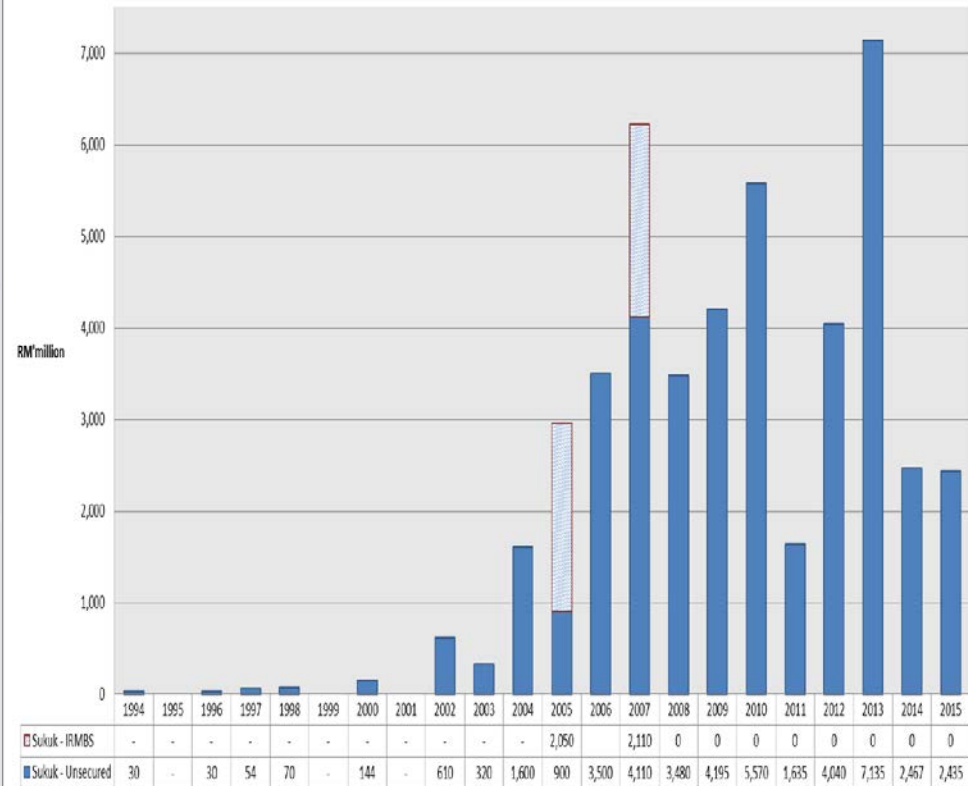
1. Creating and establishing pricing benchmark for the Private Debt Securities (PDS) market; and
2. Leading the way in terms of innovation such as the use of Crude Palm Oil (CPO) as an acceptable underlying asset to facilitate sukuk issuance

Cagamas' pioneering efforts in the Sukuk space provided comfort and confidence to other issuers and encourage them to undertake further development in their sukuk offerings.

From Cagamas' perspective as an issuer, the type of sukuk for issuance purposes would depend on, amongst others, the demand of the investors as Cagamas' commitment to fulfil its mandates is achieved by matching issuances with assets that it purchases.

Cagamas, in meeting its commitment to develop the Islamic capital market in Malaysia, is continuously innovating and introducing sukuk structures that would be acceptable to the most discerning investors especially with the introduction of its first USD2.5 billion Islamic Multicurrency MTN (Islamic EMTN) programme in 2014.

Cagamas Sukuk Issuances
1994-2015





Cagamas' Islamic Funding Programmes

Islamic Funding Programme(s)	RM20 billion ICP/CP	RM40 billion IMTN/MTN	RM5.0 billion ICP/IMTN	USD2.5 billion Islamic Multi-currency
Sukuk Structure(s)	<ol style="list-style-type: none"> 1. Mudharabah 2. Musyarakah 3. Murabahah 4. Ijarah 5. Wakalah Bil Istithmar 	<ol style="list-style-type: none"> 1. Mudharabah 2. Musyarakah 3. Murabahah 4. Istisna 5. Ijarah 6. Wakalah Bil Istithmar 	Al-Amanah Lil Istithmar (ALIm)	Sukuk Wakalah
Joint Programme Arrangers	<ol style="list-style-type: none"> 1. CIMB Investment Bank 2. HSBC Amanah 	<ol style="list-style-type: none"> 1. CIMB Investment Bank 2. HSBC Amanah 3. Maybank Investment Bank 	<ol style="list-style-type: none"> 1. Al-Rajhi Bank 2. RHB 	<ol style="list-style-type: none"> 1. CIMB Investment Bank 2. HSBC Amanah
Income Type	Fixed	Fixed	Fixed	Fixed
Investment Portfolio Components (where applicable)	<u>Wakalah Bil Istithmar</u> <ol style="list-style-type: none"> 1. Equity 2. Non-Tangible Asset 	<u>Wakalah Bil Istithmar</u> <ol style="list-style-type: none"> 1. Equity 2. Non Tangible Asset (NTA) 	<ol style="list-style-type: none"> 1. Tangible Asset (TA) 2. Non-Tangible Asset 	<ol style="list-style-type: none"> 1. Tangible Asset (TA) 2. Non-Tangible Asset (NTA)
Portfolio Ratio	<u>Wakalah Bil Istithmar</u> 30:70 (Equity : NTA)	<u>Wakalah Bil Istithmar</u> 30:70 (Equity : NTA)	51:49 (TA : NTA)	34: 66 (TA : NTA)



Cagamas' Islamic Multicurrency MTN Programme

Programme Highlights

Islamic Multicurrency MTN Programme (established November 2014)	
<i>Type</i>	<i>Islamic</i>
<i>Programme Size</i>	<i>USD2.5 billion</i>
<i>Programme Tenure</i>	<i>Perpetual</i>
<i>Rating</i>	<i>A3 by Moody's Investors Service, Inc.</i>
<i>Issue Format</i>	<i>Regulation S</i>
<i>Governing Laws</i>	<i>English Laws</i>
<i>Structure</i>	<i>Wakala</i>

Benefits to Cagamas

- *Reduce over-reliance on a single benchmark for pricing (MGS/GII for MYR)*
- *Potential cheaper cost of funding through diversification of funding sources*
- *Access liquidity from larger international Islamic capital market*
- *Funding of potential purchase of non-Ringggit assets*
- *Developmental role in deepening and broadening the Malaysian and international debt capital market*
- *Reduce overcrowding effect in domestic market*



Cagamas' Islamic Multicurrency Sukuk Issuances

	2015	2016
Transaction	<i>Purchase of Islamic House Financing by Cagamas Berhad</i>	
Transaction Value	SGD162.75 million (RM500 million) <ul style="list-style-type: none"> • Inaugural multicurrency issuance through Cagamas Global Sukuk Berhad • 1 year tenure • Priced at 2.11% 	SGD150 million (RM450 million) <ul style="list-style-type: none"> • 2nd multicurrency issuance through Cagamas Global Sukuk Berhad • 1 year tenure • Priced at 2.30 %
Liquidity-Generating Asset	<i>Islamic House Financing Based on Ijarah principles</i>	
Asset Seller	<i>Local Islamic Bank</i>	
Liquidity Tool	<i>Purchase With Recourse (PWR)</i>	
Fund raising tool	<i>Sukuk Wakala</i>	



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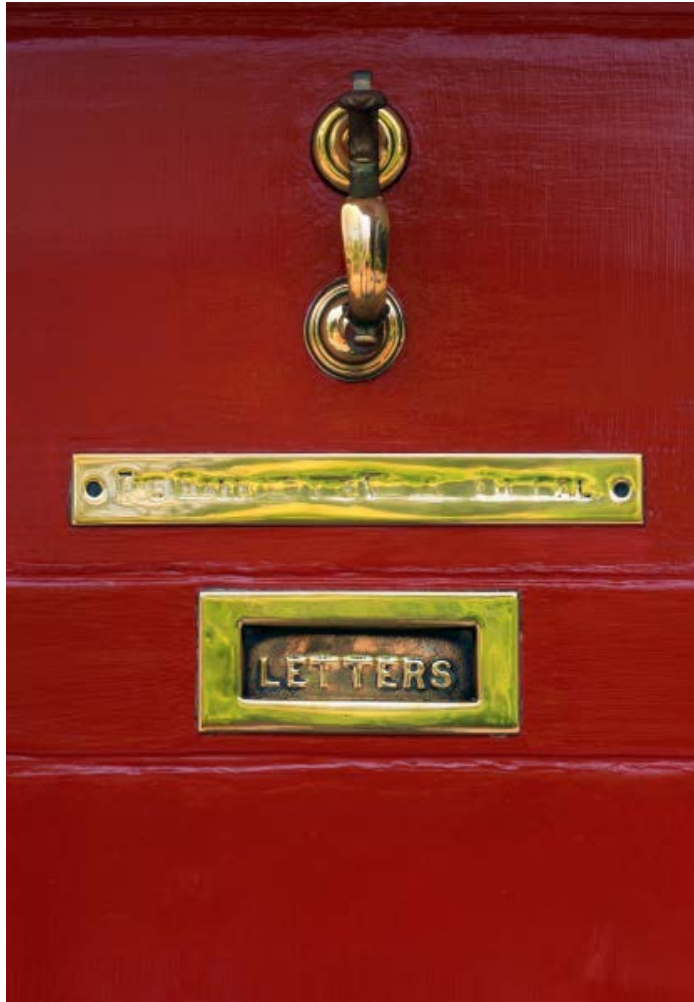
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