

# Cagamas Berhad

National Mortgage Corporation of Malaysia

RAM ANNUAL BOND CONFERENCE 2014

## CROSS BORDER DEALS : Issuer's perspective

11 November 2014



# The need to diversify funding sources

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- Mitigate over-reliance on a single benchmark for pricing (MGS for MYR)
- Potential cheaper cost of funds through diversification of funding sources
- Access liquidity from larger international bond market
- Additional avenue to support future business expansion
- Mitigate potential limit constraints of local investors
- Overcrowding effect from competing with local issuers



# Establishment of Multicurrency Medium Term Note Programme

* Multicurrency Medium Term Note (EMTN) Programme	
Type	Conventional
Programme Size	USD 2.5 billion
Tenor	Perpetual
Rating	A3 by Moody's Investors Service, Inc.
Issue format	Regulation S/ Conventional
Governing laws	English Law

***Largest Conventional EMTN Programme by Non-Bank Malaysian Issuer***

- ❖ Establishment of **USD2.5 billion Multicurrency Sukuk Issuance Programme** is pending final approval from regulator



# Overcoming the Challenges

Risks / Challenges	Our Challenges	How we strategized
<b>Market / Reputation Risk</b>	<ul style="list-style-type: none"> <li>New and unfamiliar market as Cagamas' only exposure was to the domestic market since inception</li> <li>Lack of awareness about Cagamas to foreign investors</li> <li>Tax issues for foreign investors</li> </ul>	<ul style="list-style-type: none"> <li>Strong credit rating :               <ol style="list-style-type: none"> <li>Cagamas' ratings are strong investment grade international rating of A3 by Moody's which is equivalent to Malaysia Sovereign Rating and AAA by RAM &amp; MARC on local scale</li> <li>Rating of A3 by Moody's for the CNH issuance</li> </ol> </li> <li>Several roadshows were conducted at the key financial hubs in Asean, Europe &amp; USA</li> <li>Quality meetings were arranged to promote, educate and build awareness on Cagamas credit profile which offer diversification opportunities</li> <li>Profiling of international investors to gauge their investment preference</li> <li>Conduct regular market intelligence to ascertain potential cost of funding</li> <li>Cagamas Global PLC was incorporated in Labuan to address withholding tax for foreign investors</li> </ul>
<b>Foreign Exchange Risk</b>	Exposure to volatility in foreign exchange	Enter into Cross Currency Swap transaction to mitigate FX exposure
<b>Competition from other Issuers</b>	Non-Frequent Issuers liquidity need at times far outreach concern on COF which reduce demand tension and distort fair valuation	Apply suitable distribution strategy based on information on investor profiling exercise conducted regularly



# Tiger Emas Bond Issuance



# The TIGER EMAS Bond

## Cagamas' Inaugural Conventional Offshore RMB Issuance

Issuer/ Guarantor	Cagamas Global P.L.C / Cagamas Berhad
Issue Size	CNY 1,500,000,000
Programme Rating & Guarantor Rating	A3 Positive (Moody's), $gA_2(s)$ (RAM)
Issue Rating	A3 Positive (Moody's)
Tenure / Yield	3-year / 3.70% p.a.

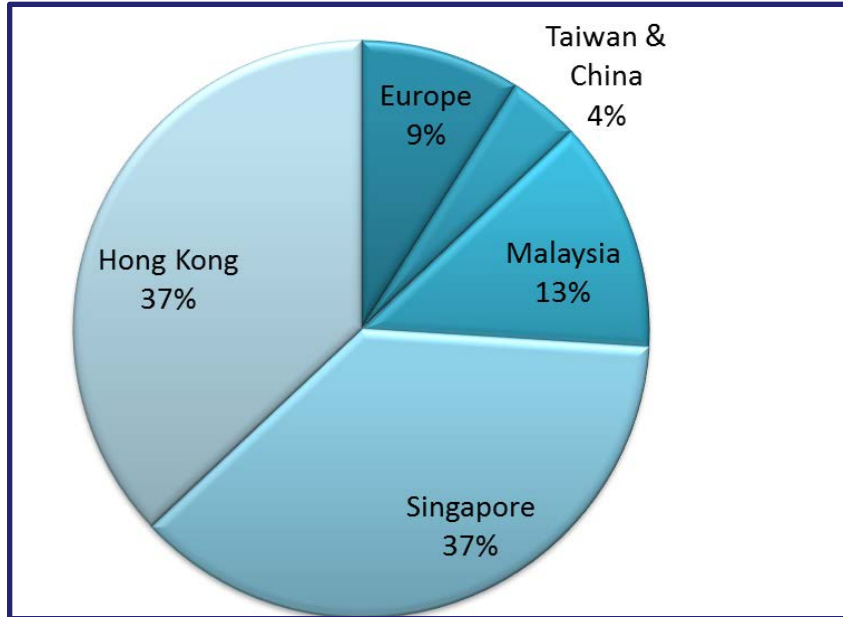
## Highlights of the RMB Issuance

Size	Upsized from 1,000mn to 1,500mn
Demand	RMB4.6 billion Final Order Book
Execution	Intra-day
Tightening of pricing	15 basis points

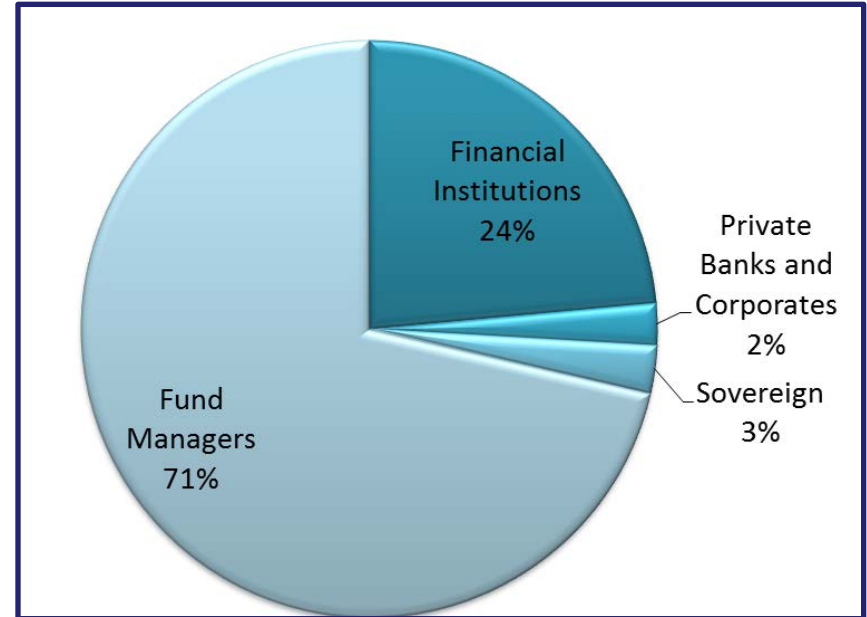


# The TIGER EMAS Bond – highlights (con't)

Geographical Distribution  
by Allocation



Distribution by Investors Type





# The TIGER EMAS Bond – Market Innovation

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- First offshore RMB bond from Malaysia to carry the market name 'Tiger Emas Bond' to facilitate fast and easy identification for secondary trading
- Provide diversification of risk profile to international investment portfolio
- Introduce additional clearing and depository system to the international bond market
- Spearhead and promote development of regional bond market as funding avenues to achieve competitively priced liquidity to other mortgage corporations





# The TIGER EMAS Bond – Impact

## MARKET LIQUIDITY & DISTRIBUTION

### ➤ Secondary Trading Volume

- Highest secondary trading volume on 'When Issued' (WI) basis for Single-A3 Offshore RMB bond during pre-issuance period from 15 - 22/9/2014

### ➤ World Bond Index Listing

- The first RMB Bond issued by a mortgage corporation accepted in 5 widely followed global bond indices : -
  - Barclays Capital Offshore Renminbi Bond Index
  - Citi - Dim Sum Bond Index,
  - FTSE – BOCHK Offshore RMB Investment Grade Bond Index
  - FTSE – BOCHK Offshore RMB Bond Index Series
  - HSBC Offshore RMB Bond Index.



# The TIGER EMAS Bond – impact

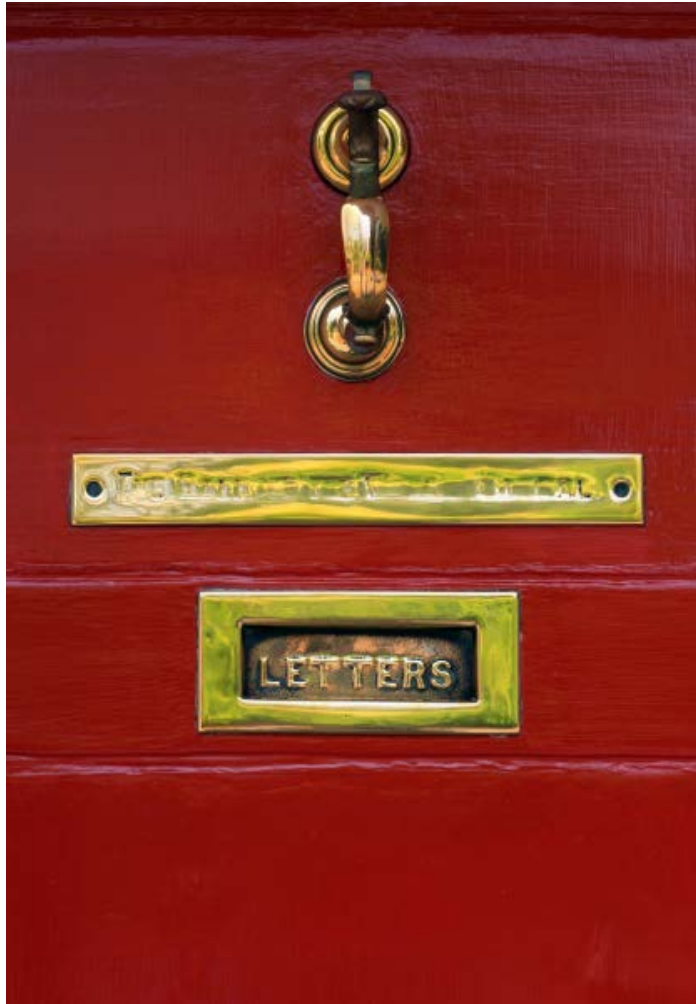
## MARKET LIQUIDITY & DISTRIBUTION (con't)

- Largest RMB bond issuance from Southeast Asia to date
- Largest offshore RMB Bond issued ex-China for the year
- World's largest offshore RMB bond by a mortgage corporation
- Bloomberg's most viewed Single-A3 Offshore Renminbi Issuance
- Highest rated RMB Bond issued from Malaysia
- First Conventional RMB bond from Malaysia



# Contact Us

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Thank You



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# Appendix

Credit Rating	<ul style="list-style-type: none"> <li>▪ A3 Positive (Moody's)</li> <li>▪ gA2/Stable/gP1(RAM)</li> <li>▪ AAA (RAM and MARC)</li> </ul>
Date of Incorporation	2 December 1986
Objectives	<ul style="list-style-type: none"> <li>▪ Established by Bank Negara Malaysia to support the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets</li> <li>▪ Development and promotion of Islamic finance within Malaysia</li> </ul>
Business Model	<ul style="list-style-type: none"> <li>▪ Through the issuance of conventional and Islamic securities, Cagamas funds the purchase of housing loans and house financings through its Purchase With Recourse (PWR) and Purchase Without Recourse (PWOR) schemes</li> <li>▪ By doing this, Cagamas is able to provide liquidity to financial institutions at a competitive cost, encouraging them to provide additional housing loans and house financings to new applicants at an affordable price</li> <li>▪ The PWR and PWOR schemes have now been expanded to include other loans and financings such as hire purchase / leasing receivables and personal loans and financings</li> </ul>
Issuance Programme	<ul style="list-style-type: none"> <li>▪ RM40 billion 40-year Medium Term Note/Islamic Medium Term Note (MTN/IMTN) Programme</li> <li>▪ RM5 billion Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) Programme</li> <li>▪ USD2.50 billion Conventional Multi-Currency Medium Term Note (EMTN)</li> </ul>
Outstanding Cagamas Unsecured Bonds (as of 30 September 2014)	<ul style="list-style-type: none"> <li>▪ Conventional: MYR10.56 billion; CNH1.5 billion</li> <li>▪ Sukuk: RM12.645 billion</li> </ul>



# Awards and Accolades

Cagamas has achieved many “firsts” for capital market transactions in Malaysia and beyond; garnering a number of impressive awards and accolades over the past years

Transaction	Awards Won	
<ul style="list-style-type: none"> <li>Kuala Lumpur Islamic Finance Forum (KLIFF) (2013)</li> <li>Cagamas RM500 million multi-tenor Sukuk Wakala Bil Istithmar (2013)</li> </ul>	 	<ul style="list-style-type: none"> <li>Most outstanding securitisation house</li> <li>Highly Commended / Most Innovative Deal</li> </ul>
<ul style="list-style-type: none"> <li>Cagamas RM1.0 billion Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) (2011)</li> <li>RM230 million Variable Rate Sukuk Commodity Murabahah (2011)</li> </ul>		<ul style="list-style-type: none"> <li>Islamic issuer of the year</li> <li>Sukuk Issuer of the Year</li> <li>Islamic Deal of the Year</li> <li>Best Islamic Deal, Malaysia</li> <li>Best Islamic Commodity-linked Murabaha</li> </ul>
<ul style="list-style-type: none"> <li>First Sukuk al-Amanah Li al-Istithmar (Sukuk ALIm) (RM1billion) transaction in the world (2010) and that are widely accepted and tradable in the Middle East</li> <li>Largest ever transferrable and tradable variable rate Commodity Murabahah notes issuance by a corporate in the Ringgit market (RM230 million Variable Rate Sukuk Commodity Murabahah)</li> </ul>	   	<ul style="list-style-type: none"> <li>Islamic Issuer of the Year</li> <li>Sukuk Issuer of the Year</li> <li>Islamic Deal of the Year</li> <li>Malaysia Deal of the Year</li> <li>Islamic Deal of the Year</li> <li>Best Islamic Deal of the Year</li> <li>Malaysian Innovation of the Year</li> <li>Tawarruq Deal of the Year</li> <li>Best Islamic Commodity-Linked Murabaha</li> </ul>
<ul style="list-style-type: none"> <li>Largest multi-tenured Sukuk Commodity Murabahah transaction in 2009 (Sukuk Commodity Murabahah RM915 million)</li> <li>Largest and longest dated corporate Sukuk transaction in Malaysia (2008) (Sukuk Commodity Murabahah RM2.015 billion)</li> </ul>	 	<ul style="list-style-type: none"> <li>Issuer of the Year</li> <li>Most Innovative Islamic Finance Deal</li> <li>Tawarruq Deal of the Year</li> <li>Most Innovative Deal</li> </ul>
<ul style="list-style-type: none"> <li>First Synthetic Securitisation of SME Loans (RM600 million) transaction in the ASEAN region (2007)</li> <li>Largest funding programme of its kind (RM60 billion CP/MTN programme) in the ASEAN region (2007)</li> </ul>	   	<ul style="list-style-type: none"> <li>Malaysia Capital Markets Deal of the Year</li> <li>Asian Deal of the Year</li> <li>Best Domestic Securitisation</li> <li>New Structured Finance Benchmark Deal</li> <li>Longest programme tenure in Malaysia (40 year MTN programme)</li> </ul>
<ul style="list-style-type: none"> <li>First rated Sukuk Musyarakah Residential Mortgage Backed Securities (RM2.05 billion) transaction in the world (2005)</li> </ul>	  	<ul style="list-style-type: none"> <li>Best Malaysian Deal</li> <li>Best Domestic Securitisation Deal</li> <li>Best Islamic Finance Deal</li> <li>Islamic Finance Deal of the Year</li> <li>New Islamic Benchmark Deal of the Year</li> </ul>
<ul style="list-style-type: none"> <li>First residential mortgage backed securities (RM1.55 billion) transaction in Malaysia (2004)</li> </ul>	  	<ul style="list-style-type: none"> <li>Best Local Currency Bond Deal of the Year</li> <li>Best Local Currency Bond in Asia</li> <li>Best Malaysian Ringgit Bond</li> </ul>