

An interview with

Datuk Chung Chee Leong

President & CEO, Cagamas Berhad

In the dynamic world of finance, few individuals possess the vision and expertise to transform an organisation and drive it to international acclaim. Datuk Chung Chee Leong, the President and Chief Executive Officer of Cagamas Berhad, stands out as one such exceptional leader. Over the past decade, his strategic guidance has propelled Cagamas to new heights, solidifying its position as Malaysia's national mortgage corporation and a prominent player in the global market.

Under the astute leadership of Datuk Chung, Cagamas has undergone a remarkable transformation, expanding its presence as an international market player and achieving significant milestones. One of these milestones was the establishment of the US\$5 billion multicurrency EMTN programme, which paved the way for groundbreaking initiatives

such as the issuance of Southeast Asia's largest offshore Renminbi bond and the country's largest sukuk issuance. Cagamas also ventured into the global market with its inaugural US\$ bond, further solidifying its position as a key player.

Datuk Chung's leadership was instrumental in introducing innovative financial programmes that catered to diverse needs. In 2021, he spearheaded the successful introduction of Malaysia's reverse mortgage, the Skim Saraan Bercagar, allowing homeowners to unlock the value of their properties for financial flexibility in retirement. Building upon this success, he introduced the world's first Islamic reverse mortgage scheme, the Skim Saraan Bercagar Islamik, in 2022, demonstrating Cagamas' commitment to Islamic principles and addressing the financial needs of the Muslim community.





Recognising the importance of sustainability, Datuk Chung championed Cagamas' sustainability agenda by establishing various frameworks, including the Cagamas Sustainability Framework, Cagamas Sustainability Bond/Sukuk Framework, and Cagamas Sustainability Investment Framework. These frameworks emphasise Cagamas' commitment to environmentally and socially responsible practices. The issuance of sustainability and social bonds/sukuk amounting to RM2.5 billion since 2020 further establishes Cagamas as a leading player in sustainable finance.

Prior to his tenure at Cagamas, Datuk Chung garnered extensive experience in central banking and held key positions in various organisations, contributing significantly to Malaysia's financial sector. His exemplary leadership and contributions to Islamic finance have earned him prestigious accolades, including The Asset Triple A Islamic Finance Industry Leadership Award in 2022 and the GIFA Special Award (Islamic Financial Advocacy) in 2020.

Datuk Chung's educational background, coupled with his pursuit of excellence, has equipped him with a global perspective. Holding a Bachelor of Economics degree from the University of Malaya, with a major in Business Administration, he further enhanced his knowledge and skills through participation in

the Summer School Programme at the University of Cambridge. As the dynamic mortgage landscape continues to evolve, Datuk Chung Chee Leong remains at the forefront of shaping the industry. His visionary leadership, unwavering commitment to sustainability, and transformative initiatives have propelled Cagamas to new heights and positioned the organisation as a key player in the global financial market.

INTERVIEW

CAGAMAS CELEBRATED ITS 35TH ANNIVERSARY LAST YEAR, AND WITH DATUK ONBOARD AS THE PRESIDENT/CEO SINCE 2012 - HAS PLAYED A KEY ROLE IN CAGAMAS' SPEARHEADING THE NATIONAL MORTGAGE CORPORATION INTO THE INTERNATIONAL DEBT MARKET SPACE. WHAT IS THE VISION BEHIND THESE DEVELOPMENTS?

Over the last 35 years, we have played proactive roles in helping Malaysians to realise their homeownership aspirations and our roles have continuously progressed throughout the years to meet the evolving demand from the market.



Through our mandate of supporting sustainable housing finance ecosystem in the primary market, Cagamas has enabled the industry to provide home financing at affordable rates by providing liquidity at a reasonable cost to primary lenders through our Purchase with Recourse (PWR) and Purchase Without Recourse (PWOR) schemes. Since our inception in 1986, Cagamas has cumulatively purchased home financing in the secondary market totalling RM176.4 billion, equivalent to a total of 2.1 million homes. In 2022, we purchased a total of RM19.3 billion of assets under the PWR scheme, the highest ever since its inception, displaying the continued importance of Cagamas' role in providing liquidity for FIs at competitive rates.

support of the adoption of new benchmark rates for financial instruments in Malaysia.

Cagamas was among the first main players in the market to push for the development of ESG through the issuance of sustainability bonds and sukuk as part of its ongoing efforts to establish an emerging sustainable asset class. To-date, Cagamas has cumulatively issued a total of RM2.5 billion of sustainability bonds and sukuk since 2020 with RM2.4 billion outstanding as of 31 December 2022. The proceeds from the issuances have been primarily allocated to eligible assets in line with the Cagamas' Sustainability Bond and Sukuk Framework, of which, 95.1% of the proceeds were channelled to affordable housing.



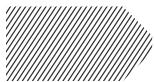
CAGAMAS HAS ENABLED THE INDUSTRY TO PROVIDE HOME FINANCING AT AFFORDABLE RATES BY PROVIDING LIQUIDITY AT A REASONABLE COST TO PRIMARY LENDERS THROUGH PWR AND PWOR SCHEMES.

We also provided mortgage guarantees for housing loans and financing to first-time home buyers through Skim Rumah Pertamaku (SRP) and Skim Perumahan Belia (SPB), enabling low-to-middle income groups better access to home financing. These schemes were introduced in 2011 and we have provided a guarantee of over RM22.9 billion and enabled 99,940 individuals/ households to own their first house, of which 88.2% are from the B40 segment. Both schemes have since been discontinued.

We are also committed to supporting the development of Malaysia's capital market, Islamic finance and other priority sectors through the issuance of our various innovative and first-of-its-kind instruments. From 1987 until the end of 2022, we have cumulatively issued a total of RM391.9 billion equivalent of corporate bonds and sukuk, of which RM83.4 billion or 21.3% comprised of Sukuk and RM14.9 billion equivalent or 3.8% in foreign currency issuances. In 2022, Cagamas raised a total fund of RM24.9 billion, with RM22.4 billion from debt securities and RM2.5 billion via interbank transactions. Cagamas also concluded its first bonds priced against the Malaysia Overnight Rate (MYOR) in

Moving forward, Cagamas will continue to support the Government in achieving the nation's homeownership aspirations and undertake its developmental role in the housing space leveraging on its expertise in the housing market. As one of the pioneers in the market to push for the development of ESG through the establishment of emerging sustainable asset classes via its issuances, Cagamas aims to further strengthen its contribution to the United Nations Sustainable Development Goals (UN's SDGs) through its sustainability agenda.

Cagamas intends to facilitate homeowners to manage the challenge of climate change and support the financial industry's transition to a low-carbon economy through the development of industry-recognised methodology for green housing and green home improvement financing in its bid to scale-up green residential mortgages and make energy-efficient homes more mainstream.



WHAT IS THE RATIONALE FOR CAGAMAS TO PURSUE GREEN FINANCING AND WHAT DO YOU INTEND TO ACHIEVE IN THIS SPACE IN THE NEAR TERM AND LONG TERM?

Cagamas plays a pivotal role in Malaysia's housing finance industry. The rationale for Cagamas to pursue green financing lies in several factors:

Environmental Responsibility: Cagamas acknowledges the need to address environmental challenges and mitigate the impact of climate change. By embracing green financing, the Company aims to contribute to the transition towards a low-carbon and sustainable economy.

Market Demand and Investor Interest: Green financing has gained significant traction globally, as investors and financial institutions increasingly prioritise sustainable investments. By embracing green financing, Cagamas can potentially catalyse this growing market demand through potential green issuances to attract investors who prioritise environmental considerations and integrate sustainability into their investment strategies.

Government and Regulatory Support: Governments and regulatory bodies worldwide are implementing policies and regulations to promote sustainable finance. Cagamas' pursuit of green financing aligns with the government's sustainable development goals and enables Cagamas to stay ahead of potential future requirements.

Risk Mitigation: Climate change and environmental risks pose potential financial risks to the housing and mortgage industry. By promoting green financing, Cagamas can encourage environmentally sustainable practices in the construction and housing sectors, reducing the long-term risks associated with climate change and environmental degradation.

Innovation and Market Leadership: Engaging in green financing allows Cagamas to demonstrate its commitment to innovation and market leadership in the financial sector. By actively supporting green projects and initiatives, especially in the housing markets, Cagamas aims to be the market leader in providing green liquidity to financial institutions and fostering innovative green financing products in the housing and its supporting sectors, thereby driving positive change in the industry.



In the near term, Cagamas intends to achieve the following in the green financing space:

Development of Cagamas Green Home Financing Standard: Cagamas aims to establish a common standard that defines the criteria and standards for green home financing, including financing for green retrofits and green affordable housing throughout the housing value chain. The standard aims to serve as a point of reference for all stakeholders within the green housing ecosystem to have a shared definition or set of standards for identifying activities, projects and investments that qualify as green housing.

Issuance of Green Bonds and Sukuk: Cagamas plans to issue green bonds and sukuk to finance environmentally sustainable projects, especially in relation to green housing. The proceeds from these bonds will be allocated to fund the purchase of loans related to green housing and supporting sectors and potential asset classes within our issuance programme such as renewable energy, energy-efficiency, low-carbon emitting transportation, sustainable water and wastewater management.

Collaboration and Partnerships: Cagamas aims to collaborate with the regulators, financial institutions and industry stakeholders to foster knowledge sharing and best practices in green financing. By forming partnerships, Cagamas can leverage expertise and resources to drive sustainable development in the financial and housing sector.

This led to the signing of a technical assistance agreement with ADB in Sept 2022 to study and identify the challenges and constraints for scaling up inclusive and green residential mortgages in Malaysia.

The objective of the study is to determine how the green mortgage market could be inclusive for all and be expanded to include the B40 and M40 and female headed household segments, as well as to develop a common green home standard that can then be utilised across the housing value chain for defining green homes in the primary and retrofit markets, green home financing and even leading into the issuance of a green bond in future to attract investors to provide funding at competitive rates, each with a contributing factor increasing and accelerating Malaysia's transition to low-carbon economy.

In the long term, Cagamas has the following objectives in the green financing space:

Expansion of Green Financing Portfolio: Cagamas intends to increase its exposure to green financing significantly. We aim to have RM10 billion of our financing portfolio to be green by 2030 by being one of the largest provider of green liquidity into the housing and housing-related sectors.

Leadership in Green Finance: Cagamas aims to be a leader in green finance in the region. By being one of the largest issuers of green bonds and sukuk to raise funding to be channelled to financial institutions to



support green housing and housing-related projects. Cagamas seeks to inspire and influence other financial intermediaries to adopt similar practices to spearhead the green financing sector.

Make Green and Energy-efficient Homes Mainstream: Industry-wide adoption of Cagamas Green Home Standard resulting in green homes becoming widely available both at the primary and retrofitted segments.

Overall, Cagamas' pursuit of green financing aligns with its commitment to environmental stewardship, meeting market demands and regulatory expectations, proactive management of long-term risks, and positioning Cagamas as a leader in sustainable finance within the region. Through



the implementation of its green financing strategy, Cagamas intends to contribute to sustainable development and drive positive environmental outcomes all along our journey to achieve our long-term goals.

WHAT IS THE SKIM SARAAN BERKAGAR/ SKIM SARAAN BERKAGAR ISLAMIK AND HOW DOES IT ENSURE MORE EQUITABLE AND SUSTAINABLE FINANCING?

- Skim Saraan Berkagar/ Skim Saraan Berkagar Islamik (SSB/SSB-i) or reverse mortgage programme is a type of loan and financing targeted for the elderly or retired homeowners and allows them to convert their residential property into a fixed monthly income stream throughout their lifetime, without sacrificing ownership whilst continuing to stay in their homes.
- Malaysia is officially classified as an ageing nation by the United Nations, with people aged 65 and older constituting 7.3% of the total population. Source: Department of Statistic Malaysia [www.dosm.gov.my]
According to a World Bank report, 14% of Malaysia's population will be over the age of 65 by 2044 and will be a super-aged society by 2056, with more than 20% of its population over the age of 65. Source: A World Bank article; 3 Dec 2020, A Silver Lining: Productive and Inclusive Aging for Malaysia
- The rapid ageing of Malaysia's population, combined with growing concerns about the adequacy of households' retirement savings, pose a challenge to the financial sustainability and adequacy of retirement incomes, healthcare financing, and social security for Malaysia's elderly.
- SSB/SSB-i alleviates challenges in equitable and sustainable financing through:
 - a. An equitable solution where the amounts



home throughout their lifetime and for joint borrowers, the last surviving borrower will continue to receive full monthly payouts whilst staying at home.

CAGAMAS OFFERS BOTH CONVENTIONAL FINANCIAL PRODUCTS AND ISLAMIC FINANCIAL PRODUCTS. IN YOUR OPINION, ARE ISLAMIC FINANCIAL PRODUCTS, MORE OF A SUCCESS IN TERMS OF LEVERAGING THE FINANCIAL SECURITY AND SUSTAINABILITY OF THE INDIVIDUAL CONSUMER?

Islamic financial products are indeed designed to promote financial security and sustainability for individual consumers. This is because they are structured in a way that aligns with Islamic principles, which prohibit investments in companies engaged in activities such as gambling, alcohol, and tobacco.

Instead, Islamic financial products focus on investments that are ethical, socially responsible, and promote sustainable development. This approach not only benefits the individual consumer but also has positive effects on the wider society and economy.

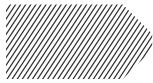
Islamic financial products are often considered to be a form of socially responsible investing, as they follow the principles of Islamic finance which emphasise ethical and sustainable investments. ESG factors are an important consideration in Islamic finance, and they are integrated into the investment process.

For example, investments in companies that harm the environment or violate human rights are avoided, while those that prioritise sustainability and social responsibility are favoured. Additionally, Shari'a-compliant financial products are screened for compliance with Islamic principles as well as ESG criteria.

Overall, Islamic financial products can be a great choice for those looking for a more socially responsible and sustainable way to invest and manage their finances. Islamic financial products also can be seen as a natural fit for ESG considerations, as they are designed to promote ethical and socially responsible investments that align with Islamic principles. By integrating ESG factors into their investment process, Islamic financial institutions can promote sustainable and socially

owing by the borrower comprise only from the total amount of monthly payouts and accrued financing cost that needs to be repaid by the borrower's estate on a non-recourse basis after death. Should the estate nominate not to redeem the property, it will be sold. Any excess from sale proceeds after settling the total outstanding in the SSB/SSB-i account will be returned to the estate/heirs. Its lifetime fixed monthly payment feature which offers a sustainable financing solution for the aged segment a financial lifeline over their lifetime to subsist the cash flow required to maintain a descent quality of life throughout their retirement years. Should the contrary happen where the sale proceeds be insufficient to settle the SSB/SSB-i outstanding, Cagamas will bear the shortfall and will have no claim on the estate/heirs.

- b. In addition, the SSB/SSB-i customers retain the ability to age comfortably in place at



responsible investing while also meeting the needs of their customers.

WHAT IS THE BUSINESS STRATEGY FOR CAGAMAS, ENSURING GROWTH IN THIS CLIMATICALLY CHALLENGED ECOSYSTEM?

We acknowledge that the financial and housing sectors play a critical role in achieving net zero and influencing decarbonisation in the real economy. These sectors face various challenges in going green such as the energy inefficiencies in the property sector, the incremental construction cost of going green being higher than the conventional building cost and the currently limited number of banking institutions offering green home mortgages or home financing.

The strategy planned is to facilitate homeowners and counterparties to manage climate change challenges through our products and solutions as well as reduce the impact our own operation. Therefore, we are currently developing the building blocks for our green home and home improvement financing standard together with our stakeholders and exploring more environmental, social and governance (ESG) related issuances. Cagamas has kick started sustainability initiative in collaboration with Asian Development Bank (ADB) on two Technical Assistance:

The result of these TAs would help Cagamas to develop minimum green home standards and criteria for green affordable residential properties for new home supply and green retrofit, and establish a common standard of measurement/ methodology to measure GHG emissions for mortgages.

We also aim to strengthen our culture of innovation, building on our solid foundation, and paving the way for new business initiatives as well as enhancements to our current product offerings in line with ESG principles. Anchored by strong fundamentals with a view of long-term resilience and reinforced by our commitment to good governance, Cagamas endeavours to effectively position itself as one of the pioneers in the market to push for the development of ESG and give value to our stakeholders.

THE COVID 19 PANDEMIC POSED A CREDIBLE CHALLENGE TO NOT ONLY HUMANS BUT ALSO TO THEIR EXISTENCE AS A THRIVING AND GROWING SOCIETY. HOW DID IT IMPACT THE PERFORMANCE OF FINANCIAL INSTITUTIONS IN MALAYSIA, ESPECIALLY, HOW DID IT IMPACT CAGAMAS?

The global economy was heavily affected by COVID-19 policy responses amid the strong measures to curb the spread of the disease. Despite the restrictions were lifted and international border has reopened in the first half of 2022 due to an effective pandemic management, the global recovery was hampered by several other factors during the year such as global commodity cost pressures and the military conflict in Ukraine.

Amid the challenging operating environment, Cagamas remains focused on its mandate as a source of motivation in navigating its operations diligently and prudently. As a result, Cagamas was able to register new record high purchases of loans and financing in supporting the liquidity for the financial institutions under the PWR schemes at RM19.3 billion in 2022 and RM13.8 billion in 2021, which were higher than pre-COVID. Cagamas had also raised a total fund of RM24.9 billion in 2022 (2021:RM19.2 billion) with more than 90% are primarily dominated by domestic issuances as Cagamas remains focused on selecting the most competitive and optimal funding options from both local and foreign currencies. Despite the volatility in the foreign exchange market, Cagamas had successfully issued bonds totalling SGD615 million in 2022, which were fully hedged, signalling continued investors' interest in the Company's foreign currency papers.

COVID-19 did not inhibit Cagamas' innovation and developmental effort where we were able to promote greater awareness on financial accessibility for home ownership for the mid-to-lower income groups by partnering with the Kementerian Pembangunan Kerajaan Tempatan ("KPKT") for the Inisiatif Pembiayaan Perumahan Malaysia ("i-Biaya") under the Malaysian Family Home Ownership Programme ("HOPE") which benefitted 27,465 individuals with total value of new loans and financing of RM7 billion in 2022. Cagamas had also launched its suite of reverse mortgage products comprising of Skim Saraan Bercagar ("SSB") and Skim Saraan Bercagar



“

CAGAMAS WAS ABLE TO REGISTER NEW RECORD-HIGH PURCHASES OF LOANS AND FINANCING IN SUPPORTING THE LIQUIDITY FOR THE FINANCIAL INSTITUTIONS UNDER THE PWR SCHEMES AT RM19.3 BILLION IN 2022 AND RM13.8 BILLION IN 2021, WHICH WERE HIGHER THAN PRE-COVID.

Islamik (“SSB-i”) which offer comprehensive solutions for retired homeowners who may be affected by the current economic conditions.

Cagamas responded swiftly to the pandemic by adhering and adapting to the working environment in the new normal, by upgrading its internal processes with improved accessibility, efficiency and productivity. Cagamas invested in several initiatives including building resilience through robust business continuity and crisis planning, flexible working hours, while maintaining high engagement levels through live video conferencing sessions and ongoing communications via emails and social media platforms. Cagamas also provided work-from-home flexibility for parents who needed to attend to their small children who contracted communicable diseases (including COVID-19 and HFMD).

WHAT IN YOUR OPINION HOLDS HOPE FOR THE FINANCIALLY VIBRANT FUTURE OF MALAYSIA?

Post pandemic, we see that the financial industry is increasingly aware on its crucial role to manage climate challenges in the country and to promote the country's sustainable economic development. This will also be driven by advancing digital transformation and social finance development to support the overall wellbeing of households and businesses.

At Cagamas, we remain supportive of the financial industry's transition towards embracing ESG values, and will work collectively in effecting a just transition in this critical decade for climate action as Malaysia moves towards its net-zero ambitions.

WHAT IS YOUR MESSAGE FOR MALAYSIANS AND GENERALLY FOR ALL THE READERS OF OUR MAGAZINE HAILING FROM COUNTRIES AROUND THE WORLD?

Cagamas hopes to continue to grow and becoming the pillar of strength as we help Malaysians to gain access to affordable home financing and also providing the solution to a retired home owners to maintain their standard of living in the current economic conditions. Staying focused and resilient through the years, we have evolved and broadened to play a more proactive role through innovative funding solutions as well as by supporting Malaysia's government's affordable homeownership programmes.

As we continue our journey, we remain as committed as ever to forging a better future for all. This includes our intention to contribute to sustainable development and drive positive environmental outcomes in both the near and long term. Thanks to all past efforts that have played a contributing factor in our success and as we enjoy the fruits of our labour, this will turn the promise of a brighter future into a reality.