

## BUSINESS REVIEW

### LIQUIDITY PROVISION

Cagamas supports home ownership of all Malaysians by providing competitive funding to financial institutions through its Purchase with Recourse (PWR) and Purchase without Recourse (PWOR) schemes and widening their capacity for housing loan portfolio growth while enabling borrowers more affordable and accessible mortgages. Cagamas raises funds in the capital market by issuing bonds and sukuk to support the purchases of loans and financing.

### KEY HIGHLIGHTS IN 2023

#### Purchase with Recourse



**RM20.5 billion**

New record high for PWR annual purchase

#### Purchase without Recourse



**RM51.8 million**

First PWOR transaction since 2017 and the first with a financial institution

#### Capital Management Solutions



**RM465 million**

Subscription of subordinated debt issued by financial institutions

### PURCHASE OF LOANS AND FINANCING

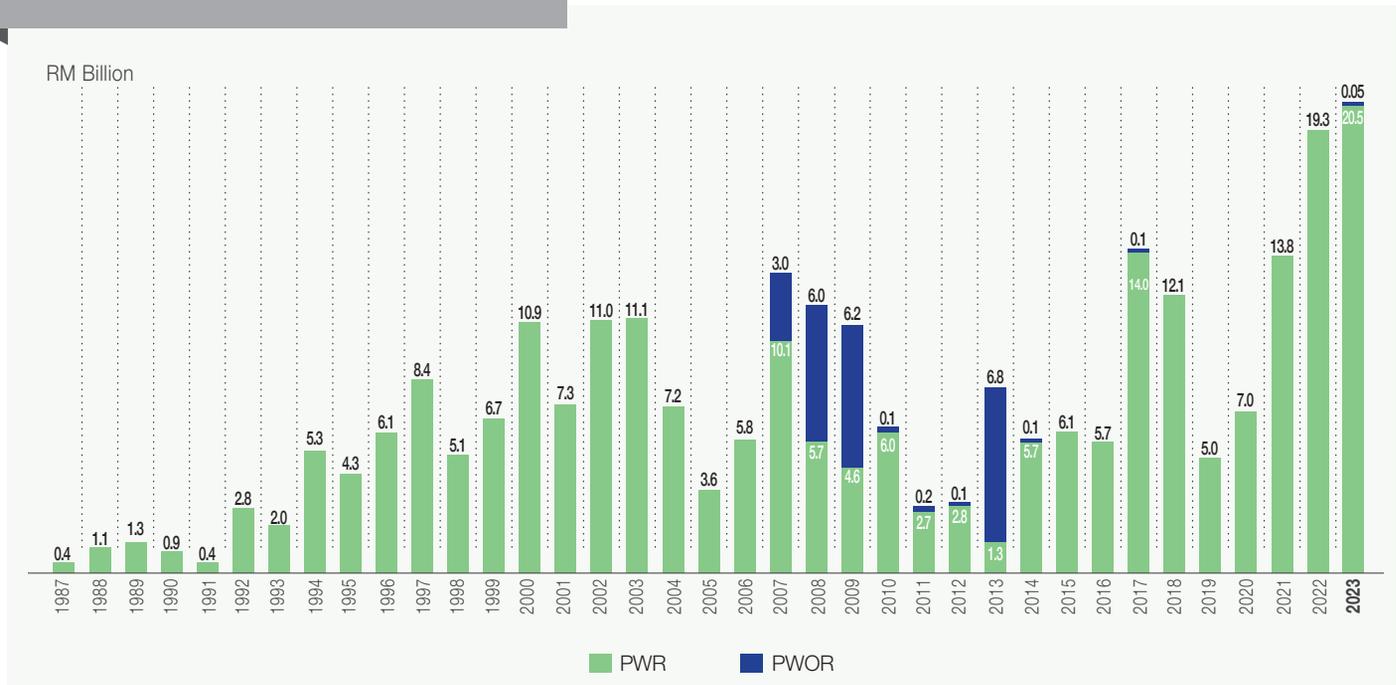
Under the PWR scheme, Cagamas Berhad (Cagamas) purchases on a recourse basis eligible portfolios of housing loans and financing, commercial and industrial property loans and financing, hire purchase and leasing debt as well as personal loans and financing from financial institutions and selected corporations. In 2023, Cagamas once again registered a new record high annual purchases of loans and financing worth RM20.5 billion, an increase from RM19.3 billion in 2022, on the back of a softening operating environment.

Cagamas also purchases eligible portfolios of loans and financing on a without recourse basis under the PWOR scheme, whereby there will be no recourse to the seller institution and Cagamas assumes the full credit risks. Notably during the year, Cagamas concluded its first PWOR transaction since 2017 which was also its first transaction with a financial institution of the amount of RM51.8 million.

As a result, Cagamas' net outstanding loans and financing increased by 19.9% to RM48.3 billion (2022: RM40.3 billion) mainly backed by residential mortgages which dominated Cagamas' portfolio at 93.6% (2022: 93.0%), followed by personal loan financing at 4.6% (2022: 5.9%) and hire purchase financing at 1.8% (2022: 1.1%). Cagamas' Islamic asset portfolio against conventional asset portfolio increased to a ratio of 52:48 (2022: 49:51), while PWR and PWOR loans and financing portfolio were at 84.7% and 15.3% respectively (2022: 79.5% and 20.5% respectively). Gross and net impaired loans and financing under the PWOR scheme stood at 0.33% (2022: 0.45%) and 0.02% (2022: 0.06%) respectively. Moving forward, Cagamas aims to continuously enhance its liquidity products and solutions to meet the evolving needs of counterparties as we further strengthen our role as the preferred liquidity provider to financial institutions.

## BUSINESS REVIEW (continued)

Chart 2: Cagamas' Annual Purchase, 1987 - 2023



## CAPITAL MANAGEMENT SOLUTIONS

In 2020, Cagamas introduced Capital Management Solutions (CMS) to provide capital support to financial institutions and development financial institutions by providing long-term unsecured funding. As at end 2023, the outstanding subordinated debt issuances by financial institutions under CMS was recorded at RM2.3 billion, compared to RM1.8 billion in December 2022. Although CMS is considered riskier due to its unsecured and subordinated features, Cagamas has put in place controls to limit the associated risks including subscription amount, credit rating, and concentration limits.

## SECURITISATION

Cagamas undertakes the purchase of mortgage assets and Islamic mortgage assets through the issuance of conventional and Islamic residential mortgage-backed securities to finance the purchases. The securitisation of mortgages and other asset classes enable counterparties to free-up their capital and perform portfolio risk rebalancing.

As of end 2023, total outstanding Cagamas MBS Berhad's (CMBS) mortgage-backed securities stood at RM0.7 billion out of the total issuances of RM10.2 billion, comprising RM0.4 billion of conventional bonds and RM0.3 billion of sukuk. The outstanding CMBS bonds and Sukuk are expected to mature in stages and be fully redeemed by August 2027. During the year, there were no new securitisation transactions.

## BUSINESS REVIEW (continued)

### MORTGAGE GUARANTEE PROGRAMME

To support the Government's aspiration to increase home ownership, Cagamas provides mortgage guarantee to first time homebuyers to obtain up to 110% financing from participating financial institutions to own their first home through the Skim Rumah Pertamaku (SRP). The mortgage guarantee offers a "first-loss" protection on the residential mortgage portfolio of the financial institutions and reduces the credit risk of their housing loans and financing portfolio and ultimately reduces the capital charge.

### KEY HIGHLIGHTS IN 2023

**Cumulative amount of guarantee under SRP**

 **RM2,568 million**

**Cumulative number of loans and financing approved under SRP**

 **101,736**

**Percentage of borrowers from the B40 segment under SRP**

 **88.3%**

### SKIM RUMAH PERTAMAKU (SRP)

The scheme was launched in March 2011 under Cagamas SRP Berhad (Cagamas SRP) and aims to facilitate young working adults to obtain up to 110% financing from financial institutions to purchase their first home valued at a maximum of RM500,000, which Cagamas SRP will provide a guarantee for the first 10% to 20% of the loan.

As of 31 December 2023, Cagamas SRP's cumulative guarantee exposure to the SRP scheme was RM2,568 million as compared with RM2,279 million in 2022. The total value of new loans and financing approved for SRP in 2023 was RM2.9 billion benefitting 10,922 individuals/households. Pursuant to the Government's announcement, the SRP scheme has been discontinued effective 1 April 2023. Since the launch of SRP in 2011 and Skim Perumahan Belia (SPB) in 2015 which was discontinued in 2020, Cagamas SRP has provided guarantees for housing loans and financing totalling RM25.7 billion enabling 110,339 individuals/households to own their first home and of which 87.0% are from the B40 segment.

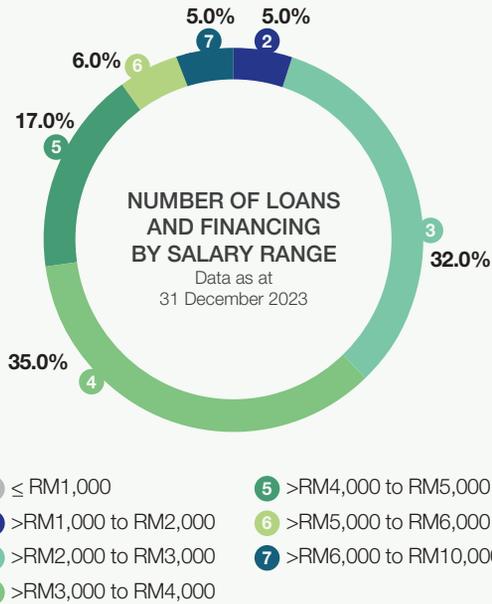
**Table 1**  
**Skim Rumah Pertamaku (SRP)**

	2011-2022	2011-2023	Growth
Guarantee Exposure (RM million)	2,279	2,568	12.7%
Loans and Financing Value (RM million)	20,948	23,819	13.7%
Number of Loans and Financing Approved	90,814	101,736	12.0%

*Note: Latest figures may differ from previous reporting due to revisions requested by financial institutions*

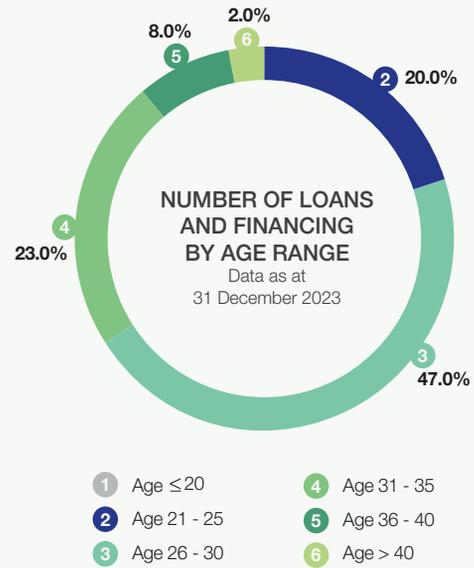
BUSINESS REVIEW (continued)

Chart 3: SRP – Number of Loans and Financing by Salary Range



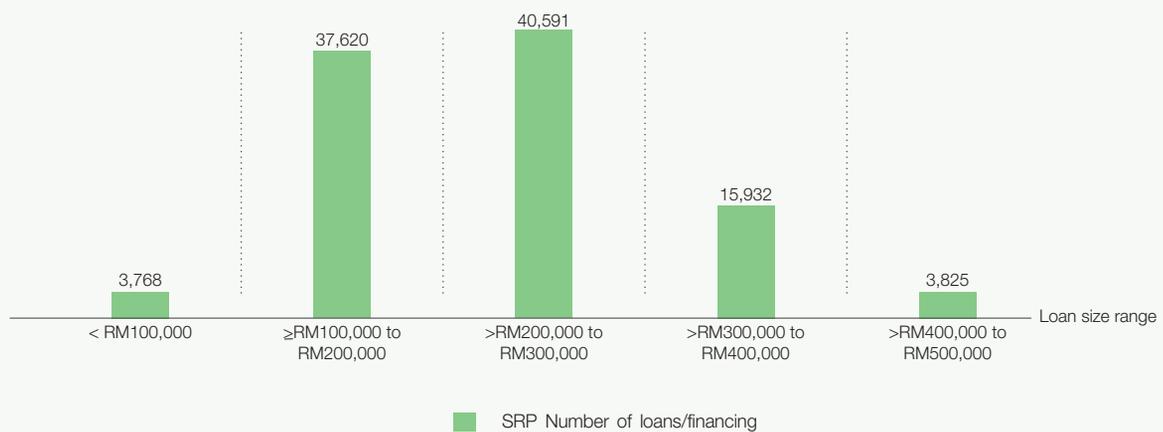
Note: The percentage for salary ≤RM1,000 is not reflected in the chart due to its small size.

Chart 4: SRP – Number of Loans and Financing by Age Range



Note: The percentage for age ≤20 is not reflected in the chart due to its small size.

Chart 5: SRP – Number of Loans and Financing by Loan Size Range as at 31 December 2023



**INTRODUCTION OF NEW FIRST HOME MORTGAGE GUARANTEE PROGRAMME**

In line with the Government’s vision and initiatives to encourage home ownership, Cagamas SRP is set to launch a new First Home Mortgage Guarantee Programme in 2024. This programme aims to assist financial institutions in managing risk and capital effectively when extending housing loans and financing to first-time home buyers.

## BUSINESS REVIEW *(continued)*

### REVERSE MORTGAGE PROGRAMME

Cagamas' reverse mortgage programmes known as Skim Saraan Bercagar (SSB) and Skim Saraan Bercagar Islamik (SSB-i), the world's first Islamic reverse mortgage, enable senior home owners to convert their home equity in exchange for a steady stream of monthly income and provides a form of social security to the elderly home owners for retirement. Cagamas has allocated RM100 million from its internal funds to support this initiative, and currently, the coverage of the product is in Klang Valley, Johor Bahru, Penang Island, Ipoh, Malacca City and Seremban and the online application is available through Cagamas SSB's website.

### KEY HIGHLIGHTS IN 2023



Over **21**  
targeted  
roadshows &  
awareness  
programmes



**34** Loans  
cumulatively  
approved for  
senior home owners



**50%**  
Approval rate  
of the total  
application

Cagamas' primary focus for SSB and SSB-i in 2023 was to create greater public awareness on the product where various initiatives were undertaken such as exhibitions, interviews, digital marketing, and engagement with potential customers to achieve this goal. The strategic collaborations with Employees Provident Fund (EPF) and Agensi Kaunseling dan Pengurusan Kredit (AKPK) were further strengthened with the objective to provide more holistic retirement solutions to retired home owners as well as improving their customer experience. As of December 2023, the SSB and SSB-i programme has cumulatively approved 34 loans and financing applications totalling RM35.9 million in house value.

### ISSUANCE AND FUND RAISING

Cagamas issues bonds and sukuk, inclusive of sustainability, green and social bonds and sukuk, to finance the purchase of housing mortgages and other consumer receivables for both conventional loans and Islamic financing.

### KEY HIGHLIGHTS IN 2023

#### Total Fundraising



**RM29.3 billion**  
Highest fundraising on record

#### Market Share



**Ranked 1<sup>st</sup>**  
Most issued local  
corporate bonds and  
sukuk in 2023

#### Green Issuance



**RM300 million**  
Inaugural issuance of ASEAN  
Green Bond and ASEAN  
Green SRI Sukuk

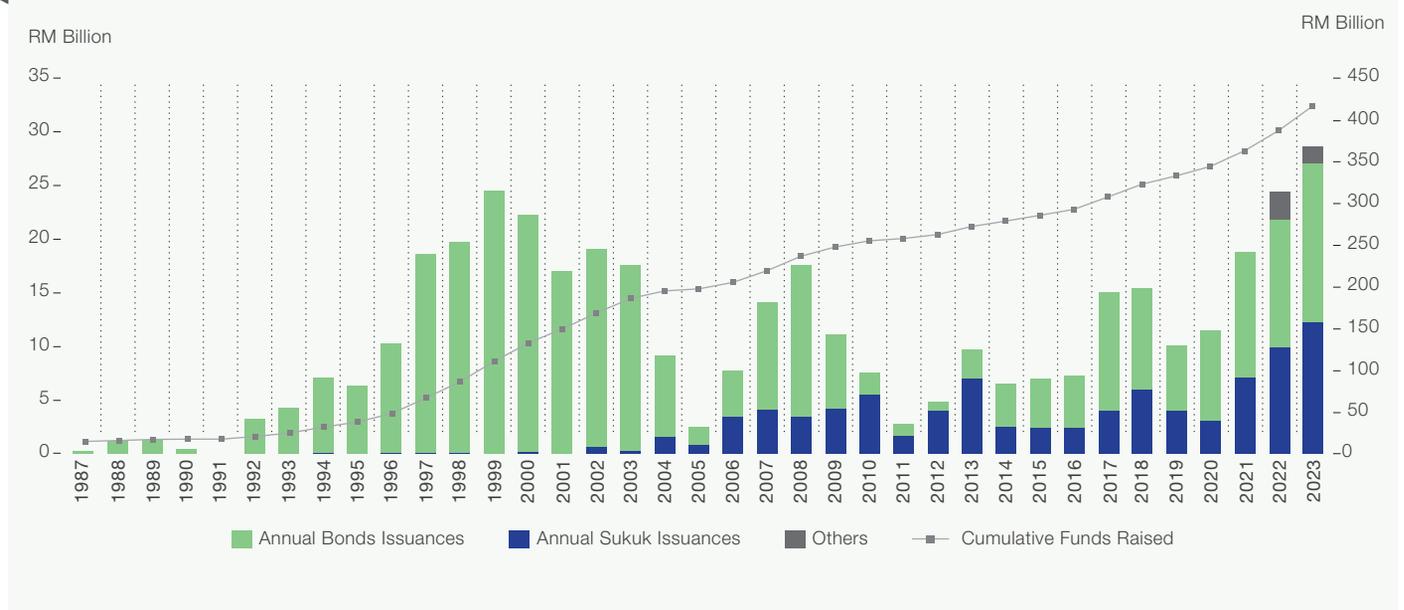
## BUSINESS REVIEW *(continued)*

### ISSUANCE AND FUND RAISING

Since 1987 until the end of 2023, Cagamas and its subsidiaries, namely Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad, had cumulatively issued and raised funds for a total of RM413 billion equivalent of corporate bonds and sukuk and other funding avenues, of which RM91.7 billion or 22.2% comprised of sukuk and RM19.9 billion<sup>1</sup> equivalent or 4.8% was from Foreign Currency (FCY) issuances.

In 2023, Cagamas raised total funds of RM29.3 billion (2022: RM24.9 billion) of which RM27.7 billion or 94.5% was from bonds and sukuk and RM1.6 billion or 5.5% was from other funding sources. Cagamas' borrowings are primarily dominated by domestic issues which consist of 83.0% of its total borrowings with the balance being foreign currency from 11 Singapore Dollar (SGD) issuances and 1 Hong Kong Dollar (HKD) issuance. Despite the volatility in the international market in 2023, Cagamas had issued a total of SGD1,323 million<sup>2</sup> and HKD800 million<sup>3</sup> in 2023 which are fully hedged, signalling continued investors' interest in the Company's foreign currency papers. Although issuances have been dominated by local currencies to-date, Cagamas remains focused on selecting the most competitive and optimal funding options from both local and foreign currencies.

Chart 6: Cagamas' Annual Funds Raised, 1987-2023



<sup>1</sup> Foreign currency issuances of RM19.9 billion equivalent valued as at issue date

<sup>2</sup> Equivalent RM4.5 billion as at issue date

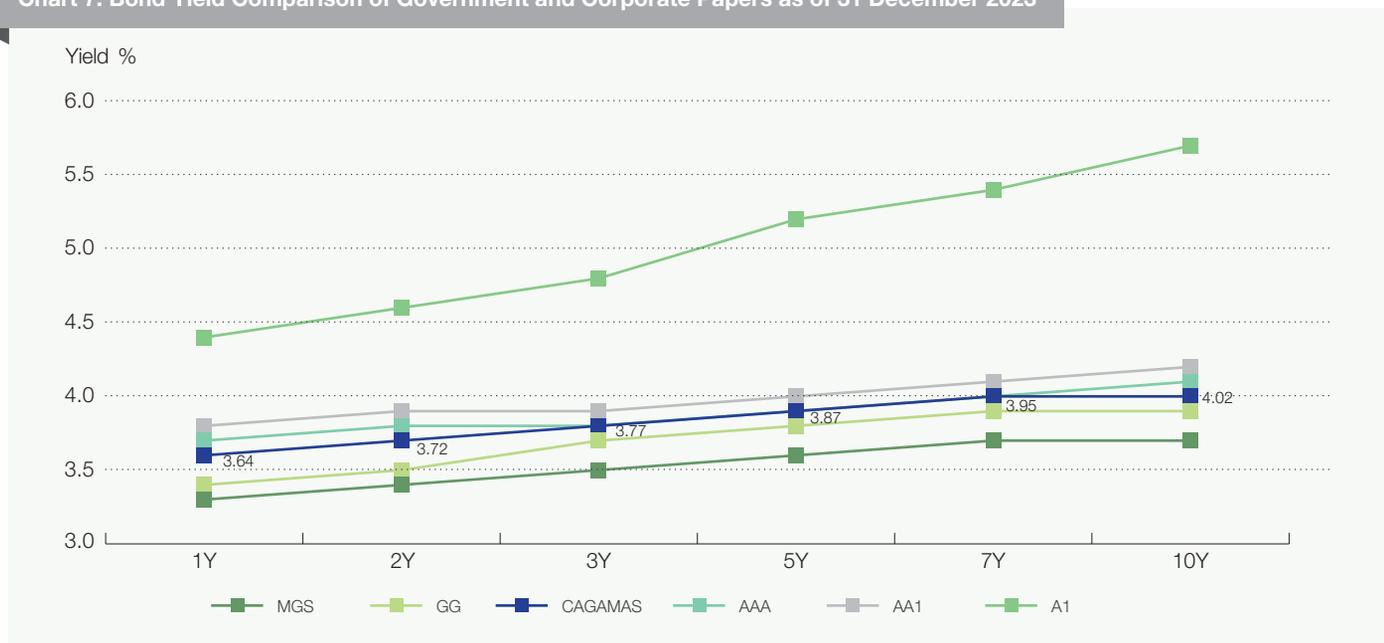
<sup>3</sup> Equivalent RM448 million as at issue date

## BUSINESS REVIEW *(continued)*

### ISSUANCE YIELD TREND

Cagamas yields continued to track the MGS yield curves which declined year-on-year following the bullish global bond market. Cagamas 1-year, 2-year, 3-year, 5-year and 10-year yields were lower by 11 bps, 25 bps, 33 bps, 47 bps and 57 bps respectively by 31 December 2023 as compared to its levels at the beginning of the year.

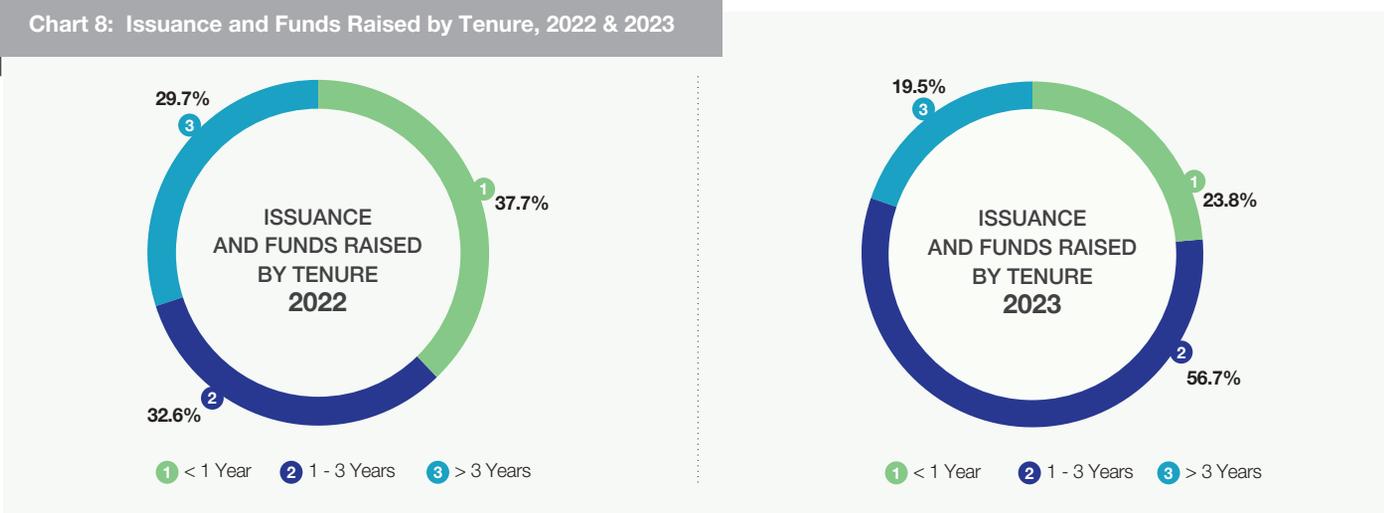
Chart 7: Bond Yield Comparison of Government and Corporate Papers as of 31 December 2023



### ISSUANCE AND FUNDS RAISED BY TENURE AND CURRENCY

In terms of tenure of issuances and funds raised, 23.8% of the total in 2023 amounting to RM7.0 billion were for tenures of one year and below (2022: 37.7% or RM9.4 billion) while 56.7% or RM16.6 billion were for tenures of between one to three years (2022: 32.6% or RM8.1 billion). The balance of 19.5% or RM5.7 billion was for tenures above three years in 2023 (2022: 29.7% or RM7.4 billion).

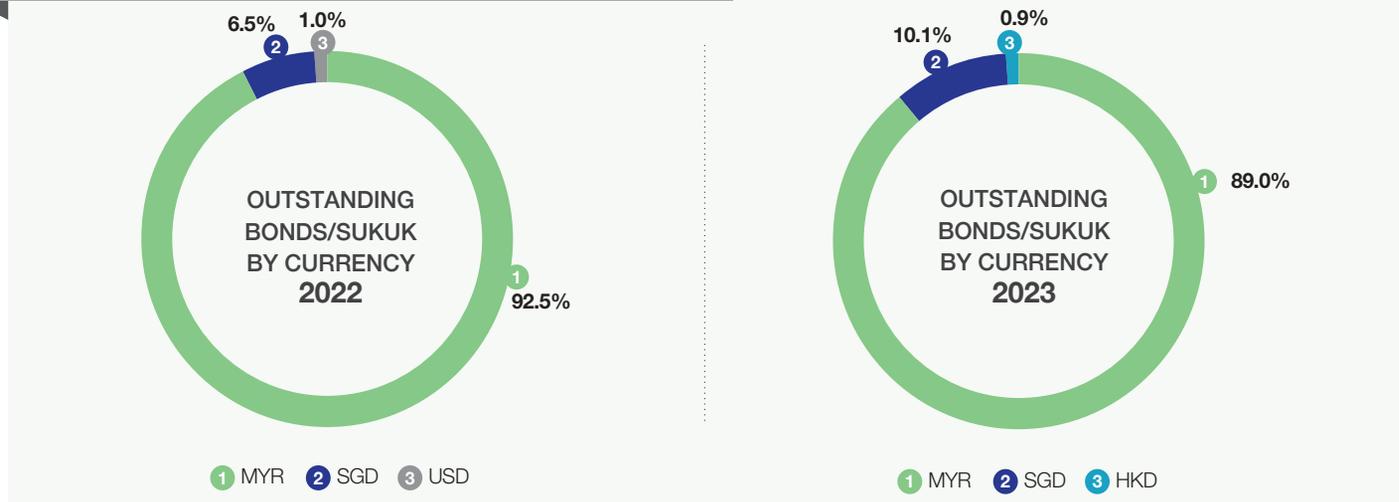
Chart 8: Issuance and Funds Raised by Tenure, 2022 & 2023



## BUSINESS REVIEW *(continued)*

As of the end of December 2023, outstanding Cagamas bonds and sukuk stood at RM47.7 billion where RM42.4 billion or 89.0% was in local currency and RM5.3 billion equivalent or 11.0% was denominated in foreign currencies. In addition, conventional bonds comprised RM24.6 billion or 51.5% of the total outstanding while the remaining RM23.1 billion or 48.5% were sukuk.

Chart 9: Outstanding Bonds/Sukuk by Currency, 2022 & 2023



## MARKET SHARE

Cagamas remained one of the largest issuers of corporate bonds and sukuk in the Malaysian market, accounting for 4.7% of the total outstanding corporate bonds and sukuk and 19.0% of outstanding AAA-rated bonds and sukuk. In terms of the most traded local corporate bonds and sukuk in 2023, Cagamas ranked third with a total traded volume of RM9.0 billion, commanding a market share of 6.1% (2022: ranked third, RM4.3 billion or 4.7%). Cagamas recorded a total traded volume of RM2.9 billion for local conventional corporate bonds, comprising a market share of 23.2% (2022: RM1.7 billion or 16.4%) whereas for local corporate sukuk, Cagamas recorded a total traded volume of RM6.1 billion, with a market share of 4.5% (2022: RM2.6 billion or 3.2%).

## GREEN, SOCIAL AND SUSTAINABILITY BONDS AND SUKUK ISSUANCES

During the year, Cagamas concluded its first ASEAN Green Bond and ASEAN Green SRI Sukuk for the total amount of RM300 million to fund the purchase of eligible green housing loans and financing. The green housing assets comprised of green residential properties and buildings utilising GreenRE and Green Building Index (GBI) certifications as their qualifying eligibility criteria. The transaction also marked Malaysia's first corporate issuances relating to green housing loans and financing. The purchase aims not only to support the growth of green housing but also to fortify our role in facilitating liquidity within a developing green capital market and supporting the broader objective of transitioning to a low-carbon economy. Overall in 2023, a total of RM1.2 billion (2022: RM1.6 billion) of green, social and sustainability bonds and sukuk have been issued to purchase loans and financing extended for affordable housing, non-carbon emission industrial hire purchase for Small Medium Enterprises (SMEs), renewable energy, wastewater management as well as green housing assets.

## BUSINESS REVIEW *(continued)*

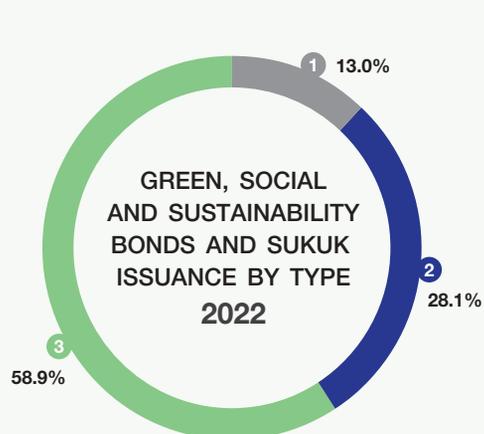
Since 2020, a total of RM3.7 billion of green, social, sustainability bonds and sukuk have been issued by Cagamas to purchase loans/financing extended for affordable housing, eligible green assets, and non-carbon emission industrial hire purchase loans for SMEs.

**Table 2**

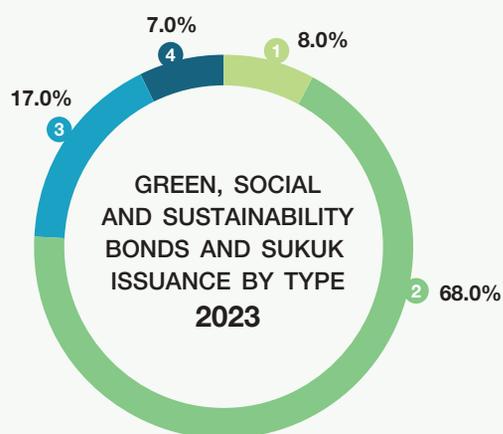
**Green, social and sustainability bonds and sukuk**

	RM million
ASEAN Green Bonds	210
ASEAN Green SRI Sukuk	90
ASEAN Social Bonds	455
ASEAN Social SRI Sukuk	1,760
ASEAN Sustainability Bonds	800
ASEAN Sustainability SRI Sukuk	400

**Chart 10: Green, Social and Sustainability Bonds and Sukuk Issuances by Type, 2022 & 2023**



- ① ASEAN Sustainability SRI Sukuk
- ② ASEAN Social Bond
- ③ ASEAN Social SRI Sukuk



- ① ASEAN Sustainability Bond
- ② ASEAN Social SRI Sukuk
- ③ ASEAN Green Bond
- ④ ASEAN Green SRI Sukuk

## BUSINESS REVIEW *(continued)*

### CAGAMAS' PRIORITIES IN 2024

As part of Cagamas House of the Future's aspiration to become the preferred market liquidity provider and centre of excellence in the housing finance ecosystem, we will continue to develop various innovative solutions for our stakeholders while exploring new opportunities that are in line with our core mandates and social objectives. Overarching this will be our commitment to deliver sound and sustainable financials to our shareholders.

Cagamas will also continue to work towards enhancing mutual development in the secondary mortgage finance market through collaborations and sharing of knowledge and expertise with housing/mortgage refinance corporations in the region, as part of our effort to becoming the leading advocate and thought leader in sustainable housing finance and capital market development.

We remain steadfast in advancing our Sustainability agenda where we intend to accelerate the financial and property industry's transition to low-carbon economy through the development of industry-recognised methodology for green housing and green home improvement financing. All these will be achieved through greater emphasis on enhancing the capabilities of our people particularly in areas of Environmental, Social and Governance (ESG) while continuing to upskill them with the latest housing finance development.

