

MESSAGE FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

In 2023, the Cagamas Group of Companies (“the Group”) was not spared from the uncertain economic landscape that influenced the volatility in the global financial markets. This uncertainty, coupled with geopolitical complexities, arose due to rising interest rates environment in major economies to curb inflationary pressures. Despite these challenges, the Group demonstrated adaptability through proactive investment and fundraising strategies, which enabled the group to seize opportunities that underpinned a year of positive performance trajectory.

The Group registered a pre-tax profit of RM447.8 million in 2023, demonstrating its ability to sustain and preserve the Group’s earnings. Key contributors were Cagamas Berhad (“Cagamas”) with RM303.6 million, Cagamas MBS Berhad with RM119.2 million, and Cagamas SRP Berhad (“Cagamas SRP”) with RM25.0 million.

During the year, the Group also saw it advancing its core business, focusing on market expansion. Cagamas’ Purchase with Recourse (“PWR”) asset portfolio grew by 6.1%, with acquisitions amounting to RM20.5 billion from financial institutions (“FIs”). Of significance was the first Purchase without Recourse (“PWOR”) of RM51.8 million from FIs. In addition to the traditional PWR transactions, this indicates the changing dynamics of FIs in utilising PWOR to manage their risk profile in home financing portfolios. Cagamas envisages that this first transaction will pave the way for FIs in their future dealings with regard to home financing. At the same time, it lays the foundation for Cagamas to create an efficient benchmark pricing for PWOR transactions and develop an appropriate yield curve for FIs going forward. From its fund raising activities, the Group raised RM29.3 billion in total funds, a record of 17.7% growth in 2023.

The Group’s continuous progress was also attained in the sustainability space. Through partnerships with FIs Cagamas added a further RM1.2 billion to its existing green/sustainability assets in 2023. This aligns with the Group’s goal to increase green/sustainability-related assets to 10% of its total assets by 2030, which currently stands at 6.1%. Sustainability-related bonds and sukuk totalling RM1.2 billion were issued to fund these assets. This included Cagamas’ inaugural issuance of RM210.0 million in green bonds and RM90.0 million in ASEAN Green Sustainable and Responsible Investment (“SRI”) Sukuk.

In 2023, Cagamas intensified its outreach programmes for Skim Saraan Bercagar (“SSB/SSB-i”), whereby it recorded 15 approved reverse mortgage loans/financings worth RM16.0 million, while Skim Rumah Pertamaku (“SRP”) approved 10,922 home loans/financings worth RM2.9 billion up to the month of May.

Following the discontinuation of SRP, the Group through Cagamas SRP, has pioneered a new

mortgage guarantee programme (“MGP”) to be offered going forward. The product was named First Home MGP (“FHMGP”). The new features will enable a larger number of Malaysians to access home financing and purchase their first home through enhanced product features and eligibility criteria. Cagamas SRP is currently in the process of onboarding FIs to adopt FHMGP into their mortgage product offerings. Cagamas SRP anticipates positive market reception for this product. FHMGP is projected to contribute to the Group’s revenue in the forthcoming years.

Embracing a Green Agenda

The Group is strategically positioning itself within the growing green and affordable housing sector. Based on the Group’s benchmark, it was observed that environmental, social, and governance (“ESG”) components are present throughout the mortgage finance chain, from product initiation to bond issuances in developed countries. Despite the nascent stage of green housing in developing countries, the Group sees the potential of promoting the financing of green housing as a key enabler to the decarbonisation of the real estate sector.

In collaboration with the Asian Development Bank, the Group is identifying challenges to scaling up inclusive and green residential mortgages in Malaysia. This includes the development of green/ESG-based financial products and solutions to incentivise FIs to offer these products to the market, thus encouraging a transition to green and energy-efficient mortgages.

The development of the Cagamas Green Home Standard (“CGHS”) represents a critical step towards facilitating the growth of green and energy-efficient mortgages. It promotes consistent and transparent energy-efficient rating assessments for different properties. Efficiency and transparency will promote the stock of energy-efficient homes that are competitively priced. CGHS is also expected to spur market demand for energy-efficient retrofits of existing homes. The Group’s commitment to ESG principles extends to its ESG-related issuance programme. CGHS will allow the Group to widen its investor base and product offerings with the additional ability to offer landmark issuances. This will pave the way for the Group to become a leading ESG bond/sukuk issuer by 2030.

Cagamas will also embark on regional collaboration through its membership in the Asian Secondary Mortgage Market Association. The collaboration will explore the potential of developing regional standards for green housing financing and issuance requirements. Member countries could also stand to benefit from counterparts with more robust standards in place and utilise their established framework as benchmark for the implementation of localised adaptations. This initiative will enhance efficiency in the possibility of issuing cross-border bonds/sukuk in the housing finance space, which will attract broader and more diverse investors within its respective financial markets.

Investments in capacity building and IT infrastructure are set to enhance the Group’s ESG capabilities and operational excellence. This will be implemented in a structured and phased manner. This approach, alongside the measurement of the Group’s greenhouse gas emissions, underscores the important role of governance structures and sustainability frameworks, which are integrated into the Group’s business strategy and its overarching goals.

In conclusion, the Board remains confident in the Group’s ability to continue delivering value moving forward. The Board has considered the Group’s five-year strategic plan, including its ESG ambitions, which articulates its aspiration to be a preferred liquidity provider and centre of excellence in the home financing ecosystem. In addition, the Group is committed to sound and sustainable financials, becoming the preferred liquidity provider and investment of choice, attracting top talent in the housing finance ecosystem and a thought leader in sustainable housing finance and capital market development.

I wish to extend my deepest gratitude to our stakeholders for their unwavering support. I also commend our management and staff for their dedication, agility, and excellence, which have been instrumental in navigating the challenges of the past year and seizing forthcoming opportunities.



Dato' Bakarudin Ishak
Chairman