



## MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The Annual Report of Cagamas Holdings Berhad (“Company”) for the financial year ended 31 December 2020 is set against a backdrop of great challenges and considerable uncertainty arising mainly from the impact of the COVID-19 pandemic. However, the resilience within the Company has enabled it to navigate this uncharted landscape with resolute determination.

### BUSINESS HIGHLIGHTS

On behalf of the Company’s Board of Directors (“Board”), I wish to report that the Cagamas Group of Companies’ (“Group”) profit for 2020, comprising the profit of Cagamas Berhad (“Cagamas”), Cagamas MBS Berhad (“CMBS”) and Cagamas SRP Berhad (“CSR”), moderated to RM512.2 million from RM534.2 million in 2019. Both Cagamas and CMBS remained key contributors to the results of the Group.

Cagamas purchased a total of RM7.0 billion assets under the Purchase With Recourse scheme representing a 40% increase over the preceding year, despite the soft loan growth and concerns regarding credit deterioration triggered by the COVID-19 pandemic. The increase in asset purchases underlines the strategic role that Cagamas plays as a liquidity provider to financial institutions in the secondary mortgage market, which contributes to the resilience of the financial system. The purchases were funded by the issuance of competitively priced bonds and sukuk.

In 2020, Cagamas maintained its total debt issuance beyond the RM10 billion mark even as Malaysia’s corporate issuances experienced a steep decline amidst economic uncertainties. Cagamas issued RM11.7 billion worth of bonds and sukuk last year through 22 issuance exercises that resulted in 46 new stocks. Of the total value of issuances, RM8.6 billion was raised via conventional debt issuances and RM3.1 billion was raised via sukuk. In addition, Cagamas through its subsidiary, Cagamas Global P.L.C., successfully issued a SGD130 million 1-year Singapore Dollar denominated Fixed Rate Note (“SGD EMTN”). As the only Malaysian corporate issuer that issued SGD EMTN last year, Cagamas, backed by its strong credit, demonstrated its consistent ability to raise competitive funding from the international market. During the year, Cagamas retained the international ratings of A3 by Moody’s Investors Service and the domestic ratings of AAA by both Malaysian Rating Corporation Berhad and RAM Rating Services Berhad.

In support of industry-led sustainable product offerings, Cagamas reached a significant milestone in 2020 with its inaugural and Malaysia’s first issuance of an ASEAN Sustainability SRI Sukuk for affordable housing and its first ASEAN Sustainability Bonds for the Small and Medium Enterprises (“SME”) sector. Both issuances were assigned the highest Social Benefit rating of Tier-1 by RAM Sustainability Sdn Bhd under the Cagamas Sustainability Bond/ Sukuk Framework, for affordable housing and employment generation via SMEs, respectively.

Consequently in 2020, Cagamas garnered industry recognition for its leadership in the bond and sukuk market, as well as contributions to Islamic finance from the Bond Pricing Agency Malaysia and, at The Asset Triple A Islamic Finance Awards and the Global Islamic Finance Awards 2020. Cagamas also received an extension of the chairmanship for the International Secondary Mortgage Market Association until 2021.

### SUSTAINABILITY AND INCLUSIVITY

Cagamas’ Corporate Social Responsibility and Zakat Wakalah programmes continue to support sustainability and inclusivity in our communities. In 2020, the programmes provided aid to more than 730 recipients with an approximate allocation of RM754,000. At the onset of the pandemic, Cagamas contributed a total of RM100,000 to MERCY Malaysia Wakaf COVID-19 fund and to PPZ Musaadah Khaira Fund.

Similarly CSR, which was established to support the national agenda for home ownership through the Skim Rumah Pertamaku (“My First Home Scheme”, “SRP”) and Skim Perumahan Belia (“Youth Housing Scheme”, “SPB”), extended SRP’s outreach to eligible homebuyers through digital distribution channels with the launch of Digital SRP. Up to 2020, cumulative loans/ financing approved under SRP and SPB increased by 57% from 2019, with 18,787 new loans/ financing approved in 2020 worth RM4.2 billion, helping approximately 52,000 Malaysians own their first home, of which 87% were from the B40 group.



## MESSAGE FROM THE CHAIRMAN

(CONTINUED)



CAGAMAS WILL EXPLORE PROSPECTS OF EXPANDING ITS INVESTOR AND FUNDING BASE, INCLUDING THE RETAIL BONDS/ SUKUK SECTOR, GIVEN THE RESILIENT DEMAND FOR CAGAMAS BONDS AND SUKUK.



### ORGANISATIONAL RESILIENCE

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. Early precautionary measures and remote working arrangements were instituted for staff and stakeholders while various online tools enabled stakeholder engagements and trainings in a virtual setting.

From a governance perspective, Cagamas and CSRPs successfully adopted new constitutions, aligned with the Companies Act 2016, thereby completing the Group's initiative to harmonise its organisational framework with regulatory standards while the Company's Board Charter was strengthened with provisions to clarify the definition of independent directors and their disclosure requirements as part of effective governance. In addition, the Group implemented an Anti-Bribery and Anti-Corruption policy consistent with Section 17A of the Malaysian Anti-Corruption Commission Act 2009, in its commitment to conduct its businesses and operations with high ethical standards, integrity and accountability.

### OUTLOOK

The global economy started 2021 in a better position than had been expected. However, recovery remains at an uneven pace although growth is expected to return to pre-pandemic levels in 2021, driven by a worldwide vaccine roll-out and growth enhancing policies.

The repercussions of the pandemic on the Malaysian economy were considerable, as Gross Domestic

Group Profit

**RM512.2**  
million

2019: RM534.2 million

Total assets purchase

**RM7.0**  
billion

2019: RM5.0 billion

Total issuance

**RM11.7**  
billion

bonds and sukuk  
2019: RM10.2 billion

Product ("GDP") contracted by 5.6% in 2020. In 2021, a 6.5%-7.5% GDP growth is projected, with the anticipated recovery in global demand and spill overs onto the domestic sectors coupled with the Government's sustained multi-pronged policy support.

As the nation steers towards economic recovery, Cagamas is exploring the prospects of expanding its investor and funding base, including the retail bonds/ sukuk sector, given the resilient demand for Cagamas bonds and sukuk. In addition, discussions are ongoing with potential partners to establish a suitable affordable housing scheme for eligible Malaysians in the gig economy. At the same time, Cagamas is progressing with the operational preparedness of its reverse mortgage product which seeks to address income insecurity among the elderly population by unlocking the equity value of their residential properties. Notwithstanding these plans to pioneer new products, Cagamas stands ready to provide alternative liquidity solutions for financial institutions, to temper the after-effects of the pandemic.

### APPRECIATION AND ACKNOWLEDGEMENTS

On behalf of the Board, I wish to extend our appreciation to the shareholders and stakeholders for their continued support. I would also like to record our deepest appreciation to the management and staff of Cagamas for their dedication, commitment and valuable contribution throughout the year.

**Dato' Bakarudin Ishak**  
Chairman