



## **Cagamas MBS Bhd Inaugural Residential Mortgage Backed Securities Attracted RM11.1 Billion In Book Size and 5.6 Times Oversubscribed**

Cagamas MBS Berhad ("CMBS"), a single purpose and wholly-owned subsidiary of Malaysia's national mortgage corporation, Cagamas Berhad, successfully priced its inaugural issuance of Residential Mortgage Backed Securities ("RMBS") of about RM1.6 billion in nominal value today, which has overwhelmingly attracted RM11.1 billion in book size from investors. Of this, RM2.2 billion came from offshore investors and RM8.9 billion was received from domestic investors.

The issuance involves the acquisition of the Government of Malaysia ("GOM")'s staff housing loans on a non-recourse basis. The tremendous response has enabled the issue to be priced competitively at the lower end of the price guidance of 3.70% p.a., 4.30% p.a., 4.95% p.a. and 5.50% p.a. for the four tenures namely, 3, 5, 7 and 10 years or about 18, 26, 38, and 45 basis points respectively above Malaysian Government Securities of equivalent maturities. At these prices, the book size remained substantial at RM10.6 billion giving an over subscription of 5.6 times.

"The overwhelming success reflects the confidence of the market in a new asset class and shows that a well structured instrument backed by quality assets will attract a wide pool of investors, both domestically and internationally. Both the domestic and international demand came from a diverse group of investors. It is also a reflection of the strength and ability of Cagamas", said Dato' Ooi Sang Kuang, the Chairman of Cagamas Berhad.

The securitisation of the GOM's staff housing loans represents a new strategic initiative to broaden the domestic bond market with a new asset class whilst simultaneously creating a benchmark yield curve for long-term Asset Backed Securities bonds. This inaugural RMBS issue is expected to enhance secondary trading of Asset Backed Securities (ABS). This is in line with the Government's effort in developing a vibrant and liquid bond market.

The book building process commenced on 7 October 2004. Investor response and demand was overwhelming with strong bids from investors, comprising financial institutions, asset managers, insurance companies and corporates. Foreign interest from both Hong Kong and Singapore in the RMBS issuance was encouraging, amounting to approximately RM2.2 billion and the balance of RM8.9 billion from domestic institutions.

The RMBS has been accorded the highest rating of AAA by both Rating Agency Malaysia Berhad and Malaysian Rating Corporation Berhad. The rating reflects the superior quality of the underlying assets, the strong counterparties as well as the credibility of the RMBS structure, where the source of repayment for these assets is the pension deductions from the GOM.

Commenting on the issue, Mr. N. Kokularupan, a director of CMBS said, "We are glad that the RMBS was tightly priced against the Malaysian Government Securities. The book-building exercise allowed us to derive a market driven price through a competitive pricing mechanism and allocation process. This successful issue will set the benchmark for future issuance of asset-backed securities as well as enhance competitiveness and diversity of Malaysia's debt market".

**Cagamas MBS Berhad**  
**13 October 2004**