



WORLD'S FIRST RATED ISLAMIC RMBS BY CAGAMAS MBS BERHAD ATTRACTS RM13.5 BILLION IN BOOK ORDERS AND 5.40 TIMES OVERSUBSCRIPTION

Cagamas MBS Berhad ("CMBS"), a single purpose and wholly-owned subsidiary of Malaysia's national mortgage corporation, Cagamas Berhad, has successfully priced its inaugural issuance of Islamic Residential Mortgage Backed Sukuk Musyarakah ("IRMBS") of RM2.05 billion in nominal value today, attracting an overwhelming book size of RM13.5 billion from a wide group of investors. Of this, RM12.8 billion came from domestic investors and RM0.7 billion came from offshore investors.

This is the second issuance of asset-backed securities by CMBS and the first issuance of Islamic securities backed by a pool of the Government's staff Islamic home financing.

The transaction involves the acquisition by CMBS of the Government of Malaysia ("GOM")'s staff Islamic home financing on a non-recourse basis.

The IRMBS issued under the principle of Musyarakah involves a partnership arrangement between various parties to raise capital towards the financing of a business venture. Profits are shared based on an agreed ratio while losses are shared on the basis of capital contribution. The IRMBS are trust certificates issued by CMBS as wakeel (trustee) under a Musyarakah Declaration of Trust to the investors. This Musyarakah venture involves the acquisition of a portfolio of staff Islamic home financing from the Government.

'The overwhelming success of this inaugural IRMBS issuance reflects the demand for a well-structured Syariah-compliant instrument. The book building attracted a wide pool of investors, both local and foreign. Strong demand was also seen from local Islamic institutions", said Dato' Mohd Razif Abdul Kadir, the Chairman of CMBS.

The tremendous response has enabled the issue to be priced competitively at the lower end of the initial price guidance of 3.41%, 3.84%, 4.24%, 4.71%, 5.01% and 5.27% for the six tenures offered namely 3, 5, 7, 10, 12 and 15 years. At these yields, the order book remained substantial at RM13.1 billion giving an over subscription of 5.4 times.

The response and demand from investors since the commencement of the book-building exercise on 25 July 2005 was overwhelming with strong bids from financial institutions, asset managers, insurance companies and corporates. Foreign interest from both Hong Kong and Singapore in the IRMBS issuance was encouraging.

The IRMBS has been accorded the highest ratings of AAA_{ID} by Malaysian Rating Corporation Berhad and AAA by Rating Agency Malaysia Berhad. The ratings reflect the superior quality of the underlying assets, strong counterparties as well as robustness of the IRMBS structure, where the source of repayment for the IRMBS will be deductions at source from salary and pension payments of the GOM's staff. The GOM will act as a servicer for the IRMBS.

The securitisation of the GOM's staff Islamic home financing demonstrates the Government's continuous and innovative effort to broaden and deepen the domestic Islamic capital market with the introduction of a new asset class whilst simultaneously creating a reference yield curve for the issuance of similar long-term Islamic Asset-Backed Securities. "This is indeed a landmark transaction from Malaysia as it represents the world's first rated residential mortgage backed

securities to be issued under Islamic principles. It will contribute significantly to the promotion and growth of the Islamic Capital Markets and further cement Malaysia's position as the leading global Islamic financial hub, " said Dato' Ooi Sang Kuang, Chairman of Cagamas Berhad, the holding company of CMBS.

Cagamas MBS Berhad
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