



CAGAMAS LAUNCHES SECURITISATION OF SME LOANS

Cagamas positions nation as model for SME funding

Kuala Lumpur, May 22, 2007

Cagamas SME Berhad, a wholly owned subsidiary of Malaysia's national mortgage corporation, Cagamas Berhad, today announced its inaugural securitisation of Small Medium Enterprises (SME) loans amounting to RM600 million.

The new innovative securitisation solution is in line with the Malaysian Government's aspirations of creating linkages for SMEs to the capital market. Being the first synthetic securitisation transaction, and the first securitisation of SME loans as an asset class, it is expected to set a new benchmark in the country.

Speaking at the launch ceremony, Cagamas Berhad President and CEO, Mr Steven Choy said, "The securitisation of SME loans as an asset class is not only another milestone for Cagamas. It is also a breakthrough for the Malaysian capital market and financial system. This programme has set a new standard in the country, and at the same time positioned Malaysia as model for SME funding."

Being a synthetic structure, that uses credit derivatives, the programme is an alternative to conventional securitisation. It transfers credit risk for potential capital relief, while retaining these SME loans in the books of the originator. Thus, improving returns on capital employed of the originator, and improving the capacity of banks to increase exposure to the SME sector.

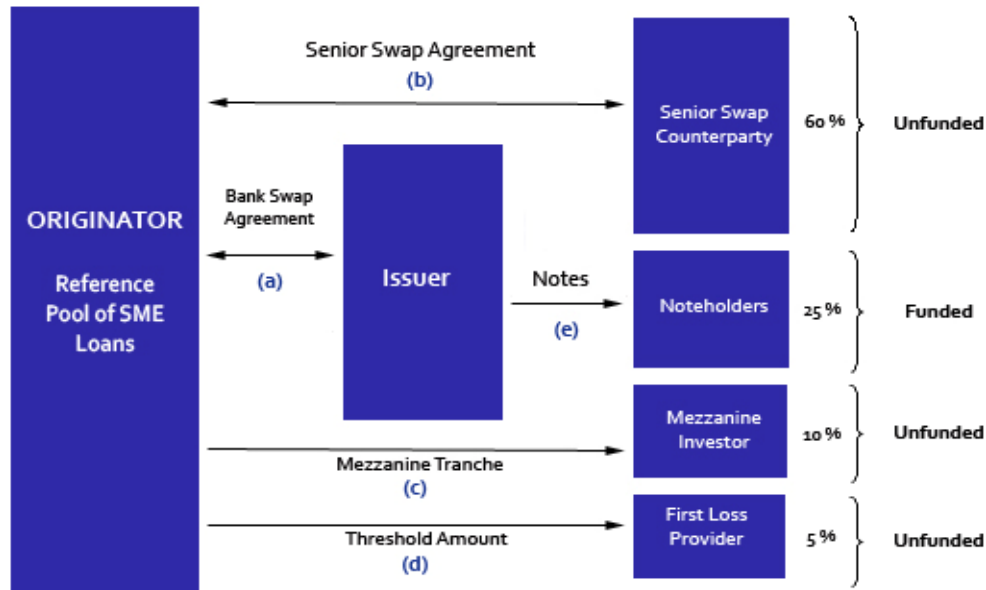
Linking SME loans to the capital market improves access to funding for SMEs, thus reducing SME sector reliance on Government funding. It further provides a risk management tool for the banking system to better manage its risk in the SME sector. The securitisation of SME loans also creates assets for the capital market, and hence further enhances the development of capital market.

Cagamas SME Berhad is the issuer of the credit linked notes (CLN) while Cagamas Berhad is the senior swap counter party and transaction administrator/administrator. The other parties involved in the transaction are Malayan Banking Berhad as the originator of the SME loans and Credit Guarantee Corporation Malaysia Berhad (CGC) as the investor of the mezzanine tranche and Class C CLN. The developmental aspect of this transaction is evidenced from CGC's role unlike its normal guarantee of SME loans originated by the banking institutions. CGC support in this transaction has been designed to enable SME access to the capital market rather than direct funding.

Aseambankers Malaysia Berhad and Citibank Berhad are the Joint Principal Advisers/Joint Lead Arrangers for the transaction.

Bonds and notes issued by Cagamas in 2006 received the highest ratings of AAA and P1 by Rating Agency Malaysia Berhad, and AAA and MARC-1 by Malaysian Rating Corporation Berhad, reflecting its relentless strict adherence to prudent guidelines governing the purchase operations and investments, and the resulting high quality assets accumulated by the company.

Description of Transaction



- The Issuer will enter into a credit default swap ("Bank Swap") with Maybank on a portfolio of SME loans originated by Maybank. These SME loans have been identified for the Transaction based on a set of eligibility criteria determined at the inception of the Transaction. Under the terms of the Bank Swap, Maybank will pay a premium to the Issuer to purchase credit protection against the occurrence of credit events. Credit events are defined as "failure to pay" and "insolvency" of the SME borrower.
- Maybank will enter into a credit default swap ("Senior Swap") with Cagamas Berhad ("Senior Swap Counterparty"). Under the terms of the Senior Swap, Maybank will pay a premium to the Senior Swap Counterparty for credit protection against the occurrence of the credit events.
- Maybank will enter into a guarantee ("Guarantee") with Credit Guarantee Corporation Malaysia Berhad ("CGC"). Under the terms of the Guarantee, CGC will undertake to pay Maybank for up to 10% of the total Transaction size of RM600 million for any losses on the SME loans where the Threshold Amount (defined below) has been exhausted.
- The threshold amount represents the "first loss" piece for the Transaction which is to be borne by Maybank as the first loss provider ("Initial Threshold Amount") and is set at the inception of the Transaction. The Initial Threshold Amount is set at 5% of the total Transaction size of RM600 million.
- The Issuer will issue debentures in the form of credit linked notes ("Notes") which will be placed to prospective investors ("Noteholders"). The Notes will be issued in three (3) tranches namely Class A, B and C and is rated by Rating Agency Malaysia Berhad ("RAM"). Class C Notes will be placed with CGC. Funds from the Noteholders arising from the issuance of the Notes will be placed in deposit with a banking institution(s) with a rating acceptable to RAM or invested by the Issuer in either Malaysian Government Securities or Malaysian Government guaranteed papers ("Eligible Investments"). Where the Issuer is called upon to pay claims under the Bank Swap, the Issuer will liquidate the Eligible Investments and remit the resulting cash proceeds to Maybank. The Issuer will be called upon to pay Maybank only when the Threshold Amount has been fully exhausted and the Guarantee is fully paid out.

Capital Structure and Investor Base

The capital structure of the Transaction and prospective investor base are as follows:

Tranche	% of Transaction Size	Nominal Value (RM million)	Rating	Investor
Senior Swap	60.0	360	Not rated	Cagamas
Notes – Class A	12.5	75	AAA	Capital market investors
Notes – Class B	5.0	30	AA3	Capital market investors
Notes – Class C	7.5	45	BBB3	CGC
Mezzanine	10.0	60	Not rated	CGC
Threshold Amount	5.0	30	Not rated	Maybank
	100.0	600		

About Cagamas

Cagamas Berhad, the National Mortgage Corporation, was established in 1986 to promote the secondary mortgage market in Malaysia. Cagamas has, through the years, evolved and diversified its business model from that of a national mortgage corporation seeking to aid Malaysians with affordable housing, to becoming a leader in securitisation. It borrows money by issuing debt securities and uses the funds to finance the purchase of housing loans from financial institutions, selected corporations and the Government. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further financing of houses at an affordable cost.

Through the years, Cagamas has issued large amounts of fixed and floating rate notes to purchase housing mortgages, industrial property loans, hire-purchase, housing mortgages, industrial property loans, leasing debts and credit card receivables from the financial institutions on a full-recourse basis.

Cagamas Berhad
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