



PRESS STATEMENT ON THE TWENTIETH ANNUAL GENERAL MEETING OF CAGAMAS BERHAD HELD ON 7 May 2007

CAGAMAS AIMS TO BECOME LEADING SECURITISATION HOUSE IN MALAYSIA AND ASEAN

Cagamas to introduce innovative market-driven solutions

Kuala Lumpur, May 7

With a three-year Strategic Framework themed "Building a Foundation for Growth" in place, Cagamas Berhad, the National Mortgage Corporation, has set its sights on becoming a leading securitisation house in the country and the Asean region.

In a statement released after the company's 20th annual general meeting, Cagamas Chairman, Dato' Ooi Sang Kuang, said, "2006 was an important milestone for Cagamas. We undertook a comprehensive review of our business model, particularly of our role in the future. In a rapidly changing financial landscape, we realized that Cagamas had to reposition in order to further strengthen our foundations for sustainable future business growth. This review resulted in the development of a three-year strategic framework, commencing with the Business Plan for 2007. With this framework in place, a programme has been set in motion for Cagamas to achieve its aspiration of becoming a leading securitisation house in the country, as well as in the ASEAN region."

Cagamas Berhad today announced a profit before tax for the financial year ended 31 December 2006 of RM129 million, representing a reduction from RM150 million the previous year. The decline was attributed mainly to narrowing margins, coupled with maturity of higher yielding loans and debts, despite an increase in purchase volume over 2005.

As a result, the after-tax return per share at Company level decreased from 71 sen in 2005 to 62 sen in 2006, providing a post-tax return of 6.7 percent on average shareholders' funds compared with 8.2 percent in the previous year. The shareholders' funds, nevertheless, increased by 5.0 percent from RM1,365 million in 2005 to RM1,433 million in 2006, while net tangible assets per share increased from RM9.01 at the end of 2005 to RM9.45 at the end of 2006.

At the Group level, the profit before tax for the financial year ended 31 December 2006 was lower at RM364 million, compared to RM457 million in 2005. This includes the profit of Cagamas MBS Berhad, the special purpose vehicle incorporated to undertake the securitisation of the Government's staff housing loans. Likewise, the Group's total assets of RM29,327 million as at the end of 2006 were lower, compared to RM32,038 million in 2005.

Despite the competitive environment, Cagamas purchased 'on with recourse' basis, a total of RM5,815 million of loans and debts, compared to RM3,591 million last year. The company also successfully broadened its customer base, resulting in the first purchase of hire purchase debts directly from a non-banking institution.

As the run-down of loans continued to remain large, the total outstanding loans and debts held by Cagamas as at 31 December 2006, shrunk to RM21,144 million, a decrease of 11.4 percent, against the outstanding of RM23,860 million as at the end of 2005. Correspondingly, the total outstanding Cagamas debt securities in 2006 amounted to RM 21,385 million against RM24,357 million the previous year.

Despite challenging market conditions, Cagamas made progress in several areas. In support of the Government's aspiration to promote Malaysia as an International Islamic Financial Centre, the Company undertook initiatives to be one of the leading players in the Malaysian Islamic financial system. Cagamas also provided the infrastructure for the successful issuance of the inaugural BNM Sukuk Ijarah with an issue size of RM400 million based on the Islamic contract of Al-Ijarah in February 2006.

In 2006, Cagamas also developed new products, such as purchase without recourse, purchase of utilities receivables and non-amortising loan purchases. On the securitisation-front, the company has developed a new innovative securitisation solution. Cagamas is planning an inaugural securitisation of SME loans through its subsidiary, Cagamas SME Berhad, and is scheduled for launch in the second quarter of 2007. The SME securitisation will serve as a boost towards the Government's call to stimulate the SME industry and reinforce Cagamas' commitment towards achieving national objectives.

"In an ever-challenging environment of narrowing margins, Cagamas will introduce more innovative funding structures. In the pipeline are plans to introduce various funding alternatives such as commercial papers / medium-term notes programmes that will lower Cagamas' overall cost of funds. We aim to remain at the forefront through innovative market-driven solutions," concluded Dato' Ooi.

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.

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 the secondary market for 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
7 May 2007