Kuala Lumpur, Friday, 24 August 2007

CAGAMAS SIGNS MOU WITH THE HONG KONG MORTGAGE CORPORATION LIMITED TO DEVELOP MORTGAGE GUARANTEE BUSINESS

Kuala Lumpur, August 24 – Cagamas Berhad ("Cagamas"), Malaysia's national mortgage corporation and leading securitization house, today signed a Memorandum of Understanding ("MoU") with the Hong Kong Mortgage Corporation Limited ("HKMC").

A first of its kind for both parties, and the region, the MoU will facilitate the collaboration between Cagamas and HKMC towards establishing a strategic partnership ("Strategic Partnership") to develop and carry out a mortgage guarantee business in Malaysia ("the Project") and to explore mortgage guarantee business opportunities in other countries ("Strategic Venture").

The MoU documents the spirit of mutual co-operation and understanding between Cagamas and the HKMC and outlines the scope of the proposed co-operation relating to the Strategic Partnership, the Project and the Strategic Venture.

This will facilitate the potential introduction of a mortgage guarantee programme ("MGP") for mortgage assets in Malaysia and in the region. Under the proposed MGP, Cagamas will together with the HKMC provide a mortgage guarantee structure to financial institutions. This offers a risk management solution to financial institutions to manage the credit risk of its mortgage portfolio, whilst continuing to provide affordable mortgage loans to homebuyers.

The HKMC, wholly owned by the Hong Kong Government through the Exchange Fund, is a "public sector entity" under the Banking Ordinance of Hong Kong and an Authorised Insurer under the Insurance Companies Ordinance. Renowned for pioneering the Mortgage Insurance Programme ("MIP") in Hong Kong in 1999, the MIP plays a major role in alleviating the down payment burden of homebuyers to as low as 5 per cent and protecting the banks against the risk of borrowers' default.

The HKMC purchases mortgage loans and other types of assets in Hong Kong and other countries. The HKMC is also the most active corporate debt issuer in the Hong Kong dollar market with a record high total issuances of HK$12 billion in 2006 alone.

At the signing ceremony to formalize the MoU, Cagamas Chairman, Dato' Ooi Sang Kuang, highlighted the significance of the MoU to the Malaysian mortgage and financial markets. "This partnership is a testament of Cagamas' and the HKMC's leadership in this area and will further provide the financial institutions a risk management tool," he said. The proposed MGP, he remarked, will lower credit risks exposure of financial institutions and alleviate sector exposure risk in the banking sector via an external co-guarantee arrangement.

Representing the HKMC, its Executive Director, Mr. Peter Pang, emphasized the mutual benefits for both parties. " , I am very glad that the HKMC's commitment to regional cooperation finds expression through this MOU. It is a manifestation of a shared vision to make mortgage financing more accessible in the region through dynamic yet prudent financial innovation. I am confident that this bilateral cooperation will in time benefit other financial markets when we build up and expand this partnership."

Mr. Steven Choy, President and Chief Executive Officer of Cagamas added, "Apart from Malaysia, we also see great opportunities for mortgage guarantee business regionally, particularly in the Islamic housing finance markets. As a result of the emergence of a relatively young and growing muslim population, key markets worldwide have seen some developments such as the introduction of mortgage laws, the regulation of mortgages and equal tax treatment for Islamic mortgage products as well as conventional mortgages. With this demand for greater market sophistication, Cagamas intends to leverage on its expertise in structuring Islamic financial solutions to develop mortgage guarantee products for these markets, while at the same time promoting Malaysia as an International Islamic Finance Centre."

Cagamas is the largest issuer of AAA Private Debt Securities (PDS) accounting for approximately 24 per cent of all AAA PDS outstanding in the market. It is the second largest issues of debt securities after the Government of Malaysia.

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Boiler Plates

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 issues debt securities to finance the purchase of housing loans and other consumer receivables 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.

Since incorporation in 1987, Cagamas has cumulatively issued RM208.2 billion of Conventional and Islamic debt securities to purchase housing loans, 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.

About HKMC

The Hong Kong Mortgage Corporation Limited was incorporated in March 1997 as a public company with limited liability under the Companies Ordinance of Hong Kong. The Corporation is wholly owned by the Hong Kong Government through the Exchange Fund and is designated as a "public sector entity" under the Banking Ordinance of Hong Kong. The HKMC has also been approved by the Insurance Authority of Hong Kong as an Authorised Insurer under the Insurance Companies Ordinance.

The major business activities of the Corporation comprise purchasing mortgage loans and other types of assets in Hong Kong and other countries, issuance of debt securities in local and overseas capital markets, and securitising its portfolio via the issuance of mortgage-backed securities to investors. The Corporation is also the first institution to introduce the mortgage insurance product to Hong Kong in March 1999. The Mortgage Insurance Programme plays a major role in alleviating the down payment burden of homebuyers to as low as 5% and protecting the banks against the risk of borrowers' default.

The HKMC is the first triple-A rated institution in Hong Kong and its long-term foreign and local currency debt ratings are Aaa (stable outlook) from Moody's and AA (positive outlook) from Standard & Poor's respectively.