

SECTION B

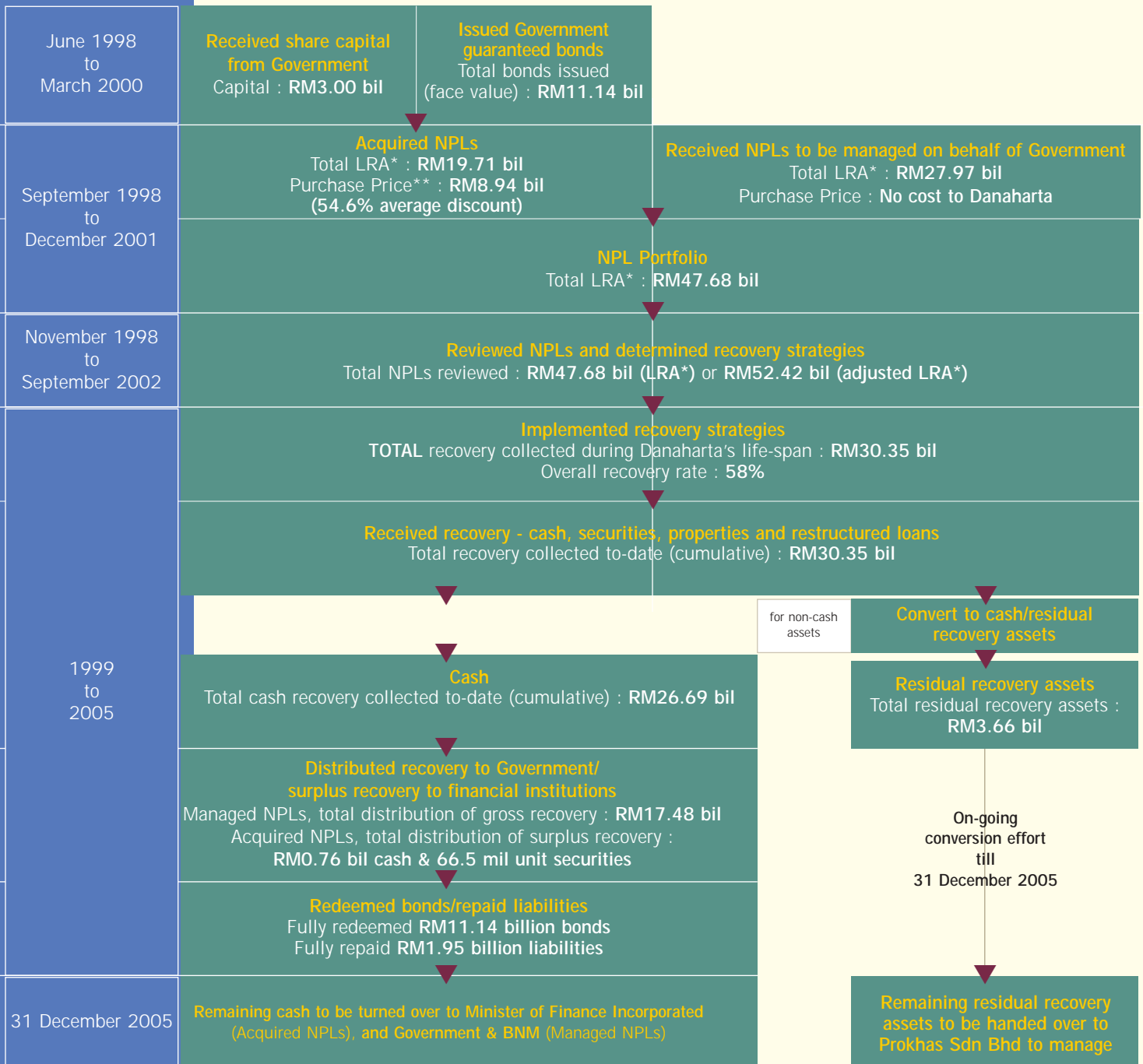
Danaharta's Key Statistics

The key statistics in this report are as at 30 September 2005. In addition, where applicable, projected figures for 31 December 2005 are provided. The Mission Status chart in the next page provides an overview and the key statistics of Danaharta's operations.

Mission Status	31
NPL Portfolio	32
Recovery Rate	32
Residual Recovery Assets	33
Distribution of Cash from Recovery Proceeds	34
Cash Position	36
Financial Results	37
Projections for 31 Dec 2005	40

As At 30 September 2005

MISSION STATUS



* LRA = Loan Rights Acquired, i.e. original transfer value of loan
 Adjusted LRA = LRA plus accrued interest at the point of restructuring

** Purchase price paid at the point of acquisition

DANAHARTA'S KEY STATISTICS

NPL PORTFOLIO

Danaharta had a total of RM47.68 billion worth of NPLs [value in Loan Rights Acquired (LRA), i.e. original transfer value of loans] in its portfolio, involving 2,902 accounts, relating to 2,563 borrowers. Danaharta's NPL carve-out exercise started in September 1998 and ended in December 2001. No further NPLs were acquired after that.

The portfolio comprised:

- **RM19.71 billion of Acquired NPLs**
Loans acquired from over 70 financial institutions.
- **RM27.97 billion of Managed NPLs**
Loans from the defunct BBMB Group and Sime Bank Group, which Danaharta managed on behalf of the Government of Malaysia and BNM respectively.

Table 2: Danaharta's NPL portfolio (at original transfer value of the loans)

Type of NPL	Source of NPL	RM billion
Acquired NPLs	NPLs acquired from financial institutions	19.71
Managed NPLs	NPLs which Danaharta was managing on behalf of the Government and BNM	27.97
Total		47.68

RECOVERY RATE

For the purpose of calculating the recovery rate, the "Adjusted LRA" figure was used. (Adjusted LRA is equivalent to the original transfer value of the loan plus interest accrued from the date of acquisition

by Danaharta to the date of determining recovery strategy). As at 30 September 2005, the adjusted LRA value for the total NPL portfolio was RM52.42 billion.

Table 3: Analysis of recovery from various recovery methods as at 30 September 2005

Recovery method	*Adjusted LRA RM billion (a)		Recovery RM billion (b)		Recovery rate (%) (c)=(b)/(a)	
	Acquired NPLs	Managed NPLs	Acquired NPLs	Managed NPLs	Acquired NPLs	Managed NPLs
Plain loan restructuring	1.07	3.77	0.86	3.58	80%	95%
Settlement	3.55	8.55	3.11	6.41	88%	75%
Schemes of arrangement	3.14	6.82	1.84	4.32	59%	63%
Appointment of Special Administrators	1.66	2.59	0.84	0.58	51%	22%
Foreclosure	9.12	3.69	2.62	1.65	29%	45%
Others	3.81	3.29	1.74	2.60	46%	79%
Legal action	0.28	1.08	0.06	0.14	20%	13%
Total	22.63	29.79	11.07	19.28	49%	65%
OVERALL	52.42		30.35		58%	

* Comprising total LRA of RM47.68 billion and accrued interest of RM4.74 billion.

DANAHARTA'S KEY STATISTICS

Over its lifetime (up to 31 December 2005), Danaharta expects to recover RM30.35 billion from the RM52.42 billion NPLs in its books, which translates to a recovery rate of 58%. As at 30 September 2005, Danaharta had achieved this target.

Of the total recovery received, RM19.28 billion was from the Managed NPLs component whilst RM11.07 billion was from the Acquired NPLs component.

The recovery rate for each component was 65% and 49% respectively.

Danaharta's 58% recovery rate is commendable when compared to the recovery rates of similar agencies in the region, which ranged between 20% and 50%. It is important to note that the NPLs were loans that had defaulted and some had not been performing for many years. Therefore, to record a 100% recovery for these loans would have been impossible.

RESIDUAL RECOVERY ASSETS

As at 30 September 2005, Danaharta had received RM30.35 billion in recovery. The recovery comprised RM26.69 billion cash and RM3.66 billion worth of residual recovery assets, i.e. non-cash assets.

Table 4: Breakdown of Danaharta's NPL recovery as at 30 September 2005

(RM billion)	Cash	Residual recovery assets
Acquired NPLs	9.13	1.94
Managed NPLs	17.56	1.72
Total	26.69	3.66

The residual recovery assets essentially fell into one of these four categories:

1. Restructured loans:

Loans with repayment periods extending beyond 2005 or loans that are part of schemes where recovery is expected to be received after 2005. Most of these loans are secured with collateral. In the event of default, sale of the collateral could be enforced.

2. Properties:

Properties owned by Danaharta, i.e. properties that had been given to Danaharta as part of loan settlement or unsold properties transferred to Danaharta.

3. Securities:

All types of securities, e.g. shares and loan stocks owned by Danaharta.

4. Legal action:

- *Legal action:* Legal cases initiated by Danaharta and those initiated against Danaharta that have not yet concluded. (These are considered residual recovery assets because in the event of success in the court cases, recoveries could be expected).

- *Property and share foreclosure:* Typically, receivables from the sale of property or share collateral currently in the process of being completed. [Foreclosed properties and shares, unlike the proprietary properties and securities (no. 2 and 3 described above), are not owned by Danaharta. The ownership of these assets remain with the borrowers until they are sold].

DANAHARTA'S KEY STATISTICS

The values accorded to the residual recovery assets are based on their **net realisable value** that Danaharta deemed recoverable. As at 30 September 2005,

Danaharta had RM3.66 billion worth of residual recovery assets that it will strive to convert into cash before the end of December 2005.

Table 5: Analysis of residual recovery assets by asset group as at 30 September 2005

Total cash collected		26.69
Residual recovery assets		
•Restructured loans	1.72	
•Securities	0.19	
•Properties	0.53	
•Legal action:		
– Legal action	0.26	
– Properties/share foreclosure	0.96	
Total residual recovery assets as at 30 September 2005		3.66
Total recovery		30.35

Note: Further details on the breakdown of the asset groups are available in Appendices 7, 8, 9 and 10 on pages 76 to 83.

DISTRIBUTION OF CASH FROM RECOVERY PROCEEDS

Of the RM26.69 billion cash generated, RM17.48 billion represented recoveries from the BBMB Group and Sime Bank Group loans that were being managed by Danaharta. These recoveries were repatriated back to the Government and BNM after deducting management fees levied by Danaharta for doing the work.

In addition, as provided by the surplus sharing agreements, Danaharta had also distributed to 38 financial institutions RM0.76 billion cash and a total of 66,472,341 units of securities (being surplus recovery for Acquired NPLs).

Table 6 on the following page provides details of the distribution.

DANAHARTA'S KEY STATISTICS

Table 6: Distribution of recovery proceeds as at 30 September 2005

A. Gross recovery for Managed NPLs	Distribution of recovery	
	Cash (RM)	Securities (Unit)
NPLs of the BBMB Group and the Sime Bank Group	17,479,155,747.16	-
Sub-total	17,479,155,747.16	-

B.	Recipient of surplus recovery for Acquired NPLs ⁺	No. of accounts	Cash (RM)	Securities (Units)
1.	Arab-Malaysian Bank Berhad	3	1,426,758.80	-
2.	Arab-Malaysian Finance Berhad	1	1,575,687.64	-
3.	Arab-Malaysian Merchant	3	22,575,056.37	-
4.	Aseambankers Malaysia Berhad	4	2,629,130.69	*3,968,319
5.	Amanah Merchant Bank Berhad	5	20,257,990.87	-
6.	Bumiputra Merchant Bankers Berhad	4	6,215,887.00	~3,167,637
7.	Bank Bumiputra Malaysia Berhad [#]	9	66,898,495.30	-
8.	Bank Industri Malaysia Berhad	1	480,082.15	-
9.	Bank Islam Berhad	4	22,402,953.34	~2,716,208
10.	Bank of Commerce (M) Berhad	2	49,389,810.26	-
11.	BSN Commercial Bank	2	1,619,427.78	-
12.	BSN Merchant Bank Berhad	2	787,084.39	-
13.	Bangkok Bank Berhad	2	1,383,839.52	-
14.	Bumiputera Commerce Bank Berhad	1	692,550.50	-
15.	Hong Leong Bank Berhad	3	845,005.52	^1,994,397
16.	Hock Hua Bank Berhad	1	2,458,158.29	-
17.	HSBC (M) Berhad	1	142,915.26	*1,730,284
18.	Malaysian International Merchant Bankers Berhad	6	30,409,326.77	*7,950,567
19.	Mayban Finance Berhad	1	3,518,006.94	-
20.	Maybank Berhad	6	35,480,615.55	~1,146,487
21.	MBf Finance Berhad	6	52,526,637.12	-
22.	MBF Leasing Sdn Bhd	1	629,828.73	-
23.	Multi-Purpose Bank Berhad	1	276,102.19	-
24.	OCBC Bank (Malaysia) Berhad	3	2,542,329.74	-
25.	Oriental Bank Berhad	16	71,768,390.13	^2,642,648
26.	Overseas Union Bank (M) Berhad	1	853,809.60	-
27.	Perwira Affin Bank Berhad	1	38,000.00	^2,427,982
28.	Perdana Merchant Bankers Berhad	3	332,248.03	~1,076,710
29.	Perwira Affin Merchant Bank Berhad	2	613,434.45	-
30.	Public Finance Berhad	1	251,880.89	-
31.	RHB Bank Berhad	14	221,019,784.03	*@27,247,820
32.	RHB Sakura Merchant Bankers Berhad	8	50,885,849.77	*3,986,502
33.	Sabah Bank Berhad	4	5,487,293.76	~2,465,757
34.	Sabah Development Bank Berhad	2	5,138,329.56	-
35.	Sime Merchant Bankers Sdn Bhd	1	472,056.75	-
36.	Southern Bank Berhad	2	5,744,211.28	*3,951,023
37.	The Pacific Bank Berhad	9	63,331,171.58	-
38.	United Merchant Finance Berhad	2	1,707,900.90	-
39.	Utama Merchant Bank Berhad	2	5,744,269.42	-
	Sub-total	136	760,856,310.93	66,472,341
	TOTAL DISTRIBUTED		18,240,012,058.09	66,472,341

+ In cases where banks had merged or had been acquired by another bank, payments were made to the new legal entity or the acquiring bank..

Relating to loans acquired at discounted prices by Danaharta prior to the arrangement for Danaharta to manage the BBMB Group NPL portfolio. Payment made to Danaharta Urus Sdn Bhd as the manager of BBMB NPLs.

* Payment in ordinary Arab-Malaysian Corporation Berhad shares with a par value of RM1.00 each share.

^ Payment in Ho Wah Genting Berhad RCULS.

@ Payment in Taiping Consolidated Berhad irredeemable convertible preference shares (ICPS) with a par value of RM1.00 each share.

~ Payment in Avenue Assets Berhad shares with a par value of RM1.00 each share and Avenue Assets Berhad warrants.

DANAHARTA'S KEY STATISTICS

CASH POSITION

The balance of the cash, after distributing to the Government and BNM as well as financial institutions, was used to repay Danaharta's liabilities.

As at 30 September 2005, Danaharta had repaid all its bonds and long-term borrowings, leaving a total cash and cash equivalents of RM0.64 billion.

Of the RM0.64 billion of cash and cash equivalents in hand, RM0.36 billion

belonged to the Managed NPL component. These were recoveries generated from the Managed NPLs, which will be later distributed to the Government and BNM.

The balance of RM0.28 billion belonged to the Acquired NPL component. This will be used to pay off short-term liabilities. The unutilised balance at year-end will be kept for Danaharta's shareholders.

Table 7: Summary of cash statement as at 30 September 2005

	RM billion
Total cash received from recovery proceeds	26.69
Add:	
Capital received	3.00
Loans from EPF, Khazanah and consortium of banks	1.94
Other inflows - including, amongst others, interest received on deposits and placements	3.02
Total inflow	34.65
Less:	
Bond redemption	11.14
Total surplus recovery distributed to financial institutions under surplus sharing arrangement	0.77
Total cash distributed for recovery of loans from Sime Bank Group and the BBMB Group (net of management fees)	15.59
Repayment of loans to EPF, Khazanah and consortium of banks	2.11
Other outflows - including, amongst others, cash paid for NPL acquisition, operational costs	4.40
Total outflow	34.01
Total cash/cash equivalent available	0.64

Acquired NPLs: RM0.28 bil
Managed NPLs: RM0.36 bil

DANAHARTA'S KEY STATISTICS

FINANCIAL RESULTS

Danaharta placed equal emphasis in resolving both the Acquired NPLs and Managed NPLs. Specifically, it was concerned with mitigating costs at two levels:

1. The cost of resolving the Acquired NPLs. The money recovered from these loans was used largely to pay off Danaharta's long-term borrowings, e.g. bonds that were issued to acquire NPLs.
2. Generating the best recovery from the Managed NPLs (loans from Sime Bank Group and the BBMB Group), in its role as a specialist contractor for the Government and BNM. The better the recovery, the smaller the eventual cost to be borne by taxpayers.

Acquired NPLs were purchased with Danaharta's capital and long-term borrowings. In contrast, Managed NPLs were owned by the Government and BNM.

As such, Danaharta's balance sheet reflected only the Acquired NPL component in its portfolio. The Managed NPL component was not reflected as they belonged to the Government and BNM. Danaharta did not own the recovery nor was it responsible for the liabilities of these loans.

Up to 30 September 2005, Danaharta made a consolidated net profit of RM0.85 billion. This was mainly due to good loan recovery coupled with a significant drop in financing costs as Danaharta redeemed the last of its bonds in March 2005.

However, notwithstanding the profit, Danaharta still suffered a cumulative loss (lifetime) of RM1.14 billion as at 30 September 2005. This was mainly due to its heavy financing costs in the past.

Due to the non-performing nature of its assets (NPLs), Danaharta was not expected to make a profit. In fact, national AMC's are generally not profit-making enterprises. Even the ones considered highly successful such as Sweden's Securum and the Resolution Trust Corporation of the United States, in the end cost taxpayers money. National AMC's are essentially a cost mitigation measure, designed to protect the integrity of a banking system, as the alternative of experiencing the collapse of a banking system would be more expensive and chaotic for the country.

Liabilities fully repaid

Danaharta was given RM3.00 billion in start-up capital by the Government and met its other funding needs through borrowings. Whilst the agency strived to maximise recovery on the Managed NPLs, it was determined to resolve the Acquired NPLs without resorting to additional Government funding.

Danaharta managed to repay all its borrowings, including the RM11.14 billion bonds, without resorting to additional financial assistance from the Government. Its recovery operations performed remarkably well to generate enough cash to meet its requirements. All bonds were redeemed on time and paid in full without having to call upon the Government guarantee.

National AMC's are essentially a cost mitigation measure, designed to protect the integrity of a banking system.

DANAHARTA'S KEY STATISTICS

Table 8: Danaharta's outstanding liabilities as at 30 September 2005

Liabilities	Purpose	Total amount allocated	Maximum amount utilised	Total liabilities as at 30 September 2005
		RM billion	RM billion	RM billion
Long-term loans Loans from Employee Provident Fund and Khazanah Nasional Berhad	Draw down available for working capital	2.00	1.30	Fully repaid
Short-term loan Revolving credit	To remedy a temporary timing mismatch between loan recovery and bond redemption	1.40	0.65	Fully repaid
Zero-coupon bonds issued to selling financial institutions [^]	For loan acquisition	15.00	11.14	Fully redeemed
Total		18.40	13.09	-

[^] Reported in nominal value/face value of bonds. (For more details on Danaharta bonds, please refer to Appendix 1 on page 54).

Throughout its lifetime, Danaharta borrowed working capital totaling RM1.30 billion from Khazanah Nasional Berhad and the Employees' Provident Fund. It also issued 15 tranches of Government-guaranteed bonds with a total face value of RM11.14 billion to purchase the NPLs from financial institutions.

For the final two bond redemption exercises (31 December 2004 and 31 March 2005), Danaharta realised that there would be a mismatch between the time the bonds matured and the time cash would come in from projected recoveries.

To cover the situation, Danaharta obtained a revolving credit facility from a consortium of banks and drew down a total of RM650 million over time. The intention was to repay the facility from the recoveries when received. By 30 September 2005, the RM650 million loan had been fully repaid. The facility had since been cancelled as it was no longer required.

DANAHARTA'S KEY STATISTICS

ACCOUNTS (UNAUDITED)

Profit & Loss Account (unaudited) for the period ended 30 September 2005

	GROUP		COMPANY	
	30.9.2005 (RM '000)	30.9.2004 (RM '000)	30.9.2005 (RM '000)	30.9.2004 (RM '000)
Interest Income	8,735	46,774	5,214	36,405
Interest Expense	(20,873)	(165,462)	(20,873)	(165,367)
Net Interest Expense	(12,138)	(118,688)	(15,659)	(128,962)
Income from recoveries on acquired loans	201,230	50,871	200,041	50,871
Management fee income	121,222	149,065	-	-
Income from property development	-	19,084	-	-
Other Income	1,579	7,714	426	6,636
Dividend Income	-	-	185,000	166,000
Loss on disposal of subsidiary	-	(9,680)	-	-
Overhead expenses	(30,721)	(44,209)	(29,653)	(31,181)
Provision for diminution in acquired assets	(196,601)	(25,288)	(197,936)	(19,568)
Operating profit/(loss)	84,571	28,869	142,219	43,796
Accumulated losses brought forward	(1,220,337)	(1,304,958)	(1,278,669)	(1,410,320)
Accumulated losses carried forward	(1,135,766)	(1,276,089)	(1,136,450)	(1,366,524)

Consolidated Balance Sheet (unaudited) as at 30 September 2005

	GROUP		COMPANY	
	30.9.2005 (RM '000)	30.9.2004 (RM '000)	30.9.2005 (RM '000)	30.9.2004 (RM '000)
ASSETS				
Acquired assets	1,944,193	3,945,097	1,851,660	3,827,391
Fixed assets	104	282	96	253
Investment in subsidiary companies	-	-	2,250	3,250
Cash and bank balances	7,715	35,831	3,472	35,831
Deposits and placements with financial institutions	269,872	359,432	262,211	403,307
Other assets	22,369	28,041	22,202	26,737
Related companies	-	-	97,204	107,076
TOTAL ASSETS	2,244,253	4,368,683	2,239,095	4,403,845
LIABILITIES				
Redeemable guaranteed zero-coupon bearer bonds	-	1,730,496	-	1,730,496
Other liabilities	380,019	914,276	360,633	882,523
Related companies	-	-	14,912	157,350
TOTAL LIABILITIES	380,019	2,644,772	375,545	2,770,369
Share capital of RM1 each	3,000,000	3,000,000	3,000,000	3,000,000
Accumulated Losses	(1,135,766)	(1,276,089)	(1,136,450)	(1,366,524)
SHAREHOLDERS' FUNDS	1,864,234	1,723,911	1,863,550	1,633,476
TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	2,244,253	4,368,683	2,239,095	4,403,845

Note:

- 1) Danaharta's subsidiary, TTDI Development was disposed in October 2004. The accounts for 2004 include the consolidation of TTDI Development's results.
- 2) "Other Liabilities" are operational liabilities that are expected to be extinguished by 31 December 2005. They are, amongst others, provision for operational expenses and part payment for sale of properties which have been received but not recognised as income yet.

DANAHARTA'S KEY STATISTICS

PROJECTIONS FOR 31 DECEMBER 2005

Residual recovery assets

From October to December 2005, Danaharta will continue its efforts to convert as much of the remaining residual recovery assets into cash. By 31 December 2005, the total residual recovery assets is expected to be reduced to approximately RM2.88 billion (less than 10% of the total lifetime recovery received by Danaharta), whilst the total

cash collected (lifetime) will increase to RM27.47 billion. The conversion of residual recovery assets into cash is merely a change in the form of the asset, i.e. from non-cash into cash.

As such, Danaharta will still be on track to post a final recovery rate of 58% when it closes down on 31 December 2005.

Table 9: Projected breakdown of residual recovery assets and cash for 31 December 2005

(RM billion)	Cash	Residual recovery assets
Acquired NPLs	9.55	1.52
Managed NPLs	17.92	1.36
Total recovery	27.47	2.88

Table 10: Analysis of residual recovery assets by asset group as at 31 December 2005 (projection)

Total cash		27.47
Residual recovery assets		
• Restructured loans	1.31	
• Securities	0.19	
• Properties	0.47	
• Legal action:		
– Legal action	0.23	
– Properties/share foreclosure	0.68	
Total residual recovery assets		2.88
Total recovery		30.35

Management of residual recovery assets

Out of the RM2.88 billion worth of residual recovery assets, RM1.52 billion will be attributable to Acquired NPLs and RM1.36 billion to Managed NPLs.

Upon Danaharta's closure of operations, control of these assets will revert to Danaharta's shareholder, Minister of Finance Incorporated. The task will be to convert these residual recovery assets into cash at the best possible value - a conversion mission.

To this end, the Minister of Finance Incorporated has appointed its wholly owned subsidiary, Prokhas Sdn Bhd, to act as a collection agent for the residual recovery assets. In this regard, ownership of such assets will remain with Danaharta - a dormant company.

Prokhas will commence its duties on 1 January 2006.