
PRESS RELEASE

Date: 15 May 2002

DANAHARTA QUARTERLY UPDATE AS AT 31 MARCH 2002

Pengurusan Danaharta Nasional Berhad (“Danaharta”) today provided a quarterly update as at 31 March 2002 which featured key portfolio statistics covering loan management activities (including recovery rates, assets accumulated, asset movement and payments to financial institutions in respect of surplus recovery).

1. NPLs in Danaharta’s portfolio as at 31 March 2002

As at 31 March 2002, Danaharta has a total of RM47.75 billion (value in loan rights acquired ["LRA"]) of non-performing loans (“NPLs”), involving 2,901 accounts, in its portfolio. Out of the total, RM19.82 billion (804 accounts) are NPLs acquired from financial institutions at an average discount of 54.4% to their LRA. Danaharta is also managing RM27.93 billion (2,097 accounts) of NPLs from the defunct Bank Bumiputra Malaysia Berhad and Sime Bank Berhad Groups.

During the quarter, the amount of NPLs in Danaharta's portfolio increased by RM39.73 million in LRA value due to the crystallisation of bank guarantees of two accounts under management. However, this increase was marginally offset by the sell back of one acquired account with an LRA value of RM5.032 million. Overall, the number of accounts in the portfolio only decreased by one (due to the sell back), as the other two accounts under management had been accounted for previously.

2. Progress in loan management as at 31 March 2002

As at 31 March 2002, Danaharta has dealt with NPLs with an LRA value of RM47.72 billion (and a gross value of RM51.18 billion), achieving an average recovery rate of 55%. The recovery rate has been adjusted after taking into account the defaulted accounts (current average default rate: approximately 11%).

For the remaining NPLs with an LRA value of RM0.03 billion, Danaharta targets to restructure these accounts within 2002.

Method of recovery	*Loan outstanding RM billion	^Adjusted expected recovery RM billion	Loan Recovery %
Plain loan restructuring	11.33	7.74	68%
Settlement	6.84	5.14	75%
Scheme of arrangement	9.94	7.21	73%
SA – scheme approved	5.52	2.39	43%
Foreclosure	11.51	3.39	29%
Others (inc. partial resolutions)	4.28	2.40	56%
Legal action	1.76	-	-
	51.18	28.27	55%

* Comprising total LRA of RM47.72 billion and accrued interest of RM3.46 billion.

^ Assuming zero recovery on defaulted cases as at 31 March 2002

Notes:

- Plain loan restructuring** refers to restructuring which may include rescheduled loans, partial cash settlement or asset disposal.
- Settlement** refers to cases where loans are disposed outright, or full and final settlement has been agreed and payment has been received/pending.
- Scheme of Arrangement** refers to a scheme under section 176 of the Companies Act, a voluntary scheme of arrangement or a scheme under the Corporate Debt Restructuring Committee (“CDRC”).
- SA-scheme approved** refers to a Special Administrator scheme or Special Administrator appointment.
- Foreclosure** refers to foreclosure of property under section 57 of the Pengurusan Danaharta Nasional Berhad Act 1998, and foreclosure of share collateral.
- Others** refer to partial resolution, primarily involving redemption of collateral, to reduce the amount outstanding pending final resolution.
- Legal action** mainly refers to accounts where all other recovery methods have been exhausted.

Danaharta has been able to maintain a default rate of 11% in its portfolio, both as at 31 December 2001 and as at 31 March 2002. A defaulted loan could be in either one of two forms:

- (a) A loan which has defaulted before payment is received, e.g. agreement has been reached to settle the loan, but payment is not received.
- (b) A loan which turns default after it has been restructured, e.g. a loan which has turn performing, but the borrower defaults after paying some instalments.

For the sake of prudence, the defaulted loans have been assigned with zero recovery value, although the agency does not rule out the possibility of recovering some value from such accounts.

'Plain loan restructuring' and 'Scheme of Arrangement' are the methods of loan recovery most significantly affected in relation to defaults, since both methods require the borrowers either to generate enough cash from their business operations or disposal of assets (such as property) to repay Danaharta, or to issue securities as part of the arrangement to settle the outstanding loans.

3. Recovery proceeds by asset group as at 31 March 2002

As at 31 March 2002, Danaharta expects to collect recovery proceeds amounting to RM28.27 billion (excluding defaulted loans) comprising four asset groups as follows:

Asset group	Expected recovery (RM billion)
Cash	12.06
Restructured loans	13.02
Securities	5.52
Properties	1.32
Total	31.92
<u>Adjustments</u>	
- Defaulted loans (zero recovery value assigned)	(3.65)
Total after adjustments	28.27

Of the expected recovery of RM28.27 billion, Danaharta has received assets with a total value of RM15.66 billion accumulated in the four broad asset groups. The balance of the expected recoveries amounting to RM12.61 billion is pending implementation of the respective recovery strategies. Ultimately, all non-cash asset groups will be converted into cash.

Out of the total recovery received of RM 15.66 billion, RM10.97 billion has been realised in cash as at 31 March 2002 (including adjustments of RM1.70 billion), as summarised below.

Asset group	Cash / realised in cash (RM billion)
Cash	5.95
Restructured loans	2.92
Securities	0.11
Properties	0.29
Total	9.27
<u>Adjustments</u>	
Including among others, interest received on restructured loans, gains or losses on sale of foreclosed collateral and securities and other collections (written-off, vendor financing etc)	1.70
Total cash received as at 31 March 2002	10.97

4. **Distribution of recovery as at 31 March 2002**

As at 31 March 2002, Danaharta has distributed a recovery (on cumulative basis) comprising **RM8.52 billion** in cash and **55,899,542** units of securities at par value to financial institutions.

The details of distribution are as follows:

		Distribution of recovery	
A.	Recovery for loans under management	Cash (RM)	Securities (Unit)
	NPLs of the Bank Bumiputra Malaysia Berhad Group and the Sime Bank Berhad Group	8,196,200,283	-
	Sub-total	8,196,200,283	-

B.	Recipient of surplus recovery for acquired loans	No. of accounts	Cash (RM)	Securities (units)
1.	Arab-Malaysian Bank Berhad	2	1,128,137.09	-
2.	Arab-Malaysian Finance Berhad	1	1,575,687.64	-
3.	Aseambankers Malaysia Berhad	1	328,582.08	*3,968,319
4.	Bank Bumiputra Malaysia Berhad#	7	55,460,625.05	-
5.	Bank Industri Malaysia Berhad	1	480,082.15	-
6.	Bank Islam Berhad	1	86,509.01	-
7.	Bank of Commerce (M) Berhad	2	49,389,810.26	-
8.	BSN Merchant Bank Berhad	1	210,830.75	-
9.	Hong Leong Bank Berhad	3	845,005.52	^1,994,397
10.	HSBC (M) Berhad	1	142,915.26	*1,730,284
11.	Malaysian International Merchant Bankers Berhad	4	14,815,462.11	*7,950,567
12.	Mayban Finance Berhad	1	3,518,006.94	-
13.	Maybank Berhad	3	30,401,076.48	-
14.	MBf Finance Berhad	3	19,702,552.36	-
15.	OCBC Bank (Malaysia) Berhad	1	148,898.61	-
16.	Oriental Bank Berhad	9	22,211,835.84	^2,642,648
17.	Perwira Affin Bank Berhad	1	38,000.00	^2,427,982
18.	Perwira Affin Merchant Bank Bhd	1	143,782.35	-
19.	RHB Bank Berhad	5	57,811,951.68	@27,247,820
20.	RHB Sakura Merchant Bankers Bhd	3	10,688,577.84	*3,986,502
21.	Sabah Bank Berhad	1	270,136.88	-
22.	Sabah Development Bank Berhad	1	4,705,933.56	-
23.	Southern Bank Berhad	2	2,307,455.27	*3,951,023
24.	The Pacific Bank Berhad	4	48,011,912.34	-
	Sub-total	59	324,423,767.07	55,899,542
	TOTAL DISTRIBUTED		8,520,624,050.07	55,899,542

Relating to loans acquired at discounted prices by Pengurusan Danaharta Nasional Berhad 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 with a par value of RM1.00 each*

@ *Payment in 7,907,820 units Arab-Malaysian Corporation Berhad shares with a par value of RM1.00 each share and 19,340,000 units Taiping Consolidated Berhad irredeemable convertible preference shares (ICPS) with a par value of RM1.00 each share*

With regard to the NPLs from the BBMB Group and the Sime Bank Group under management, Danaharta Urus and Danaharta Managers (both wholly-owned subsidiaries of Danaharta) receive fees as follows:

- (a) If net recovery value is less than or equals net book value, Danaharta Managers/Danaharta Urus receives 2% of the net recovery value; and
- (b) if net recovery value exceeds net book value, Danaharta Managers/ Danaharta Urus receives 2% of the net book value and 20% of the excess.

Danaharta had also acquired NPLs with an LRA value of RM19.82 billion at an average discount of 54.4%, resulting in shortfalls (difference between the loan outstanding and the acquisition price) for many selling financial institutions. In cases where Danaharta recovers more than the acquisition price it paid for a loan in addition to holding costs incurred, it will share the surplus recovery with the selling financial institution.

Typically, the sharing is made on an 80(selling FI):20(Danaharta) basis and the amount receivable by the selling financial institution is limited to the shortfall value. Once Danaharta has realised its acquisition costs (plus holding costs) in cash, it will distribute the surplus recovery to the financial institution in the form of cash or a combination of cash and instruments.

All published information on Danaharta can be found at www.danaharta.com.my.

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