

16/01/1997

Banker to the world

Errol Oh

UNLIKE JAPANESE and American banking giants, ABN AMRO Bank does not have a huge captive home market from which to draw business. For some entities, this can be a major impediment, but it is quite the opposite for ABN AMRO - the result of a 1991 merger of two Dutch banks, Algemene Bank Nederland N V and AMRO Bank.

Its small domestic base has spurred the bank into developing a competitive edge in the international arena based on independence, integrity and innovation. It is now a global player with one of the biggest worldwide networks: 1,700 offices in 70 countries.

In an article in the January 1996 issue of The Netherlander, ABN AMRO board chairman Peter Jan Kalff described the bank as 'a large, truly international and universal bank'.

He said, 'Half of our profits come from abroad, and there is hardly a bank in the world that can say that. We're universal in that we combine commercial with investment banking.'

According to July 1996 figures, ABN AMRO's total assets were then worth US\$ 384 billion (about RM960 billion). Its US\$ 21.7 billion total group capital included shareholders' funds of US\$ 13 billion. It is, in fact, the largest foreign bank in the United States, fifth largest in Europe and fourteenth in the world.

It operates in all sectors of banking, including investment banking, derivative financial products, international research, fixed income securities, equities and global custody.

International Financing Review, in its 1995 review of international capital markets, named ABN AMRO 'Bank of the Year'. Impressive indeed for a bank whose origins can be traced all the way back to 1824, when King William I of the Netherlands founded the Nederlandsche Handel-Maatschappij (Netherlands Trading Society) to support Dutch trade in Asia.

That year, the bank opened its first branch in Jakarta, followed by the Singapore office in 1825 and the Penang branch in 1888. Since then it has maintained a presence in this country and promoted Malaysia within its worldwide network. As an example, in 1996, ABN AMRO took the initiative to help establish the Malaysian Dutch Business Council (MDBC), and the bank's managing director, G L Kniphorst, is the council's vice-chairman.

The MDBC foresees the strengthening of the commercial relations between the Netherlands and Malaysia. To that extent, ABN AMRO actively participated during the recent visit of Prime Minister Datuk Seri Dr Mahathir Mohamad and his delegation to the Netherlands. A presentation made by Kniphorst during one of the sessions was aimed at stimulating Dutch investment in Malaysia.

ABN AMRO operates in Malaysia as ABN AMRO Bank Berhad, which was incorporated in October 1994.

Besides the Penang branch, the bank has a branch in Kuala Lumpur (opened in 1963) while ABN AMRO Bank N V set up an offshore branch in Labuan in 1994.

Among its array of services, perhaps the one that reflects best the bank's ability to satisfy customer demand is structured finance, a generic term to describe various complex methods of financing that companies require.

ABN AMRO constructs its structured transactions from the basic building blocks of export finance, project finance, syndications, leasing, advisory

and securitisation.

The key approach here is to tailor the solutions based on what the clients want as opposed to merely offering the products. Specialist teams, supported by local structured finance units (including in Malaysia), operate in different geographical zones to put together the solutions to meet the needs of sponsors, suppliers and governments.

In this field, the bank has developed expertise in financing projects relating to the power, petrochemicals, telecommunications and aerospace sectors.

For example, the bank was involved in the financing of two high-profile Malaysian ventures: the launch of the Measat satellite and the Kuala Lumpur City Centre mega project.

Such major undertakings have helped the bank become Asia's number one in project financing deals in 1995, particularly via syndicated loans and debt instruments.

ABN AMRO's lending portfolio in Malaysia increased by more than 65 per cent in 1995, well above the market average.

The bank's capital as of January 1996 was RM180 million, double the previous mark. However, the overall financial results did not show an equally big increase in profits because almost RM3 million was spent on upgrading the bank's information technology system. In addition, there were also some heavy extraordinary items such as the creation of an early retirement scheme for employees.

The bank has identified several other areas for further growth as the Malaysian finance sector matures along with the country's rapid economic progress. Among these are trade finance and loans to clients ranging from 'the upper middle market to the larger corporations and the multinationals'.

The bank is also considering going into Islamic financing and consumer banking here, besides helping develop the local private debt securities market (PDS).

(END)