

26/10/1998

Danaharta to buy 10 more banks' NPLs (HL)

Anita Gabriel

UPPING the pace of purging the banking system of non-performing loans (NPLs), Pengurusan Danaharta Nasional Bhd will take over the NPLs of another 10 banks in two weeks. The national asset management company has in the past two months since it started operations only purchased NPLs of two banks.

The identity of the 10 banks is not immediately known and Danaharta managing director Azman Yahya also declined to speak of the value of the NPLs it is buying from them.

Danaharta's first undertaking was the purchase of one NPL worth RM16.2 million from Perwira Affin. On October 16, it bought more than 500 NPLs of Sime Bank amounting to some RM6 billion on behalf of Bank Negara.

This was followed by a statement by Deputy Finance Minister Datuk Wong See Wah last week that the asset management company was negotiating with several banks to take over RM989.89 million worth of NPLs.

Speaking to Business Times at the weekend, Azman said Danaharta will make announcements on major events related to its activities "as and when they occur".

The identity of the borrowers will not be revealed as this is not allowed under the Banking and Financial Institutions Act.

It is understood that many financial institutions, including Bank Bumiputra, have submitted applications to sell their NPLs to Danaharta which is now in the process of evaluating them for purchase.

Bank Bumiputra, which has NPLs worth some RM7 billion as at March 31 1998, said on September 8 that it had submitted 65 per cent of its bad loans to Danaharta for consideration.

Azman said, as announced by Prime Minister Datuk Seri Dr Mahathir Mohamad in the 1999 Budget proposals last Friday, Danaharta will acquire up to RM8 billion of bad loans from 21 local financial institutions by the end of this year.

Total funding required by Danaharta is now expected to be RM15 billion, revised downwards from an initial estimate of RM25 billion. This followed the improvement in liquidity and lower interest rates coupled with the reclassification of loan default period from three to six months.

The Government has contributed RM1.5 billion to kickstart Danaharta's efforts to re-energise the banking sector through the lifting of the burden of NPLs off banking institutions.

But the financial assistance from the Government to Danaharta, said Azman, will only be for this year.

From next year, the funding will be generated by Danaharta itself. This has been facilitated by the easier monetary policy which has led to lower interest rates and enhanced liquidity in the system, not least from a reduction in Statutory Reserves Requirement.

As such, Danaharta does not need to raise substantial cash for the purchases as it can issue 10-year bonds.

Danaharta was set up in June and commenced full operations at the beginning of September after the Pengurusan Danaharta Nasional Bhd Act 1998, which confers it with special statutory powers to facilitate its activities, came into force.

Its main activities comprise acquiring, managing, and disposing of NPLs and their underlying collateral. Its primary objectives are to remove the NPL distractions facing the financial institutions.

By selling NPLs to Danaharta in return for Government guaranteed bonds/cash, the financial institutions can refocus on their main business of lending to viable businesses and customers, and help in the national economic recovery efforts. Danaharta will also pursue the objective of maximising the recovery value of the NPLs.

At the end of August, net NPLs of the banking system stood at 11.4 per cent.

(END)