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Fresh capital for BBMB if needed (HL)

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KUALA LUMPUR, Thurs. - Prime Minister Datuk Seri Dr Mahathir Mohamad has said the Government will, if necessary, inject fresh capital into Bank Bumiputra Malaysia Berhad.

He said the Government would give sufficient support to the bank which is reported to need additional capital of RM750 million.

Dr Mahathir was asked to comment if the Government was prepared to pump fresh capital into the bank following Bank Negara's announcement that Bank Bumiputra was one of the four financial institutions which might need additional capital.

He was speaking to reporters after opening the 1998 International Timber Conference at Nikko Hotel.

Bank Negara Governor Tan Sri Ahmad Mohd Don had on Tuesday said that BBMB needed fresh capital injection of RM750 million, and that the Government would provide the capital when the need arose.

Besides Bank Bumiputra, Ahmad also named Sime Bank Bhd, Abrar Finance Bhd and Cempaka Finance Bhd as those needing additional capital injection.

Sime Bank requires RM1.2 billion while Abrar Finance and Cempaka Finance need RM7 million and RM25 million respectively. The two finance companies are already in an advanced stage of merger talks with other parties.

The Prime Minister said: "If need be, we will do so (inject fresh capital). This is the usual support the Government gives to institutions which have public trust.

"If the Government does not give its support, the institutions may collapse and the public will suffer," he added.

Saying that injecting fresh capital should not be seen as a bail-out, the Prime Minister said the Government would not be putting excess amount of funds into the bank.

Dr Mahathir said some people might view any attempts to help banks and companies as a bail-out, but insisted that this was not so.

He said: "This is not a bail-out. A bail-out means that you are going to support something which has no value. But, these institutions have the right value."

Dr Mahathir was also asked whether the worst was over for local financial institutions.

"We are already making a comeback. We notice that there is no more outflow of funds to other countries. Also, there is not much movement of funds from local banks to foreign banks.

"But, the flow back has not occurred as much as we would like to see. Nevertheless, there has been a return of some of these funds.

"The flow of investment is not just into the share market but also into other productive areas. Certain industries have expanded and our exports of timber, garment, palm oil have increased, giving us more foreign exchange."

Asked to comment on interest rates, which many considered still high, Dr Mahathir replied that the rates were coming down.

"If you put your money in local banks, then the interest rates will be low."

Asked to comment on the Employees Provident Fund dividend of 6.7 per cent for 1997 announced yesterday, Dr Mahathir said the dividend was less than the previous year because the value of shares had dropped and companies were making less profits.

To a question whether the EPF should move its investment into other sectors, the Prime Minister said the agency was free to invest in any sector, including manufacturing.

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