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RHB redeems RM500m Danamodal bonds

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RHB Bank Bhd has repaid in advance and at par the entire RM500 million subordinated bond issued to Danamodal Nasional Bhd for recapitalisation in the merger exercise with Sime Bank Bhd.

Market observers perceive the early redemption of the 10-year bond issue as an indication that RHB Bank, disappointed at not being picked as a lead bank for the industry's merger programme, has still not given up hope of being assigned the role.

The move will save the bank some RM3 million per month given the bonds' annual coupon rate 10 per cent, RHB Bank said in a statement yesterday. The bank also said its vastly improved performance for the year ended June 30 1999, a 119 per cent increase in after tax profit to RM307.8 million, has allowed it to redeem the bonds.

"RHB Bank expects this trend to continue with further improvement in profits and cost efficiency following the successful completion of the rescue and merger of the good assets of Sime Bank, and in tandem with the rapid economic recovery in Malaysia," it said.

In addition, the bank's risk-weighted capital adequacy ratio remains strong and stands at a healthy 12 per cent with a core capital ratio of about 10 per cent.

The announcement followed a similar announcement from AMMB Holdings last week which said it had repaid in full a RM900 million loan from Danamodal. Under the merger programme, the country's existing 58 financial institutions are to be consolidated into six large groups headed by Malayan Banking, Bumiputra-Commerce Bank, Perwira Affin Bank, Southern Bank, Public Bank and Multi-Purpose Bank.

According to the programme outlined by the central bank, RHB Bank and RHB Sakura Merchant Bank would be merged into the Multi-Purpose Bank group.

Recent remarks by Prime Minister Datuk Seri Dr Mahathir Mohamad that it was not necessary to have only six core banks had fuelled speculation that RHB, AMMB as well as the Hong Leong group might be allowed to serve as anchors too.

Since Bank Negara unveiled the massive merger plan at the end of July, RHB Capital, which controls RHB Bank and RHB Sakura Merchant Bank, has been the only party to have openly expressed disappointment at not being selected as a lead bank.

"Clearly, it (RHB Bank) wants to be an anchor bank. One of Bank Negara's criteria is any bank recapitalised by Danamodal would not be picked, hence the early redemption of the bonds," said an analyst.

The development, however, should not detract from the fact that the bank has comfortably turned around, KAF-Seagroatt & Campbell Securities banking analyst Pong Teng Siew said.

The loan from Danamodal was a worst-case scenario standby credit line, Pong noted.

Meanwhile, Hong Leong Bank and AMMB Holdings said in separate statements that they were not aware of any change in their status with regards to the merger process.

Hong Leong Bank and Hong Leong Finance are slated to merge into the Bumiputra-Commerce Bank group.

In another development, Southern Bank and its merger partner Ban Hin Lee Bank Bhd said separately that trading in their shares will be suspended

today pending an announcement.
(END)