

ASSET MANAGEMENT COMPANIES (AMCs)

- A catch-all phrase to describe organisations established to acquire NPLs from financial institutions with the objective of recovering value from resolution or disposal
- Most AMCs are specifically designed to suit national situation, thus the organisation needs to be practical and solution-oriented
- Usually set up in answer to collapse of banking institutions or because of threat of banking system collapse e.g. RTC, Securum

3

ADVANTAGES OF AMCs

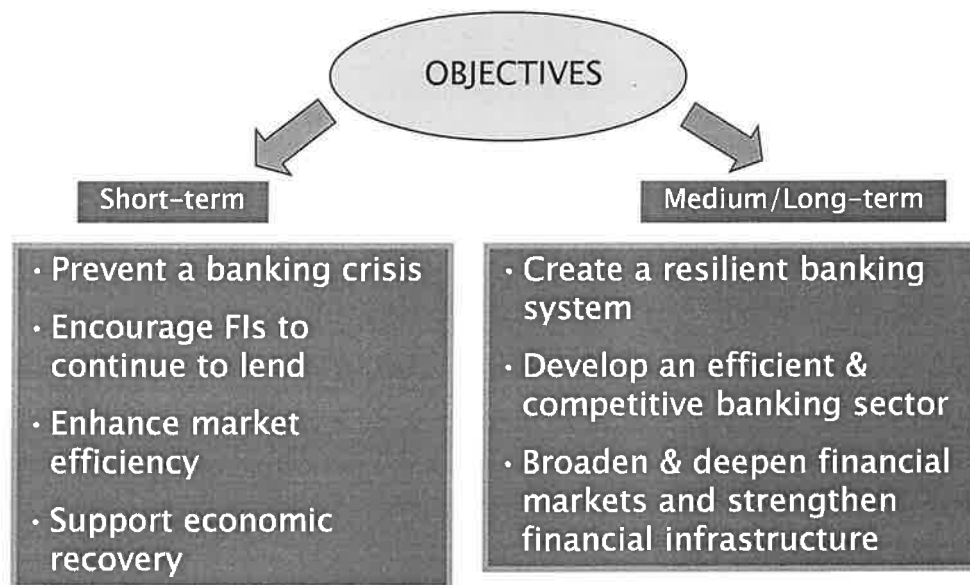
- Removes NPL distraction from banking system
- Minimise side effects on the economy
- Holistic, organised and focused approach towards NPL resolution
- NPL resolution vs. relationship banking – breaks corporate-bank links
- Valuation – fair market vs book value
- Special powers
- Economies of scale – disposal, management

4

BANKING SECTOR RESTRUCTURING PLAN

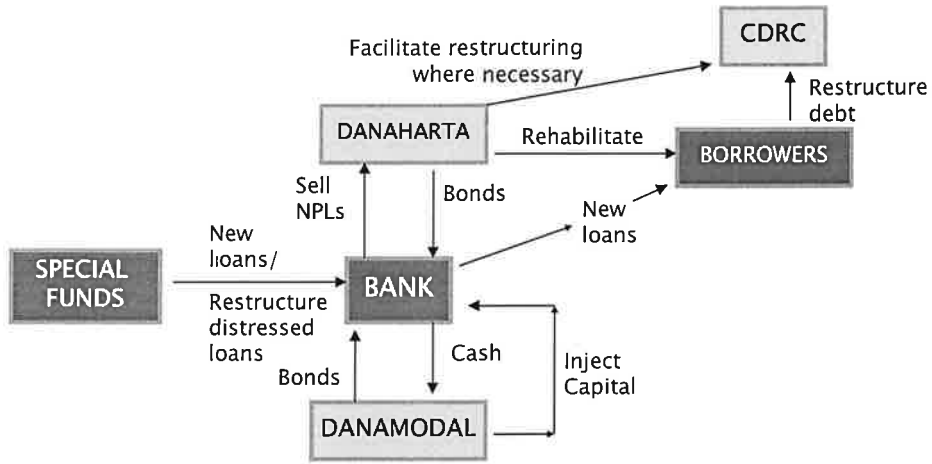
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COMPREHENSIVE BANKING RESTRUCTURING PLAN



6

COMPLEMENTARY ROLES



Coordination of activities undertaken by Steering Committee in BNM.

Danaharta's Role & Operations

THE AMC CONTINUUM

- Types of AMCs



- Neither a rapid disposition agency nor a warehouse agency
- Resolve NPLs on account by account basis to extract maximum recovery value
- The number of accounts > RM5 million is small (approximately 3,000)

9

DANAHARTA'S OBJECTIVES ©

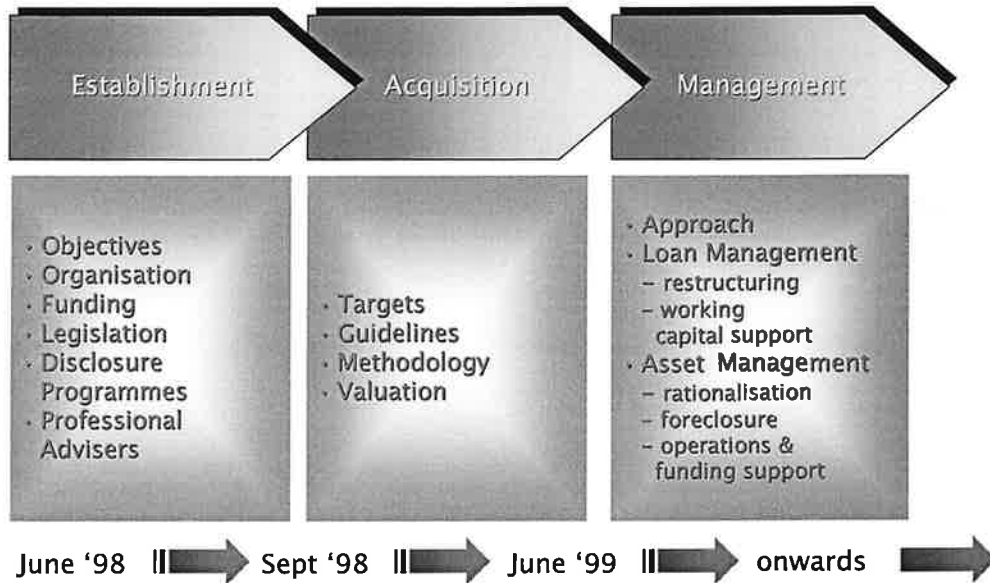
- Remove non-performing loan (NPL) distractions
- Maximise recovery value of acquired assets

FUNDAMENTAL PRINCIPLES

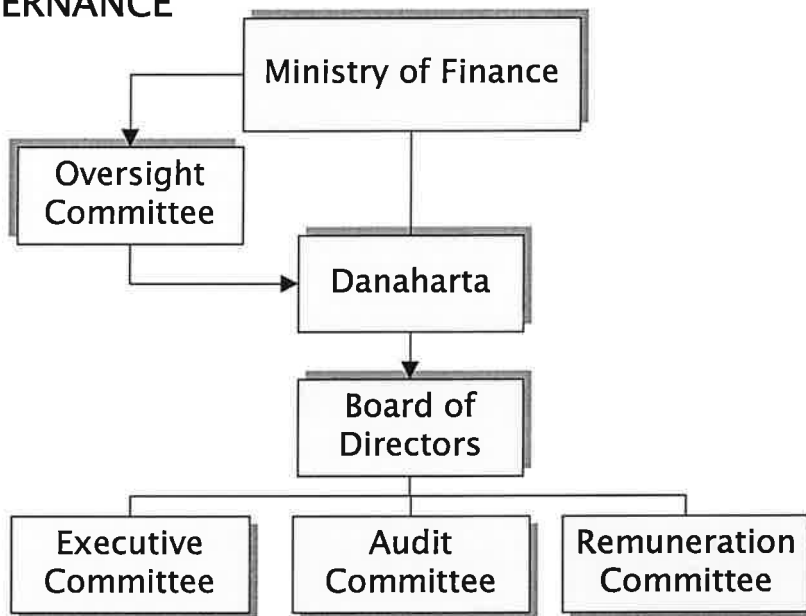
- System-wide carve-out of NPLs
- Market driven approach
- A true asset management company

10

DANA HARTA'S PROGRESS THROUGH PHASES



GOVERNANCE



CORPORATE INFORMATION

- Incorporated on 20 June 1998 as a limited liability corporation owned by Government.
- The independent Board and management of Danaharta are responsible and accountable for its operations.
 - Chairman
 - Managing Director
 - 3 non-executive Directors from Malaysian community
 - 2 non-executive Directors from international community
 - 2 non-executive Directors representing the Government

13

THE DANAHARTA ACT 1998

3 Main Principles:

- Ability to acquire NPLs
- Ability to manage
- Ability to foreclose (National Land Code)

14

THE DANA HARTA ACT 1998 (Cont'd)

Ability to Acquire NPLs:

- Statutory vesting process
- Steps into the shoes of the selling institution
- Clear title vs. clean title
- Third party claims preserved

15

THE DANA HARTA ACT 1998 (Cont'd)

Ability to Manage NPLs:

- Special Administrators(SAs) are appointed with consent of Oversight Committee
- 12-month moratorium on claims
- SA takes over control and management of company
- SA workout proposal reviewed by Independent Adviser
- Approval by secured creditors

16

THE DANAHARTA ACT 1998 (Cont'd)

Ability to Foreclose (15th Schedule of National Land Code)

- Protection of property
- Foreclosure through private treaty sale
- Need to give 30 days notice to borrowers
- Bypass court auction process
- Transparent and market-driven process

17

TRANSPARENCY AND DISCLOSURE

- Committed to transparency in its operations
- Disclosure via:
 - publication of business plan/ guidelines
 - half yearly operational reports
 - frequent media and analyst updates e.g. press releases
 - parliamentary replies
 - annual reports/special reports
 - announcement of Danaharta Act requirements e.g. SA and IA
 - active website



18

ACQUISITION PHASE

MECHANISMS

- NPL \geq RM5 million (gross value)
- Market value determined by professional valuers
- Secured loans are valued according to collateral value
- Unsecured loans are acquired at 10% of outstanding loan
- Profit sharing – 20 (Danaharta) : 80 (FI)

MANAGEMENT PHASE

21

IDENTIFYING RECOVERY METHODS

Viabable loans

- Each borrower is given one opportunity to restructure his loan
- Plain loan restructuring, settlement of loans, schemes of arrangement

Non-viable loans

- Including borrowers who fail to comply with the loan restructuring guidelines
- Sale of borrowers' business or collateral
- Foreclosure, appointment of SAs and legal action

22

**PROGRESS OF DANAHARTA
AS AT 31 DECEMBER 2004**



FUNDING SOURCES

Funding sources	Purpose	Amount allocated	Maximum amount utilised	Total as at 31 Dec 04
		RM bil	RM bil	RM bil
Government contribution	Initial capital	3.00	3.00	3.000
Long-Term Loan Loan from Employees' Provident Fund/ Khazanah Nasional Berhad	Draw down available for working capital	2.00	1.30	Fully repaid
Short-Term Loan Revolving credit facility	To remedy a temporary timing mismatch between recovery and bond redemption	1.40	0.40	0.400
Zero-coupon bonds issued to the selling FIs	For NPL acquisition	15.00	11.14	0.795*
Total		21.40	15.84	4.195

*RM10.345 billion bonds redeemed to-date, of which RM1.698 billion were redeemed in the second half of 2004

25

NPL PORTFOLIO

NPLs	Sources of NPL	RM billion (LRA)
Acquired NPLs	NPLs acquired from financial institutions	19.71
Managed NPLs	NPLs that Danaharta is managing on behalf of the Government	27.97
Danaharta's Portfolio		47.68

Number of borrowers involved : 2,563

Number of accounts : 2,902

Adjusted LRA : RM 52.42 billion (LRA of RM47.68 + accrued interest of RM4.74 billion)

26

EXPECTED RECOVERY RATE as at 31 December 2004

	Recovery method	*Adjusted LRA (RM billion) (a)	^Net expected recovery (RM billion) (b)	Expected recovery rate (%) (c)=(b)/(a)
Soft approach (viable loans)	Plain loan restructuring	5.45	5.19	95%
	Settlement	11.45	8.85	77%
	Schemes of arrangement	10.14	7.61	75%
Hard approach (non-viable loans)	Schemes under SAs	5.03	1.80	42%
	Foreclosure	14.14	4.92	35%
	Others	5.00	2.39	48%
	Legal action	1.21	0.06	5%
	Overall	52.42	30.82	59%

* Comprising total LRA of RM47.68 billion and accrued interest of RM4.74 billion
 ^ Assuming zero recovery for NPLs that have defaulted on their recovery strategies

Acquired NPLs
50%

Managed NPLs
65%

ALL NPLs have been dealt with

ANALYSIS OF RECOVERY PROCEEDS BY ASSET GROUP as at 31 December 2004

Asset group (RM billion)		Expected recovery (a)	Defaulted (b)	Expected recovery net default (c) = (a) - (b)	Pending implementation of recovery strategy (d)	Recovery received (e) = (c) - (d)
Cash	Non-foreclosures	12.32	0.05	12.27	0.18	12.09
	Foreclosures	5.17	-	5.17	0.15	5.02
Restructured loans		7.38	0.03	7.35	0.50	6.85
Securities		4.92	0.01	4.91	0.93	3.98
Properties		1.12	-	1.12	0.03	1.09
Total		30.91	0.09	30.82	1.79	29.03

Default rate is 0.3%

1,130 fully settled borrowers involving 1,287 accounts (total loan of RM19.22 bil)

ANALYSIS OF THE CONVERSION OF NON-CASH ASSETS RECEIVED as at 31 December 2004

Asset group (RM billion)		Recovery received (e)	Stock (f)	Total realised in cash (g) = (e) - (f)
Cash	Non-foreclosures	12.09	1.44*	10.65
	Foreclosures	5.02	1.20 [#]	3.82
Restructured loans		6.85	0.90	5.95
Securities		3.98	1.33	2.65
Properties		1.09	0.54	0.55
Total		29.03	5.41	23.62

* Includes receivables from settlement and collateral redemption

[#] Includes foreclosed properties or shares which are unsold or pending inclusion into future tenders

Acquired NPLs
RM7.86 bil

Managed NPLs
RM15.76 bil

29

DISTRIBUTION OF RECOVERY PROCEEDS as at 31 December 2004

Distribution	Cash (RM billion)	Securities (units)
Gross recovery proceeds for Managed NPLs -NPLs of BBMB Group and Sime Bank Group	15.76	-
Surplus recovery from acquired NPLs, distributed to 38 financial institutions	0.62	66,472,341
Total distributed recovery	16.38	66,472,341

30

SUMMARY OF CASH STATEMENT as at 31 December 2004

	RM billion
Total cash realised from recovery proceeds	23.62
Add:	
1. Capital received	3.00
2. Long-term loans	1.70
3. Other inflows - including, amongst others, interest received on deposits and placements	2.66
Total inflow	30.98
Less:	
1. Bond redemption	10.34
2. Total surplus recovery, distributed to financial institutions under profit sharing arrangement	0.60
3. Total net cash distributed for recovery of loans from Sime Bank Group and BBMB Group	13.27
4. Other outflows - including, amongst others, cash paid for NPL acquisition, repayment of loans, operational costs	5.81
Total outflow	30.02
TOTAL CASH AND CASH EQUIVALENTS AVAILABLE AS AT 31 DECEMBER 2004	0.96

Acquired NPLs
RM0.21 billion

Managed NPLs
RM0.75 billion

STATUS OF BOND REDEMPTION as at 31 December 2004

