

1MDB clears US\$1b debt with foreign banks

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1MDB has fully repaid its US\$975 million (RM3.6 billion) loan to a consortium of six international banks led by Deutsche Bank.

"Today, we are pleased to confirm that the loan has been fully repaid.

"This RM3.6 billion repayment reflects 1MDB's commitment to reducing its debt levels, in line with the rationalisation plan approved by cabinet," said 1MDB's president Arul Kanda.

On May 29, cabinet announced that a deal was reached with UAE's International Petroleum Investment Company (IPIC) to repay the debt on or before June 4.

In exchange, 1MDB will provide IPIC and its subsidiary Aabar Investments PJS (Aabar) with a number of financial assets, including "units" that are held in the company's BSI Singapore account.

The banking consortium had sought a repayment ahead of its September due date, reportedly due to doubts on the company's ability to service the loan.

Prior to this, 1MDB had clarified that its last audited account showed debt levels at RM41.8 billion - approximately 13.3 percent of Malaysia's GDP in 2013.

Winding down 1MDB?

1MDB had struggled to repay loans before, resulting in Putrajaya allocating RM950 million for the company in "standby credit" back in March.

In addition, cabinet has approved a restructuring plan that will see 1MDB shedding its TRX and Bandar Malaysia projects, which will become separate companies.

According to The Edge Financial Daily, Putrajaya is in the process of winding down the reputation-battered 1MDB with its board of directors, along with its advisory board, to quit between July and August.

Conceived by Prime Minister Najib Abdul Razak in 2009, 1MDB has been under intense public scrutiny for amassing a huge debt with little to show in return.

1MDB is 100 percent owned by the Finance Ministry. Najib is the finance minister.

Najib sits on 1MDB's advisory board and, as suggested by the company's constitution, is likely to be the ultimate decision maker in all of its major decisions.

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