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## DANAMODAL INJECTS RM1.6 BILLION INTO MBF FINANCE BERHAD

Danamodal Nasional Berhad, the agency for the recapitalisation of undercapitalised banking institutions (BIs), has today signed two agreements with MBf Finance Berhad (MBf Finance) and MBf Capital Berhad (MBf Capital) in relation to its recapitalisation of MBf Finance. The two agreements are:

i) A Sales and Purchase (S&P) Agreement with MBf Capital to acquire 70% of existing MBf Finance ordinary shares for a nominal consideration of RM1.

ii) A Definitive Agreement with MBf Finance for Danamodal to subscribe to RM1.6 billion worth of newly issued MBf Finance ordinary shares and MBf Finance 8% Irredeemable Non-cumulative Convertible Exchangeable Preference Shares (INCEPS), in the following proportion:

	No. of shares (million)	Par value/ Issue price	RM Million
<b>Ordinary shares</b>	724	50 sen	362
<b>8% INCEPS</b>	2,476	50 sen	1,238
<b>Total Danamodal Investment</b>	<b>3,200</b>		<b>1,600</b>

The signing of the Definitive Agreement with MBf Finance is to crystallise the investment structure of Danamodal's Exchangeable Subordinated Capital Loan (ESCL) that was injected into MBf Finance on 11 March 1999. The conversion of ESCL into Tier-I Capital (the abovementioned ordinary shares and INCEPS) will be done as soon as all the necessary regulatory approvals have been obtained. With the acquisition of shares and injection of capital, Danamodal will emerge as a majority shareholder, with an effective 78% shareholding of MBf Finance, pre-conversion of INCEPS. Assuming full conversion, Danamodal's shareholding will increase to 89%. Furthermore, the agreements allow Danamodal the right to call on the remaining shares held by the existing shareholders in the event that a further deterioration of the net book value of MBf Finance occurs in the future.

The signing of these agreements is the culmination of a recapitalisation process which spanned 6 months, during which Danamodal had conducted an extensive due diligence exercise to establish the true nature of MBf Finance's financial position. Danamodal's injection of RM1.6 billion in capital into MBf Finance on 11 March 1999 has raised MBf Finance's risk-weighted capital adequacy ratio (**RWCR**) to 15%. The increased RWCR at MBf Finance has enabled it to immediately recommence lending activities. As a 78% shareholder, Danamodal will be prepared to inject further capital into MBf Finance as and when the need arises.

Danamodal will appoint 7 directors, including the Chairman and Executive Director, to the proposed enlarged Board of 10 directors to reflect its equity investment in MBf Finance. Danamodal's nominees to the Board will be announced shortly.

The recapitalisation of MBf Finance is a significant milestone for Danamodal as it has now addressed the recapitalisation needs of all the 14 BIs identified under its Phase I of the banking sector recapitalisation exercise. Danamodal had, in the last quarter of 1998, recapitalised 9 of the 14 BIs with a sum of RM4.55 billion. With



this injection into MBf Finance Berhad, the tenth BI to be recapitalised, total funds disbursed by Danamodal so far is RM6.15 billion. The remaining 4 BIs, Bank Bumiputra Malaysia Berhad, Bank of Commerce Berhad, Perwira Affin Bank Berhad and Utama Merchant Bank Berhad have opted for their own solutions to address their capitalisation issues.

Danamodal will operate based on commercial and market oriented principles with broad authority to fulfil its objectives consistent with the policy framework of the Government. Danamodal will also coordinate its activities with Danaharta and with domestic banking institutions in their initiatives to restore their capital, liquidity, and profitability position.

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