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## **DANAMODAL SIGNS DEFINITIVE AGREEMENTS WITH ORIENTAL BANK BERHAD AND UNITED MERCHANT FINANCE BERHAD**

Danamodal Nasional Berhad announced today that it had signed Definitive Agreements with Oriental Bank Berhad (OBB) and United Merchant Finance Berhad (UMF), finalising the structure of and the terms and conditions for Danamodal's capital injection into these institutions.

Under the agreed structure, Danamodal injects a total of RM700 million into OBB and RM317 million into UMF. The additional capital is in the form of ordinary shares, Irredeemable Non-Cumulative Convertible Exchangeable Preference Shares (INCEPS) and subordinated debt, in the following proportions:



Instrument	Oriental Bank Berhad			United Merchant Finance Berhad		
	Unit of shares (million)	Per value/ (RM)	RM million	Unit of shares (million)	Per value/ (RM)	RM million
<b>Ordinary shares</b>	250	1.00	250	---	---	---
<b>8% INCEPS</b>	300	1.00	300	317	1.00	317
<b>10.0% Subordinated Dept</b>	---	---	150	---	---	---
<b>Total Danamodal Investment</b>	550		700	317		317

Danamodal had in October last year injected RM150 million and RM800 million into OBB and UMF. The interim capital injection, in the form of Exchangeable Subordinated Capital Loan (ESCL), was to shore up the risk weighted capital adequacy ratio (RWCR) of OBB and UMF pending finalisation of Danamodal's negotiations with OBB and UMF. Following the completion of the rigorous and extensive due diligence exercise, the recapitalisation needs of OBB and UMF were placed at RM700 million and RM317 million. This will increase the RWCR of OBB and UMF from 9.7% to 19.5% and from 8.6% to 16.0% respectively. Danamodal will inject an additional RM550 million ESCL into OBB tomorrow while UMF has repaid Danamodal a sum of RM483 million. The ESCLs will be converted into Tier I and Tier II capital instruments as soon as all the necessary regulatory approvals are obtained.

As a condition precedent, Malaysian Industrial Development Finance (MIDF), the existing majority shareholder of OBB will convert its shareholder's loan of RM130 million into new ordinary shares of RM1.00 each.

To protect its investments and ensure that micro-reforms are implemented according to agreed time-line, the agreements also allow Danamodal to appoint its nominees on the Board of Directors of OBB and UMF, proportionate to its contribution to the Banking Institutions' (BIs) Tier I capital. Danamodal's nominees will be announced shortly.

With the injection of another RM550 million ESCL into OBB, Danamodal would have disbursed a total of RM6.22 billion into 10 BIs under the Phase I banking sector recapitalisation exercise. With today's signings, Danamodal has now finalised the investment structure for 9 out of the 10 BIs.

#### APPENDIX DANAMODAL'S INVESTMENT STRUCTURES AS DEFINED BY DEFINITIVE AGREEMENTS

Banking Institutions (BIs)	Finalised on	Capital Structure (RM'Million)			
		Tier I		Tier II	Total
		Ordinary Shares	Preference Shares	Subordinated Loans	
<b>1. RHB Bank Berhad</b>	30 Nov 98	---	1,000	500	1,500
<b>2. BSN Commercial Bank (Malaysia) Berhad</b>	05 Feb 99	---	420	---	420
<b>3. Arab-Malaysian Bank Berhad</b>	05 Feb 99	---	200	300	500
<b>4. Arab-Malaysian Finance Berhad</b>	05 Feb 99	---	600	200	800
<b>5. Arab-Malaysian Merchant Bank Berhad</b>	05 Feb 99	---	---	400	400
<b>6. Sabah Bank Berhad</b>	12 Feb 99	24	72	26	122
<b>7. MBF Finance Berhad</b>	12 Mac 99	362	1,238	---	1,600
<b>8. Oriental Bank Berhad</b>	30 Mac 99	250	300	150	700
<b>9. United Merchant Finance Berhad</b>	30 Mac 99	---	317	---	317
<b>Total</b>		636	1,147	1,576	6,359*

\* amount disbursed thus far is RM6.22 billion. The remaining balance would be disbursed upon closing.

#### General Terms and Conditions

- Danamodal's investments will entitle it to nominate at least 2 directors in each BI - one executive director and either the chairman or deputy chairman. Danamodal is entitled to nominate more directors in future, proportionate to its contribution to the BIs' Tier I capital.
- The preference shares will entitle Danamodal to non-cumulative dividend payment of 8% per annum and are convertible to ordinary shares. Danamodal is targetting the ordinary shares and INCEPS to yield an internal rate of return of 12%.
- The subordinated loans carry a 10% per annum coupon, and will qualify as Tier II capital under BNM's capital adequacy guidelines.
- The mode of exit include public listing (IPO), sale to existing shareholders or private sale to third parties.