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Danamodal Signs Definitive Agreement with Sabah Bank Berhad

Danamodal Nasional Berhad

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DANAMODAL SIGNS DEFINITIVE AGREEMENT WITH SABAH BANK BERHAD

KUALA LUMPUR, Friday: Danamodal Nasional Berhad today entered into a Definitive Agreement with Sabah Bank Berhad, finalising the structure of and the terms for its capital injection in the Bank. With today's signing, Danamodal has concluded Definitive Agreements with six of the nine banking institutions it has recapitalised.

Danamodal had in October last year injected RM140 million into Sabah Bank in the form of Exchangeable Subordinated Capital Loans (ESCL). (The ESCL is an interim facility to be exchanged for long-term Tier 1/Tier 2 capital). Under the Definitive Agreement signed today, the ESCL to Sabah Bank will be converted into common shares (RM24 million), Irredeemable Non-cumulative Preference Shares (INCPs) RM72 million and Subordinated Loans (RM26 million).

The salient terms and conditions under the Definitive Agreement are:

- Danamodal's investment in the Bank will entitle it to nominate at least two directors - one executive and the other non-executive to Sabah Bank's board. In this regard, Danamodal has identified its nominees and is awaiting regulatory approval of its nominees.
- The INCPs will entitle Danamodal to a dividend payment of 8% per annum and are fully convertible into common shares. The dividend payment is non-cumulative and payable semi-annually. Danamodal is targeting the INCPs to yield an internal rate of return of 12% .
- The Subordinated Loans will carry a 10% coupon per annum. The loans will qualify for Tier 2 capital treatment in accordance with Bank Negara Malaysia's capital guidelines.
- The mode of exit include initial public offering (IPO), sale to existing shareholders, or private sales to third parties.

In negotiating for the Definitive Agreements (with Sabah Bank and five other banking institutions concluded earlier) Danamodal has adopted a policy of being guided by the following principles: ·

- **The first loss principle** - where the existing shareholders will absorb all losses arising from the past and existing businesses of the Bank before Danamodal's capital is utilised. ·
- **Assume control** - through appropriate instruments and voting rights. This will enable Danamodal to facilitate changes and institute measures to improve the management of the banking institution. ·
- **Return on investment** - whereby Danamodal's return on its investments will be determined by balancing commercial and public policy considerations.



Danamodal chairman Raja Datuk Arshad Tun Uda said the composition of Danamodal's board representation on Sabah Bank is similar to the other five banking institutions which have signed Definitive Agreements with Danamodal.

The board representation as structured, will enable Danamodal to institute the necessary micro-reforms and international best practices to revitalise the recapitalised banking institution and enhance shareholder value.

Danamodal, set up to recapitalise and restructure the banking sector stands ready to assist other banking institutions, if they require capital. At present, no other banking institutions have applied to Danamodal for support.

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DANAMODAL'S INVESTMENT STRUCTURES AS DEFINED BY DEFINITIVE AGREEMENTS

Finalised	Banking Institution	Tier 1		Tier 2	Total Capital Injected (RM mn)
		Common Shares (RM mn)	Preference Shares (RM mn)	Sub-Ordinated Loans (RMmn)	
12 Feb 1999	Sabah Bank Berhad	24	72	26	122
5 Feb 1999	Arab-Malaysia Bank Berhad	-	600	200	800
5 Feb 1999	Arab-Malaysia Merchant Bank Berhad	-	-	400	400
5 Feb 1999	Arab-Malaysian Finance Berhad	-	200	300	500
5 Feb 1999	BSN Commercial Bank (Malaysia) Berhad	-	420	-	420
30 Nov 1998	RHB Bank Berhad	-	1,000	500	1,500

