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PROGRESS ON MANAGING RESIDUAL RECOVERY ASSETS

Prokhas acts as Danaharta's collection agent since Danaharta closure on 31 December 2005. While the ownership of Danaharta's assets remains with Danaharta, Prokhas manages the Residual Recovery Assets on behalf of them. Prokhas commenced its duties on 1 January 2006. Since then, Prokhas has issued progress reports on the Residual Recovery Assets.

Prokhas is again pleased to provide the latest update on the progress of Residual Recovery Assets as at 31 December 2008. The update featured key statistics covering Danaharta's recovery activities.

1. Progress in loan recovery as at 31 December 2008

As at 31 December 2008, Danaharta expects to recover over its lifespan, RM30.69 billion from its non-performing loan ("NPL") portfolio which has a total adjusted Loan Rights Acquired* ("LRA") value of RM52.44 billion. This translates to an overall expected recovery rate of 58.5%, no changes to the expected recovery as at 31 December 2007.

2. Recovery proceeds as at 31 December 2008

Of the RM30.69 billion that Danaharta expects to collect over its lifetime, RM30.16 billion or approximately 98.3%, has been collected as at 31 December 2008 (up from RM29.1 billion as at 31 December 2007). The balance of RM0.53 billion is expected to be received over time as the respective recovery strategies continued to be implemented.

3. Conversion of Residual Assets into cash as at 31 December 2008

Ultimately, all Residual Recovery Assets of Danaharta will be converted into cash. Of the whole Residual Recovery Assets that has been passed to Prokhas to convert into cash, a total of RM2.69 billion had been realized into cash/bank guarantees as at 31 December 2008.

* Loan rights acquired (LRA) = loan amount outstanding at the point of acquisition (principal & interest)
Adjusted LRA = LRA plus accrued interest at the point of restructuring

4. **Distribution of recovery as at 31 December 2008**

Of the RM30.16 billion cash generated, the bulk of it had been used to redeem Danaharta's bonds, to pay Bank Negara Malaysia and the Government the recovery attributable to the Managed NPLs component and to pay financial institutions the surplus recovery from the Acquired NPLs component, where applicable.

Prior to its closure, Danaharta had fully redeemed its RM11.14 billion bonds and cumulatively distributed RM13.82 billion in cash and 66,472,341 units of securities at par value to various financial institutions ("FI"s) and the Government.

Since beginning of its operations, Prokhas continued to distribute surplus recoveries to various FI's. Since January 2006, Prokhas had distributed additional RM171.77 million to the FIs. Details of the distributions are attached in **Appendix 1**.

APPENDIX 1

Distribution of surplus recoveries since January 2006

Distribution to FIs	RM million
AFFIN BANK BERHAD	11.20
ALLIANCE BANK MALAYSIA BERHAD	5.01
ALLIANCE INVESTMENT BANK BERHAD	21.04
AMBANK (M) BERHAD	14.03
AMINVESTMENT BANK BERHAD	0.86
ASEAMBANKERS (MALAYSIA) BERHAD	0.10
BANGKOK BANK BERHAD	2.63
BANK ISLAM MALAYSIA BERHAD	4.04
CIMB BANK BERHAD	3.39
DANAHARTA MANAGERS SDN BHD (for former Sime Bank Berhad)	22.68
DANAHARTA URUS SDN BHD (for former Bank Bumiputra Malaysia Berhad)	10.11
EON BANK BERHAD	26.02
HSBC BANK MALAYSIA BERHAD	6.80
MIDF AMANAH INVESTMENT BANK BERHAD	13.59
OCBC BANK (MALAYSIA) BERHAD	0.70
RHB BANK BERHAD	11.53
RHB INVESTMENT BANK BERHAD	15.71
SABAH DEVELOPMENT BANK BERHAD	1.54
UNITED OVERSEAS BANK (MALAYSIA) BERHAD	0.79
Total distributed since January 2006	<u>171.77</u>

Note:

For ease of reference, we have appended a table highlighting the movement of salient statistics from 31 December 2007 to 31 December 2008.

	31 December 2008	31 December 2007
Total NPL portfolio (adjusted LRA)	RM52.44 billion	RM52.44 billion
Overall expected recovery	RM30.69 billion	RM30.69 billion
Average recovery rate	58.5%	58.5%
Total recovery realised in cash	RM30.16 billion	RM29.10 billion
Balance Residual Recovery Assets	RM0.53 billion	RM1.59 billion

Note:

LRA= Loan rights acquired i.e. loan amount outstanding at the point of acquisition (principal & interest)

Adjusted LRA = LRA plus interest accrued from the date of acquisition to the point of restructuring