Business World
24 February 2005

RCBC sells ₱2.1-B bad loans to Hong Kong's ADM Maculus

By RUBY ANNE M. RUBIO
Reporter

Yuchengco-led Rizal Commercial Banking Corp. (RCBC) successfully sold P2.1 billion in nonperforming loans (NPLs) yesterday to ADM Maculus Fund, which is managed by Hong Kong-based investment manager Asian Debt Management Capital.

Rizalino S. Navarro, the bank's executive vice-chairman and chief executive officer, said international investors were invited to participate in a transparent competitive auction process to buy the bad loans. Eleven bidders qualified to participate in the sale while five submitted competitive bids.

"This sale is consistent with the bank's strategy to strengthen its balance sheet through the reduction of its NPLs. RCBC's success shows that the Philippine market is transparent and continues to attract the interest of major international investors," he said.

Global consultancy firm Ernst & Young Transaction Advisory Services, Inc. was tapped as the bank's financial adviser.

See PAGE 14

RCBC sells P2.1-B bad loans to Hong Kong's ADM Maculus

From PAGE 13

The New York law firm of Mandel, Katz, Manna & Brosnan, LLP is RCBC's international legal advisor, and local law firm Angara Abello Concepcion Regala & Cruz acts as RCBC's domestic legal advisor for the transaction.

"RCBC's financial and legal advisors bring to this transaction substantial experience in structuring fair and transparent dispositions of NPLs in the Philippines and in other Asia Pacific markets," Mr. Navarro said.

Having extensive experience in managing Asian distressed debt, ADM Capital has over $1 billion of assets under management.

In June 2004, Asian Development Bank (ADB) partnered with Hong Kong-based ADM Capital to set up the ADM Maculus Fund. The $138 million represents the first tranche of the $500 million ADB expected to raise.

The ADM Maculus Fund will focus on Southeast Asian markets, believed to harbor around $600 billion in bad loans.

ADB said about 85% of the fund's portfolio would go to China, India, Indonesia, Malaysia, the Philippines, and Thailand, and about 15% would go to the newly industrialized economies of Asia.

The fund will buy out existing creditors, on a single asset or pooled basis, to initiate financial or corporate restructuring of companies that are at risk of bankruptcy because of excessive and unsustainable debt levels or financial mismanagement.

ADB has estimated that between one- and two-thirds of the $800 billion loan extended in Asia outside of Japan were considered delinquent because of the 1997 Asian financial crisis.

Based on its published statement of condition, RCBC's bad loans represented 11.18% of its total loan portfolio as of Dec. 20. Its NPLs amounted to P10.09 billion, down by 16.89% from P12.14 billion in the third quarter.

Last year, RCBC secured the nod of the Bangko Sentral ng Pilipinas on the sale of its P3.9-billion bad loans to US-based investment bank Lehman Brothers, Inc.

RCBC said it was the first bank to obtain a certificate of eligibility since the passage of Republic Act 9182 or Special Purpose Vehicle (SPV) Act of 2002. The bad loans in the said deal would be transferred to Philippine Investments One Inc., an SPV to be established and wholly owned by the global investment bank, top officials of the bank said.

The country's seventh largest bank recently raised $150 million five-year senior debt note with a yield of 7%, pricing its debt offering ahead of the move of US-based Moody's Investors Service to lowered the foreign currency debt and deposit ratings of 10 Philippine banks.

Senior notes are owed money that rank first in claims on the borrower's assets. They rank below secured debt but above subordinated debt in the repayment hierarchy.

RCBC has tapped Union Bank of Switzerland as the sole underwriter of the debt offering.

Its board of directors approved last October the issuance of $150 million to $200 million worth of five-year senior debt note to refinance maturing obligations.