

Daim's global financial services empire

STORY BY
KHAIRIE HISYAM
khairie@kinibiz.com



Like



Since his resignation from the Cabinet for a second time in 2001, Daim has maintained a low-profile, leading to speculation that he has retired. However, closer examination reveals that he has simply shifted his sights to the wider global arena focusing on what he reportedly loves most — banks. In the third part of this series, KiniBiz turns the spotlight on Daim's global banking empire.

Following Daim Zainuddin's resignation from the Finance portfolio in 2001, he appeared to be keeping below the radar, creating the perception among some that he has retired.

But the perception changed in 2004 when it came to light that he was involved in Temasek Holdings' buy-in into Alliance Financial Group (AFG) which wholly owns Alliance Bank Malaysia. This, was not his only involvement with Temasek.

“Since I know Temasek, they said they were looking at opportunities in Malaysia. They asked me to make enquiries,” commented Daim in a previously published interview with the Far Eastern Economic Review on his association with Temasek.

Three years later, the perception that Daim is in retirement is well debunked. A new picture emerged — Daim appears to have gone beyond Malaysia to operate on the global scene, not least of which involves advising the Singapore and Brunei governments on their investments.

On May 17, 2007, London Alternative Investment Market (AIM) welcomed a new listing in ICB Financial Group Holdings AG, which had banking subsidiaries in more than a dozen countries across Europe, Africa and Asia. Two years after listing, ICB Financial Group would have US\$1.32 billion (RM4.35 billion) in total assets.

Prior to ICB Financial Group’s debut on the London stock exchange, Daim was the sole shareholder of the global banking operation. He retained a majority stake after the initial public offering (IPO).

Before examining how Daim came to own a global chain of banks, it is worth noting that Daim had been described as being “in love with banks” by his close associates. In fact he was involved with banks even before he joined the Cabinet in the 1980s.

When contacted by KiniBiz however, Daim declined to give an immediate comment for this article.

Seizing a French opening

Daim’s first foray into banking took place in the early 1980s when he acquired Banque Indosuez, a privately owned French bank in Malaysia. The tale of the acquisition hints at his eye for spotting business opportunities.



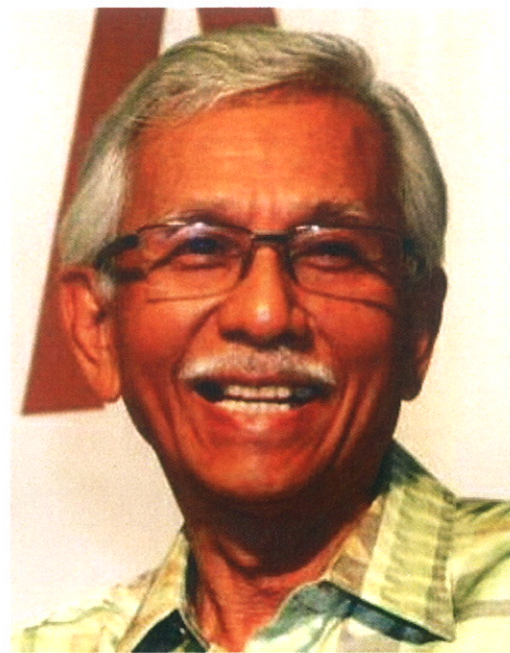
François Mitterrand

In early 1981, François Mitterrand became the 21st president of France following a big victory by the Socialist Party. Four months into the job, he pressed forward with plans to nationalise all French banks.

The problem for Banque Indosuez, which had been operating in then-Malaya since 1958, was that local law did not allow any bank owned by foreign governments to operate in the country. At the time, Banque Indosuez had two branches in Kuala Lumpur.

Daim saw the potential issue and took action — he sent a cold letter to the bank’s chairman saying that if they were interested in selling the Malaysian operations, he was

interested in buying it. They were and Daim bought the bank via Malaysian French Bank incorporated



in 1982.

Two years later, Daim exchanged part of his equity in the bank for a smaller percentage in United Malayan Banking Corporation Bhd (UMBC), which was among the largest banks in the country at the time.

The deal involved Daim relinquishing a 51% stake in Malaysian French Bank in exchange for RM125 million cash plus about 40% equity in UMBC from Multi-Purpose Holdings Bhd (MPHB), the public-listed investment entity controlled by the Malaysian Chinese Association (MCA). Overall, the deal valued MPHB's stake in UMBC at about RM253 million.

In 1986 Daim had to sell his stake in UMBC, which by then had grown to 50.4% via a rights issue earlier that year, due to his position as Finance Minister which led to conflicts of interest. At the time his equity in UMBC was indirectly held through two family holding companies — Daan Sdn Bhd and Dani Sdn Bhd — which jointly owned Goodrich General Industries and Dominion Holdings which in turn held 50.4% in UMBC.

Daim reportedly sold his stake to Perbadanan Nasional (Pernas) at a profit, although the price was not immediately available. Following the sale, it would be another decade or so before Daim resurfaced in the Malaysian banking scene.

Links to Langkah Bahagia & Alliance Financial Group

In 1997, news surfaced that Langkah Bahagia Sdn Bhd, a private company associated with Daim, was acquiring a controlling stake in Hock Hua Bank Bhd. At the time, Daim was government economic advisor, having resigned from the Finance portfolio six years earlier.

A shareholder in Langkah Bahagia, Mohd Nasir Ali, reportedly came on record saying that he was acting on Daim's behalf in the 1997 acquisition. Following the deal, Hock Hua Bank was renamed International Bank Malaysia.

The second half of the 1990s saw some landmark events taking place in the banking arena.

In 1996, the Malaysian French Bank had become Multi-Purpose Bank. Three years later, Multi-Purpose Bank anchored a merger with six other banks, namely International Bank Malaysia, Sabah Bank Bhd, Sabah Finance Bhd, Bolton Finance Bhd, Amanah Merchant Bank Bhd, and Bumiputra Merchant Bankers Bhd.



The entity created by the merger was named Alliance Banking Group, which the market often links to Daim even today.

However, it must be noted that Daim had reportedly divested his interests in International Bank Malaysia prior to this merger exercise as he was made finance minister for the second time around this time.

Speaking to Far Eastern Economic Review in a 2004 interview, Daim said he sold his interest in Langkah Bahagia to an associate in 1998. Mohd Nasir Ali, the Langkah Bahagia shareholder who

admitted that he was acting on Daim's behalf in the 1997 acquisition of Hock Hua Bank, remains a shareholder in Langkah Bahagia today according to public records.

A check on AFG's annual report for 2013 showed that Vertical Theme Sdn Bhd, a joint venture company between Langkah Bahagia Sdn Bhd and Temasek, has a 26.99% stake.

Also in 1996, UMBC which Daim reportedly exited in 1986 had become part of Sime Darby and was renamed Sime Bank, and eventually absorbed by RHB Banking Group founded by Rashid Hussain and Chua Ma Yu, two men often linked to Daim.

Going global with ICB

When ICB Financial Group Holdings AG arrived on London's AIM in 2007, it was clear that Daim was still very much in the banking business.

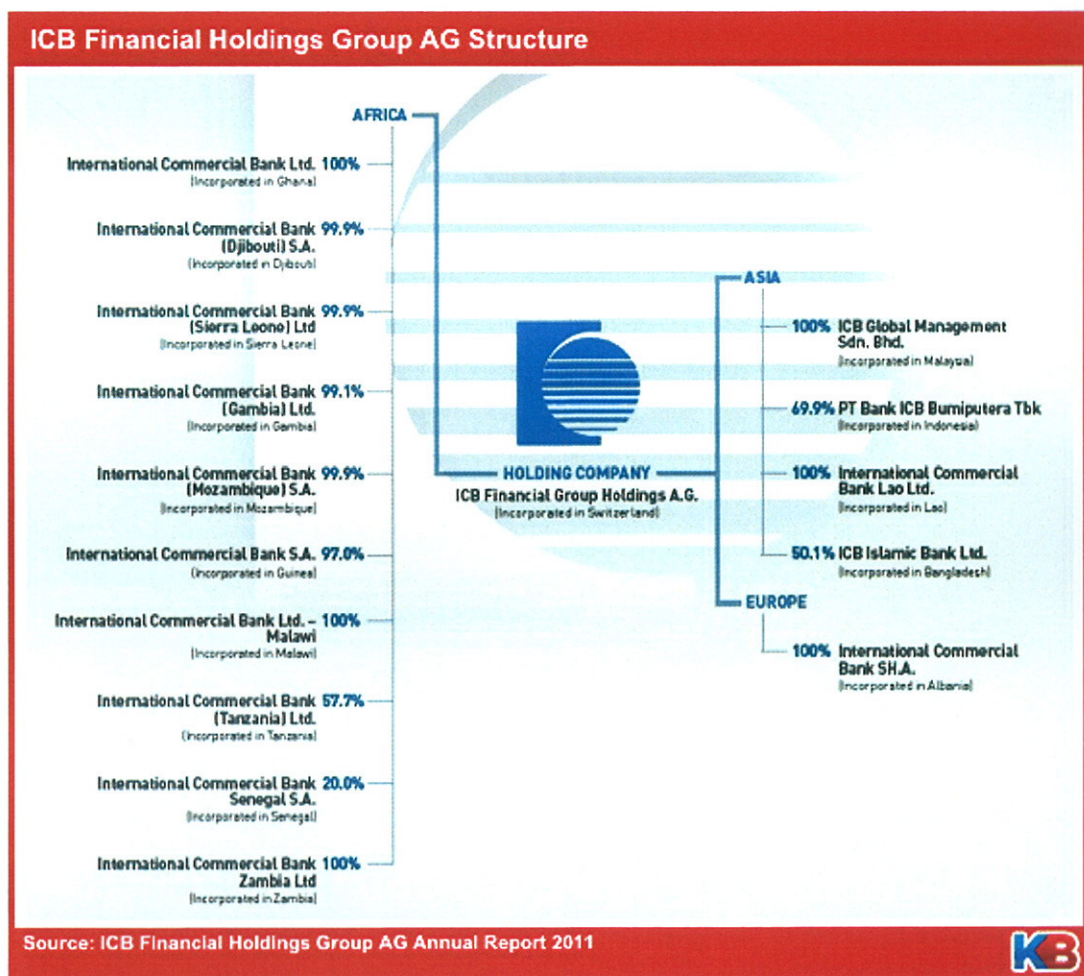
ICB traces its history back to 1993, when it opened its first two banks in Prague, Czech Republic and Budapest, Hungary respectively. Three years later ICB had expanded into Africa, where it set-up shop in a number of countries.

"Daim is shy and he doesn't like crowded places. So, Eastern Europe and Africa are natural destinations as hardly anybody knows him there," one close associate of Daim was quoted as saying on the choice of destinations for ICB's expansion.

As of 2011, ICB had banking operations in 14 countries across Asia, Europe and Africa. ICB's operational model has reportedly been to set-up banks from scratch rather than acquire existing banks in order to improve cost and policy controls as well as avoid inheriting a poor work culture or bad loan portfolios.

According to ICB's 2011 annual report, it had

approximately US\$1.48 billion (about RM4.88 billion) in assets. However that year ICB posted net losses of US\$2.8 million (RM9.22 million) mainly due to losses from its Indonesian subsidiary PT Bank



ICB Bumiputera Tbk.

At this time, Daim held a 61.3% stake in ICB via Daim Limited. Media reports say that his control via other associates bring that figure up to roughly 75%.

In November 2012 ICB delisted from London's AIM, one month after the proposal was mooted to shareholders.

"The AIM listing no longer serves a useful function for the company in terms of providing access to capital or enabling the shares to be used to effect acquisitions," ICB chairman Michael Hanlon was quoted as saying about the delisting.

In addition, the board also noted that ICB's shares lacked liquidity and has seen its market capitalisation drop since listing in 2007.

Following the delisting, Daim effectively became the private owner of a global banking operation spanning three continents again.

Malaysian corporate figures aplenty in ICB

It is worth noting that a number of notable Malaysian corporate figures surface in ICB as well as its subsidiaries. While details on most of ICB's subsidiaries are scarce, KiniBiz takes a brief glance at some of the names that appear.

Daim-linked tycoon Robert Tan Hua Choon was reportedly the one who set-up IC Bank in Prague in the early 1990s with a capital of US\$13 million (RM42.8 million). IC Bank would eventually become part of ICB.

Similarly, one of ICB's board directors is Zakaria Abdul Hamid, who is chairman of Landmarks Bhd in which Daim once had an interest. Zakaria's long career includes involvements with other Daim-linked companies such as Maybank, Bumiputra Merchant Bankers, Technology Resources Industries and Malaysia Helicopters Services.

More recently, Zakaria was also on the boards of Alliance Investment Bank, Alliance Bank Malaysia and Alliance Islamic Bank.

Additionally, ICB's subsidiary ICB Islamic Bank Limited is chaired by Dr Hadenan Abdul Jalil, who is currently director of Maybank and chairman of Protasco. Hadenan also sits on the board of Maybank Islamic.

Another board member of the Bangladesh-based ICB Islamic Bank Limited is Tee Kim Chan, who was a board member of Alliance Banking Malaysia until 2011. He currently sits on the board of The Nomad Group Bhd.



Interestingly, The Nomad Group's board is chaired by Langkah Bahagia shareholder Mohd Nasir Ali. Apart from his interest in Langkah Bahagia and chairman's position with The Nomad Group, Mohd Nasir is listed as group executive director of Umno-linked Utusan Melayu (M) Bhd.

Connecting the dots in the market

In recent years corporate observers have noticed a growing trend in business moves involving Daim as well as those seen to be linked to him.

The common theme appears to be divestment — while Daim is seen to be paring down his stake in ICB, it was reported that some of his close associates have also quietly cashed out of some of their holdings.

Perhaps the most significant deal linked to Daim in recent years is the equity sale in Bank Internasional Indonesia (BII) to Maybank in 2008. BII was then the sixth-largest bank in Indonesia. The deal saw Maybank [pay about RM4.26 billion](#) for 55.6% equity in BII from a consortium led by Singapore's state investment arm Temasek Holdings.

Maybank had initially offered US\$1.5 billion (about RM4.8 billion) for the deal plus an additional US\$1.2 billion (about RM3.95 billion) for the remainder 44.3% in BII, which valued BII at about RM9 billion. Criticism followed as the valuation was said to be about 23% higher than BII's market value at the time.

However Bank Negara Malaysia, whose approval was required for the deal, intervened by saying the price was too high. Subsequently the price was discounted by about RM758.9 million.

The Temasek-led consortium bought into BII in 2003, initially buying 51% from the Widaja family. Daim's ICB was reportedly part of the consortium and held 13.3% immediately after the buy-in.



While not all these divestments can easily be tracked, the emerging question is whether there is an underlying pattern to these corporate moves. Is something brewing in the market?

Yesterday: Daim: [From teacher to corporate godfather](#)

Tomorrow: [Spotlight on Daim and associates' doings](#)