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Arab-Malaysian, Hong Leong Bank could be on their own

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AS the market is abuzz with talks on the changes in the number of merged banking groups, industry sources are predicting that Arab-Malaysian Bank Bhd and Hong Leong Bank Bhd will break away from the arranged marriage of six anchor banks.

Another strong contender but with less chances, they said, is RHB Bank Bhd.

All three banks have "strongly" showed their interests in pulling out from the groups under Bank Negara Malaysia's initiated consolidation of the banking industry, "and be on their own," sources added.

They say Arab-Malaysian has been lobbying not to be included under the proposed lead bank, Perwira Affin Bank Bhd, from day one as the group felt that it has been wrongly misjudged.

"Arab-Malaysian has a clean balance sheet now and has taken care of all the bad debts rather efficiently. The fact that they received capital injection from Danamodal (Nasional Bhd) should not work against them," said a source.

Banking analysts said Arab-Malaysian Bank, with total assets of RM11.5 billion, is strong enough to be on its own without merging with any other banks.

RHB Bank is also seen as another possible anchor bank, they said adding that "going by its total assets of about RM54 billion, the bank is in a much better position than Multi-Purpose (Bank Bhd).

"With the largest number of financial institutions placed under the group, including several big banks, one cannot help but wonder how Multi-Purpose is able to become the lead bank."

Multi-Purpose has 11 financial institutions (FIs) under its wings - namely five commercial banks, four finance companies and two merchant banks.

"However, the big number should not be a consideration to form a breakaway group. Some of them are small while one or two were having problems. It makes sense for these weak ones to be merged," said a source who is involved in the merger exercise.

Talks that the Government might change the number of anchor banks as well as who will become the lead, emerged when reports quoted Prime Minister Datuk Seri Dr Mahathir Mohamad as saying over the weekend that the figure six was an arbitrary one.

Dr Mahathir said that it was not a certainty that there would be six merged banking institutions to replace the smaller ones.

Analysts said another party which has shown interest to be one of the lead banks is Hong Leong, which has shown that it is "good" enough to be one, said a source.

"Hong Leong has built its operations to be 10 times better than what it was previously. To them this is a justified reason to be an anchor bank, although at this point I am not sure who will be merged with them," added the source.

However, another source said the number of anchor banks could either be more than six or even less.

"I think the Government wanted them to sign the MoUs first. What is important now is to push for the consolidation. How many anchors there will be and who will end up marrying whom could be rearranged later," he added.

It is understood that Bank Negara is adamant that the number of anchor banks remains at six based on the banks' shareholders fund. Comparatively, RHB Bank's shareholders fund which stood at RM3.16 billion is more than Perwira Affin Bank Bhd, one of the anchor banks, at RM1.37 billion.

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