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## Govt flexibility on bank merger issue hailed

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THE Government is being pragmatic and flexible by allowing Malaysian banks to decide which institution should lead mergers in the industry and how many merged entities will eventually be formed, analysts say.

They said at the end of the day, it is the quality of mergers that is important, and not the number of merged entities.

"It is better to have seven or eight well integrated and successful merged banks, than to have six unsuccessful banks. The critical issue is consolidation. If they can keep it (the number of merged banks) in single digits, I think that is good enough," Jardine Fleming Broking analyst Stephen Weller told Business Times.

He said foreign investors are not too caught up with the number of merged financial institutions, as long as consolidation of the industry continues.

"The core banks will stay, with some possible reorganisation of their merger partners. There is market speculation that some non-core banks may now want to become core banks, so we expect buying interest on these banking stock prices," an analyst with Merrill Lynch Global Securities said.

Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday that banks will be allowed to select anchor banks among themselves in a merger exercise to reduce the number of domestic banks in the country.

Bank Negara had earlier announced that there will be six large banking groups, but Dr Mahathir said the National Economic Action Council decided that the number of core banks should not be fixed.

The six anchor banks identified by the central bank were Malayan Banking, Multi Purpose Bank, Bumiputra-Commerce Bank, Perwira Affin Bank, Public Bank and Southern Bank.

Kompleks Metrowangsa managing director Dr Ghazali Atan said the market has already factored in the likelihood that some merger partners may feel disadvantaged and that they should instead be the anchor banks for the mergers.

"This does not affect the big guys like Maybank, Bumiputra-Commerce and Public Bank. Now (with this flexibility) they (the non-anchor banks) may attract some speculation," he added.

Another analyst said so far there has been no official word from any of the financial institutions that they have pulled out of talks with their merger partners.

It is believed that under the Memorandums of Understanding signed by the financial institutions before the September 30 1999 deadline, there is a clause which requires the institution to notify Bank Negara if it wants to terminate its due diligence exercise.

"All the while we try not to second guess what they are going to do. We help investors decide whether to play the core banks or the non-core banks. Knowing investors, however, the shares of non-core banks will likely see more buying interest than those of the core banks," the analyst added.

Another analyst cautioned, meanwhile, that a rush by the other banks to claim that they should be anchors for the mergers may delay the merger exercise.

"No doubt, the reduction in the number of banks in the country will be maintained. The only question is the quantum. Bank Negara would have the

resources to know how prepared the banks are to withstand foreign competition," he added.

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