

# RHB, Utama merger talks reach impasse

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## Pricing the stumbling block, say analysts

BANKING groups RHB and Utama Banking were reported deadlocked yesterday over pricing in their merger talks, banking sources said.

Financial analysts, quoted by Reuters, said the Government might have to step in to stitch the deal, which would determine control of the nation's third largest banking group.

It will also mark the completion of the Government's plan to create 10 core banking groups in the aftermath of the 1997-98 Asian financial crisis, and analysts are already expecting a second phase of consolidation to begin soon.

Top officials from the two sides met until

late on Wednesday but failed to come to an agreement after months of talks, said a source familiar with the negotiations.

"The talks are slow and are not moving as fast as expected," the source said. "Pricing is the main stumbling block."

Prime Minister Datuk Seri Dr Mahathir Mohatnad said on Tuesday he hoped there would be a positive decision on the merger this week. "It seems there's no way out for them," a banking analyst said.

One banking analyst said Government intervention seemed inevitable.

"If RHB and Utama cannot work it out, then the Government has to come in to make it work," he said. "At this stage,

anything can happen."

Small, retail-based Utama is seeking to buy up to 46 per cent of Rashid Hussain to gain control of the financial group.

Rashid Hussain Bhd owns 55 per cent of RHB Capital, which in turn owns 70 per cent of unlisted RHB Bank.

Utama has offered to buy a 22 per cent stake in Rashid Hussain from Malaysian Resources Corp Bhd (MRCB) at RM3.80 a share.

However, analysts said MRCB now wants RM4.80. RHB chief Tan Sri Abdul Rashid Hussain is reported to be reluctant to sell his personal holding for less than RM6 a share.