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Utama share price falls after PM's comment

KUALA LUMPUR: Utama Banking Group Bhd shares fell to their lowest level in four weeks after Prime Minister Datuk Seri Dr Mahathir Mohamad said the lender risked losing its licence if it does not merge with another rival by June.

Utama shares fell 4.9% to RM1.56 in the morning but recovered some ground in the afternoon to end at RM1.62, down two sen.

Mahathir yesterday said merger talks between Utama and RHB Capital Bhd, the country's third biggest lender, had collapsed.

Cahaya Mata Sarawak Bhd, Utama's parent, dropped 2.3% or five sen to end the day at RM2.13.

"Utama has to either offer the price Rashid wants or start talking with other smaller rivals where negotiations may be easier" to conclude, said Nor Hayati Abdul Hamid, who helps manage RM201.4 million at Metrowangsa Asset Management Sdn Bhd.

She doesn't own shares of Utama or RHB Capital.

Utama had failed to merge with other lenders when the government cobbled its 54 banks into 10 larger groups in December 2000, so as to build stronger domestic lenders to compete with HSBC Holdings Plc, Citibank NA and other foreign banks.

It has since been talking to RHB as the government continued to prod it to find a larger partner. Those talks have been deadlocked over price.

Mahathir's comments came after RHB Capital's founder and chairman Abdul Rashid Hussain said negotiations with Utama were facing pricing hurdles. - Bloomberg