

# Final encounter

## Merger saga may end this Friday

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In the latest chapter of the RHB-Utama bank merger saga, industry sources say the Ministry of Finance and the central bank have agreed to give Bank Utama another chance to merge with RHB Bank following an appeal by Sarawak Chief Minister Tan Sri Abdul Taib Mahmud.

It also believed that CMS, which is controlled by Taib Mahmud's family, has given an undertaking to the central bank that there will be no more foot-dragging on the merger.

In the negotiations with RHB, Utama Banking Group (UBG) is led by CMS deputy chairman, Sulaiman Abdul Rahman Taib, Taib Mahmud's son.

Industry observers say Prime Minister Datuk Seri Dr Mahathir Mohamad's strong statement last week that UBG's licence could be withdrawn if it does not merge over the next six months has been the catalyst that sent UBG scrambling to salvage the deal.

It is believed that Sulaiman had sought a meeting with Tan Sri Rashid Hussain after Dr Mahathir's comments.

"The danger of losing the licence for Utama is very real. What options does Utama have? While it may have no problem topping up its shareholders funds to RM2 billion, raising its assets to RM25 billion [a requirement for anchor bank status] is next to impossible within such a short time frame," comments an industry observer.

More importantly, Dr Mahathir, who is also Finance Minister, made it quite clear last week that the list of anchor banks will not be increased.

UBG is running out of potential merger partners after failing in three previous attempts, first with Affin Bank and then with AMMB Holdings. The third try was with EON Bank but talks were called off even before they could start.

Last week, on the sidelines of the RHB 2002 investor conference, Rashid had appeared relieved after the Prime Minister said merger talks between Rashid Hussain Bhd and UBG have fallen through and that UBG would be given six months to find a new partner.

This had left Rashid free to seek other options. The prime minister had also said that RHB Bank could either stand alone as it is already an anchor bank or it could seek other merger partners.

Indeed, the market was rife with talk that Rashid would merge his bank with Bumiputra Commerce Bank (BCB), the banking arm of Commerce Asset-Holding Bhd (CAHB). It is understood that Arab-Malaysian Merchant Bank was one of the parties involved in coming up with the scheme of arrangement to merge BCB and RHB Bank.

A merger between BCB and RHB Bank would have created a banking entity with assets totalling RM33.4 billion, compared with Malayan Banking's RM41 billion. But it appears that the BCB-RHB Bank merger is now on hold. And Rashid will have to be patient a little longer, for another week to be exact, because the RHB-Utama bank merger has been revived.

Industry sources tell *The Edge* that Bank Negara Malaysia has given UBG until the end of this week to sign a deal with RHB. It is also understood that the board of Cahya Mata Sarawak (CMS) Bhd, the parent of UBG, will meet again this Thursday to approve the merger. An agreement is expected to be inked by Friday.

According to industry sources, UBG will acquire Rashid's 23.9 per cent stake in RHB at around RM6 a share and the warrants at around 60 sen each. UBG is also in separate negotiations with Malaysian Resources Corp Bhd (MRCB) to buy the latter's 22.7 per cent stake in RHB.

MRCB had said last year that UBG will pay RM3.80 per RHB share. But the new management at MRCB subsequently renegotiated the deal and the price has since been revised to RM4.80 a share. Neither party has confirmed the new price.

Banking analysts contacted by *The Edge* believe UBG will likely apply for a waiver with regard to the mandatory general offer for the rest of RHB shares if the proposed merger is revived.

The lack of a decision on the merger was because not all on the CMS board of directors saw eye to eye on the tie-up with RHB, despite several board meetings to discuss the issue.

"It's an internal problem," says a source close to the negotiations.