

# Utama group gets go-ahead to buy RHB

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By WONG SULONG

A BREAKTHROUGH has been achieved in the long-running Bank Utama-RHB Bank merger saga, with Cahya Mata Sarawak Bhd (CMS), the controlling shareholder of Utama Banking Group (UBG), now agreeing to proceed with the takeover of RHB Bhd.

According to banking sources close to the deal, the board of CMS will now authorise the board of UBG to proceed with the purchase of stakes in RHB held by Malaysian Resources Corp Bhd (MRCB) and Tan Sri Rashid Hussain.

MRCB has a 22.7% holding in RHB while Rashid, who is RHB executive chairman, has a personal stake of 23.9%, making him the largest shareholder.

"Only a couple of technical issues need to be sorted out; otherwise everything is in place for a definitive sale and purchase agreement," the source told *Star Business*.

"This time, it looks like there is no turning back," the source added.

It is understood that the tough stand taken by Prime Minister Datuk Seri Dr Mahathir Mohamad finally convinced the CMS board that it had to make a decision on the RHB purchase within this week.

The prime minister has said that if CMS and UBG did not proceed with the

merger with RHB, Bank Utama would be given until June to find itself another anchor bank partner or lose its banking licence.

Sarawak Deputy Chief Minister Datuk Dr George Chan had argued that Sarawak wanted UBG to be accorded anchor bank status - the 11th - to serve the banking needs of Sabah and Sarawak, but Dr Mahathir was insis-

tent that there should only be 10 anchor banks in the country.

The prime minister is anticipating that further down the road, these 10 anchor banks would have to undergo further consolidation

to prepare for foreign competition.

Utama Bank, which is controlled by UBG, is the only local bank that has yet to find an anchor bank partner.

It is believed that in the negotiations, UBG agreed to pay RM3.80 per share for MRCB's stake in RHB and in later negotiations with Rashid agreed to pay RM6 per share for his stake.

Subsequently, MRCB, under its new management, went back to UBG, and the two parties were believed to have agreed on a higher price of RM4.80 although this has not been formalised.

UBG may have to pay as much as RM1.168bil for the 46.6% stake in RHB it is planning to buy from MRCB and Rashid.

The Utama-RHB merger talks have

been going on for nearly a year, and there have been many twists and turns.

At various times, the two parties were on the verge of going different ways. It is reported that Rashid has had exploratory discussions with Bumiputra-Commerce Bank on a sale and found the negotiations far more amicable than his discussions with the Utama group.

It is also reported that at various times the Utama group was considering a merger with the Alliance Banking group, or lobbying for anchor bank status for itself or to be left alone as an east Malaysia-based bank.

A sale of their RHB stakes would allow both MRCB and Rashid to retire a big portion of their debts.

Rashid has said if he sold his shares in RHB, he would want to exit the banking industry.

RHB owns 55.4% of RHB Capital Bhd, which in turns owns 70% of RHB Bank, the country's third largest bank. RHB's other major asset is its 80% stake in Vision City, a huge commercial/office complex in Kuala Lumpur.

When the government initiated the bank mergers in late 1999, Utama was supposed to be paired with Perwira Affin Bank. In February 2000, the talks were suspended, and Utama began negotiations with the Arab-Malaysian Banking group. The negotiations with Affin were abandoned in early 2001, and Utama obtained approval from Bank Negara to talk to EON Bank. These talks were called off last April and Utama began negotiations with the RHB owners.

