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Utama shares may feel impact of deadline

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SHARES of Utama Banking Group Bhd may fall following Prime Minister Datuk Seri Dr Mahathir Mohamad's statement yesterday, giving the bank until June to find a merger partner, analysts say.

Dr Mahathir, who is also Finance Minister, was quoted as saying that Utama must find a partner within six months beginning end of 2001 as it is not qualified to become an anchor bank.

"It doesn't have sufficient capital ... besides, we allow only 10 anchor banks and Utama has not joined with anyone," Dr Mahathir told reporters yesterday.

It is, however, unclear whether Utama has abandoned talks with RHB Bank Bhd and is looking for another partner, or is continuing the negotiations. No official statements have been issued by Utama or its negotiating partner about the outcome.

For the past three weeks, market talk has it that the RHB-Utama negotiations have stalled and may end unsuccessfully.

Analysts said while RHB shares may also fall on profit-taking, shares of Utama would probably take a beating. "The market may read this as the sign that talks were unsuccessful," said a fund manager.

"If the merger does not happen, RHB has nothing to lose. Utama, on the other hand, would have to start from scratch, and six months is a short time to complete a merger," he added.

It is reported that both banks could not come to an agreement over the valuations. Tan Sri Abdul Rashid Hussain is said to have fixed on a selling price of RM6 per share while Malaysian Resources Corp Bhd (MRCB) upped its price for its 22.7 per cent of RHB shares by RM1 to RM4.80 each.

Utama shares were unchanged at RM1.70 yesterday, but its parent company Cahya Mata Sarawak Bhd shed 1.8 per cent to end at RM2.23.

Meanwhile, Rashid Hussain Bhd tumbled 8.2 per cent to end at RM2.12 and RHB Capital Bhd shed 4.7 per cent to RM2.46. Merchant bank RHB Sakura Bhd fell 6.5 per cent to RM2.60.

Utama officially started its negotiation with RHB Bank in April last year. Prior to this, it had two unsuccessful talks with the Arab-Malaysian banking group and EON Bank Bhd. It was said that the two talks failed because Utama wanted to be in control.

"At this point, the four other big banks would probably not be keen to pay a good price for Utama. The only candidates may be smaller banks like Affin Bank Bhd, Alliance Bank Bhd or Southern Bank Bhd," said the fund manager.

Utama is the only bank yet to merge with an anchor bank and has just missed the Bank Negara Malaysia deadline to increase its shareholders' capital to RM2 billion by the end of last year. Its shareholders' funds as at the end of September were at RM995 million.

According to news reports, Utama and RHB were expected to meet up with Bank Negara officials yesterday to come to a final decision about the merger.

The board members of Utama were believed to have met up with the Sarawak Chief Minister on Friday night to determine whether Utama would proceed as planned and acquire RHB Bhd stake from MRCB and Abdul Rashid, or to completely cash out of the banking business.

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