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Alliance the most likely candidate for Utama?

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THE expected unraveling of its merger talks with RHB Bank Bhd will force Utama Banking Group Bhd to start negotiations with other anchor banks, and the most likely candidate will be Alliance Bank Bhd.

According to sources, Bank Negara Malaysia may just step in this time and push the bank in its negotiations with Alliance so that it would be merged by the June deadline.

On Monday, Prime Minister Datuk Seri Dr Mahathir Mohamad told reporters that Utama has been given six months to find a partner, but things may prove even difficult for the bank now as it has also ran out of potential partners.

If the discussions with RHB Bank fail, it will be the fourth time Utama has called off its merger talks. It has previously conducted talks with Affin Holdings Bhd, AMMB Holdings Bhd and EON Bank Bhd.

Considering that Utama is persistent in retaining its control - the main cause of the previous talks' collapse, it would have to rule out partnership with any Big Five banks which include Malayan Banking Bhd, Commerce Asset-Holding Bhd and Public Bank Bhd.

Analysts generally agreed that Alliance would be the most likely candidate for marriage with the Sarawak-based bank. "It would have to be a bank where the control is less tight for Utama to gain management.

"The others, such as Public Bank and Hong Leong Bank Bhd, are strongly held by individual shareholders," said Stephanie Wee of CIMB Securities.

Alliance Bank is a 78 per cent-subsiidiary of Malaysian Plantations Bhd, which in turn is 64.2 per cent-owned by the Multi-Purpose Holding group.

Public Bank's main share holder is Tan Sri Teh Hong Piow, while Hong Leong Bank is held mainly by Tan Sri Quek Lek Chan.

The only other candidate for the possible merger with Utama would be Southern Bank Bhd, but analysts say it is unlikely due to differences in the management culture of both banks.

Market talk has it that Southern Bank is looking for a foreign partner to boost its position.

The time factor is putting Utama on a definite disadvantage, no matter who it will end up merging with. Currently, no banks would be in a hurry to seek Utama's hand as they will be able to get a better price the longer they wait.

Even if Utama and Alliance were to be made compulsory to discuss, Utama would need the merger more than the latter. "Given the time frame given by the Prime Minister, they (Utama) have little bargaining power," said CIMB's Wee.

Utama's shareholder funds were RM995 million as at the end of September, and Dr Mahathir has said it will not extend the group anchor bank status.

Alliance, the smallest anchor bank in terms of assets and loans, announced to the Kuala Lumpur Stock Exchange earlier this month that its shareholder funds were more than the required RM2 billion. "Technically, they (Alliance) do not have to merge," said a banking analyst.

Investors seemed to have sensed that Utama will not be having such a smooth ride after the recent turn of events. The company's shares extended their fall by 2 sen to end at RM1.62 yesterday, while parent company Cahya Mata Sarawak Bhd lost another 5 sen to end at RM2.13.

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