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CMSB board in KL to discuss merger

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THE board of Cahya Mata Sarawak Bhd, the controlling shareholder of Sarawak-based Utama Banking Group, met in Kuala Lumpur yesterday to discuss Utama Bank's proposed merger with RHB Bank.

This came after reports that Bank Negara has asked the two banks to move ahead with the merger plan and that a decision must be reached by the end of this week.

Seen at the meeting, which was held at the Utama Merchant Bank corporate office in Central Plaza, Jalan Sultan Ismail, were CMSB CEO Sulaiman Abdul Rahman Taib and UBG director Vaseehar Hassan Abdul Razack.

The markets in the past week have been rife with talk that the banks' proposed merger would fail and both banks would have to look for alternative merger partners.

However, some banking analysts contacted yesterday expressed confidence that the deal to merge would be closed this week, and the terms agreed on would be "quite surprising".

Merger talks between Utama and RHB which began last February have been hampered by mostly two issues - pricing and management control.

Utama was supposed to buy a 22.7 per cent stake in RHB from Malaysian Resources Corporation Bhd at RM3.80 per share and RM6 per share for the 23.9 per cent stake from RHB founder Tan Sri Rashid Hussain.

RHB is the parent of RHB Capital Bhd which in turn owns the unlisted RHB Bank. With RHB's current low share price of less than RM3, analysts said the purchase prices are unattractive for Utama to agree on.

"Furthermore, if Utama managed to buy a total of 46 per cent stake in RHB, it would have to undertake a mandatory offer for the remaining RHB shares at the same price, unless a waiver is obtained. This will not only drain the liquidity from Utama but also Cahya Mata," said an analyst from MIDF Sisma Securities.

Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday expressed hope that RHB Bank, the country's third largest, would decide this week to merge with the much smaller retail-based Utama.

Dr Mahathir, who is also Finance Minister, said despite the merger being a voluntary one, the Government had agreed that there would be no more licences for banks which had capital of less than RM2 billion.

"So, we will see what happens to Utama Bank," he had said.

Utama Bank has about 35 branches and almost RM7 billion worth of assets. It has a customer base of 300,000.

Under Bank Negara's consolidation exercise, Utama was initially grouped with Affin Bank Bhd. However, this did not materialise and Utama then began merger talks with AMMB Holdings Bhd.

The Utama-AMMB discussions fell through last year as both parties terminated their talks. Then EON Bank Bhd came into the picture but this also was not a successful one. RHB shares closed up one sen at RM2.30, RHB Capital was down six sen at RM2.64 while Utama rose two sen to RM1.71.

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