

29/01/2002

Utama gets more time to complete merger

Kamarul Yunus

UTAMA Banking Group has been given more time to complete its proposed merger with RHB Bank Bhd, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"It would seem that Utama has come back, wishing to complete (the merger deal). As such, they (Utama) have been given a bit of time," he told newsmen after launching the Finance Ministry's Quality-Day celebration in Kuala Lumpur yesterday.

Dr Mahathir, who is also Finance Minister, was asked on the fate of Utama and the deadline for it to seek a partner after negotiations with RHB Bank reportedly fell through.

On a report that Utama has been given until this Friday to settle the deal, Dr Mahathir said he did not know the exact deadline for Utama to conclude the deal.

"I would not know the exact date but they (Utama) are given a little bit of time, which is not six months," he said.

The deadline for Utama to find a partner was originally on December 31 last year and this was extended to six months from that date.

Talks between RHB Bank and Utama, which began in April 23 last year, have reached deadlock over pricing and issues of control.

Sarawak-based Utama is the only bank that has yet to find a partner following an industry-wide consolidation in 2000 that saw the country's 54 financial institutions being combined into 10 groups. Financial market talk has linked Utama with Alliance Bank Bhd, part of Malaysian Plantations.

Including RHB Bank, Utama has so far talked to four banks, and each time pricing and management matters were a stumbling block. The other banks were AMMB Holdings Bhd, EON Bank Bhd and Affin Bank Bhd.

Utama is 51.7 per cent owned by Cahya Mata Sarawak Bhd while RHB Bank is 70 per cent owned by RHB Capital Bhd, which in turn is owned by Rashid Hussain Bhd (RHB).

Meanwhile, the market is concerned that the union of the banks will leave the smaller bank in control of RHB. While the merger would be good synergy in terms of operations, the management issue is another matter.

"There will be less redundancy in this merger as the operations between the two banks do not overlap much," said a banking analyst.

Utama has a strong presence in Sabah and Sarawak where it focuses more on large corporations, as opposed to RHB's greater emphasis on small to medium enterprise and consumers.

It is widely expected that Tan Sri Rashid Hussain will exit the banking industry once the merger materialises and the new management would consist of the Utama people.

Some analysts find this worrying as Utama has poor asset quality, particularly high non-performing loans (NPLs). Its net NPL ratio at the end of September was at 18.5 per cent, as opposed to the industry average of 11.4 per cent.

On the converse, RHB Capital's net NPL at end June last year stood at a low 6.4 per cent.

"Its higher NPLs means Utama has weak risk management. It is a great concern if the same team will be in charge of a bank of RHB's size," said the analyst.

RHB has 217 branches all over Malaysia while Utama has 35 branches, 15

of which are located in Sarawak.

Furthermore, RHB Capital has an asset base of RM57.1 billion on top of a loan size of RM38.1 billion. Utama, meanwhile, has an asset base of RM4.5 billion and a loan size of RM9.1 billion.

Bernamea reports: Bank Negara Malaysia yesterday gave a six-month extension until June 30 2002 for the banking institutions to comply with Section 14 of the Banking and Financial Institutions Act 1989 (Bafia) in having a minimum capitalisation of RM2 billion.

Bank Negara said in a statement that banking institutions that had not achieved the minimum capitalisation by December 31 2001 would be in contravention of Section 14.

However, to ensure that there is no disruption to banking services and to protect the interest of the public, the central bank granted the extension period.

Bank Negara said as a result of a consolidation that has taken place in the Malaysian banking sector, 10 anchor banks have emerged having complied with all the requirements of anchor bank status which include minimum capitalisation, total asset size and other prudential requirements.

"These achievements have increased the potential of the banking sector to support the changing needs of our economy and to face the increasing challenges of the environment in which we are operating," the central bank said.

It also said that the deadline imposed by negotiating partners in respect of a merger process should not be attributed to Bank Negara.

(END)