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PM: Utama has until June to find merger partner

PRIME Minister Datuk Seri Dr Mahathir Mohamad said yesterday he would give Utama Banking Group until the end of June to find a merger partner amid speculation the group's talks with the RHB group had collapsed, a Reuters report said.

Last week, Dr Mahathir had said he hoped both groups would reach an agreement by week's end.

"Well, we have to deal with the situation because Utama has not qualified to become an anchor bank. It doesn't have sufficient capital," he told reporters after launching a community centre sponsored by Puteri Umno at the Taman Seri Manja flats in Petaling Jaya.

"Besides we allow only 10 anchor banks and Utama has not joined up with anyone. So, we have given time ... for about six months. Within that time they must find a partner." He said the six-month period started at end-2001.

Talks between RHB, the country's third largest banking group, and Utama, which began in April last year, have been deadlocked over pricing and issues of control.

Utama, based in Sarawak, 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 combined into 10 groups.

Financial market talk has already linked Utama with Alliance Bank, part of Malaysian Plantations.

Some analysts said Utama might also appeal to the Government to be made an 11th core group to be spared from having to merge.

But Dr Mahathir said the Government still wanted to limit the number of banking groups to 10. "It will be 10 banks, no more," he said.

RHB shares yesterday went down 19 sen to RM2.12, RHB Capital dropped 12 sen to RM2.46 and RHBMB dived 17 sen to RM2.60. Utama's shares ended unchanged at RM1.70 after dipping to RM1.67.

SJ Securities Sdn Bhd said the main problem in Utama's search for a merger partner lies in the issue of control and pricing.

"Although Utama is significantly smaller than the parties it is negotiating with, Utama is trying to seek some form of control ... we believe this made merger negotiations difficult to advance."

The stockbroking firm said if Utama needed to fork out about RM1.17 billion to acquire 46.63 per cent of RHB from Malaysian Resources Corporation Bhd and RHB founder Tan Sri Rashid Hussain, or RM2.7 billion with a mandatory general offer, it would probably be more desirable for the shareholders of Utama to capitalise the banking group to meet the RM2 billion shareholders' funds.

Utama's shareholders fund stands at RM981 million.

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