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RHB to start merger talks with Bumi-Commerce? (HL)

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RHB BANK is strongly tipped to start serious talks with Bumiputra-Commerce Bank (BCB) now that its merger negotiations with Utama Bank are said to have collapsed.

BCB could fork out between RM1.2 billion and RM1.3 billion for a 46.63 per cent stake in Rashid Hussain Bhd (RHB) and the numbers may be finalised as quickly as in two weeks, an industry source told Business Times.

Despite denials by various parties, the source is convinced that RHB would merge with BCB to create a bank to rival Malayan Banking, the current runaway leader in the sector.

"Everything is pointing to it. BCB, part of the Renong Group, is basically owned by the Government, and we believe the Government has given this deal its blessing.

"Tan Sri Rashid Hussain (founder of the RHB Group) will get his RM6 per share and Malaysian Resources Corp Bhd (MRCB) between RM4.50 and RM4.80.

The two banks will have a combined RM126 billion in assets, which is not very far off Maybank's RM140 billion.

Rashid owns 24 per cent of RHB, which in turn owns 55 per cent of RHB Capital Bhd.

RHB Bank is a 70 per cent subsidiary of RHB Capital.

Media and property group MRCB is the second largest shareholder in RHB with a 23 per cent interest.

The source said the deal between RHB and Utama fell through over the issue of control and pricing.

There were also concerns that in the current uncertain business climate, Cahya Mata Sarawak (CMS), the controlling shareholder of Utama, might face problems raising funds to pay off Rashid and MRCB.

Utama and RHB started talking on April 23 last year and two months later, Utama announced that it was buying a 23 per cent stake in RHB for RM399.48 million from MRCB.

Utama Banking Group is 52 per cent owned by CMS.

The Kuching-based bank, which has about 35 branches and almost RM7 billion worth of assets, may now be directed to talk to another anchor bank.

"If that does not work out as well, Utama may be taken over by Bank Negara, and with RHB merging with BCB, there will be nine anchor banks left in the country.

It's a possible scenario, given the need for further consolidation in the industry," another source said.

Prime Minister Datuk Seri Dr Mahathir Mohamad said this week that Utama has been given six months to find another partner or risk having its licence revoked.

Utama has also not complied with the Bank Negara deadline of December 31 2001 to increase its shareholders' funds to RM2 billion. As at the end of the September quarter, it had only RM995 million.

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