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PM hopes to see RHB-Utama deal this week

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday said he hoped RHB Bank Bhd would merge with Utama Banking Group Bhd and that a decision on the merger would be reached this week.

Market talk was rife that the merger had fallen through following disagreement over price and management, but Utama has so far denied this, saying that negotiations with RHB Capital Bhd, the parent company of RHB Bank, are still going on.

"We hope they (RHB Bank) will merge with Utama and I hope there will be a decision (made) this week because it is getting very late," Dr Mahathir told reporters after an official function in Kuala Lumpur.

At the moment, Sarawak-based Utama is the only local bank which is still not attached to a major bank. The bank also failed to meet the new RM2 billion capital fund requirement for local banking institutions which came into effect on December 31 last year.

"We have said there will be no more licences for banks with capital of less than RM2 billion, so we will see what will happen to Utama," Dr Mahathir said.

When asked what he would do in his capacity as the Finance Minister pertaining to the merger, he said: "I am running the Ministry of Finance. This (the merger) is voluntary."

Meanwhile, a banking analyst with a local brokerage told Business Times that the prime minister's statement might be an indication that he wants the merger deal to materialise fast.

"I think this will put more pressure on RHB to conclude the deal with Utama as soon as possible," the analyst said.

In April last year, RHB and Utama received Bank Negara's approval to begin merger discussions after Utama's earlier merger plans with Affin Bank Bhd, AMMB Holdings Bhd and EONBank Bhd fell through.

Market watchers said the success of the deal would largely depend on Utama's willingness to purchase the 23.9 per cent stake in Rashid Hussain Bhd (RHB) - the ultimate holding company of the RHB Group - from Tan Sri Rashid Hussain at RM6 per share and the 22.7 per cent stake in RHB from Malaysian Resources Corp Bhd (MRCB) for RM3.80 per share.

"There were even rumours that MRCB wants to sell its stake in RHB at RM4.80 per share. This would surely make it tougher for Utama to proceed with acquisition," said one sectoral analyst.

Apart from the pricing, it was understood that merger talks between Utama and RHB had faced difficulties to compromise on the controlling party issue and the formation of an ideal structure after the injection of Bank Utama into RHB Capital, which owns 70-per cent of the unlisted RHB Bank.

RHB Capital's assets are worth RM56 billion, while Utama's assets were valued at slightly over RM7 billion. If the merger between both parties is successful, the entity will beat Commerce Asset-Holding Bhd's position as the country's second largest lender.

On the Kuala Lumpur Stock Exchange (KLSE) yesterday, RHB Capital closed 6 sen lower at RM2.64 with 1.9 million shares traded, while RHB ended 1 sen higher at RM2.30 with 2.5 million units transacted.

Utama closed 2 sen firmer at RM1.71 with 693,000 shares traded while its parent company Cahya Mata Sarawak Bhd shed one sen to end at RM2.29 with only 42,000 shares changing hands.

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