

Consolidation of Domestic Banking Institutions

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Tan Sri Dato' Seri Ali Abul Hassan bin Sulaiman, Governor, Bank Negara Malaysia (BNM) wishes to announce that BNM has studied carefully the merger proposals submitted by the domestic banking institutions in the context of a number of factors, including the following :

1. The need for a substantial reduction in the number of domestic banking institutions from the present number of 54 institutions;
2. The need to structure the mergers in such a way so as to reap the maximum synergy from the merger so as to improve the profitability and efficiency of the proposed banking groups;
3. The need to ensure minimal disruption in the provision of banking services following the rationalisation of branches and employees;
4. The need to minimise post-integration costs that may otherwise affect the viability of the merged entity; and
5. The need to ensure that each banking group is of a sufficient size. In this regard, upon completion of the merger programme, each banking group will attain minimum shareholders' funds of RM2 billion and asset base of at least RM25 billion.

On the basis of the above parameters, approval has been granted for the formation of 10 banking groups, the selection of the anchor banks and their respective partners.. The 10 banking groups are as follows :

Anchor Bank	Banking Institutions in Group
Malayan Banking Berhad	<ul style="list-style-type: none"> • Malayan Banking Berhad • Mayban Finance Berhad • Aseambankers Malaysia Berhad • PhileoAllied Bank Berhad • The Pacific Bank Berhad • Sime Finance Berhad • Kewangan Bersatu Berhad
Bumiputra-Commerce Bank Berhad	<ul style="list-style-type: none"> • Bumiputra-Commerce Bank Berhad • Bumiputra-Commerce Finance Berhad • Commerce International Merchant Bankers Berhad
RHB Bank Berhad	<ul style="list-style-type: none"> • RHB Bank Berhad • RHB Sakura Merchant Bankers Berhad • Delta Finance Berhad • Interfinance Berhad
Public Bank Berhad	<ul style="list-style-type: none"> • Public Bank Berhad • Public Finance Berhad • Hock Hua Bank Berhad • Advance Finance Berhad • Sime Merchant Bankers Berhad



	<ul style="list-style-type: none"> • Arab-Malaysian Merchant Bank Berhad • Bank Utama Malaysia Berhad • Utama Merchant Bankers Berhad
Hong Leong Bank Berhad	<ul style="list-style-type: none"> • Hong Leong Bank Berhad • Hong Leong Finance Berhad • Wah Tat Bank Berhad • Credit Corporation Malaysia Berhad
Perwira Affin Bank Berhad	<ul style="list-style-type: none"> • Perwira Affin Bank Berhad • Affin Finance Berhad • Perwira Affin Merchant Bankers Berhad • BSN Commercial Bank Berhad • BSN Finance Berhad • BSN Merchant Bank Berhad
Multi-Purpose Bank Berhad	<ul style="list-style-type: none"> • Multi-Purpose Bank Berhad • International Bank Malaysia Berhad • Sabah Bank Berhad • MBf Finance Berhad • Bolton Finance Berhad • Sabah Finance Berhad • Bumiputra Merchant Bankers Berhad • Amanah Merchant Bank Berhad
Southern Bank Berhad	<ul style="list-style-type: none"> • Southern Bank Berhad • Ban Hin Lee Bank Berhad • Cempaka Finance Berhad • United Merchant Finance Berhad • Perdana Finance Berhad • Perdana Merchant Bankers Berhad
EON Bank Berhad	<ul style="list-style-type: none"> • EON Bank Berhad • EON Finance Berhad • Oriental Bank Berhad • City Finance Berhad • Perkasa Finance Berhad • Malaysian International Merchant Bankers Berhad

BNM will work closely with the individual banking groups to implement the consolidation programme. The next step for the banks is to complete the due diligence process and sign the sales and purchase agreements. Bank Negara Malaysia has set the target date of end-December 2000 for the entire consolidation exercise to be completed.

The merger and consolidation programme is a necessary pre-condition to create strong, efficient and competitive domestic banking institutions. However, it has also to be supplemented with other measures, as the consolidation programme on its own cannot achieve these objectives. BNM will, therefore, continue to introduce appropriate policies such as enhancing the expertise and professionalism of the banking personnel and bringing about more effective corporate governance to further increase the resilience and competitiveness of the domestic banking institutions in the context of the challenges of a globalised and liberalised environment. The merger programme is the first important step in this mission.

Bank Negara Malaysia
14 Feb 2000



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