

Will they or won't they?

Deutsche and Commerzbank: a marriage of (in)convenience?

Frankfurt am Main, Germany

If Germany is to become home to a global banking giant, as Berlin wants, then troubled Deutsche Bank and Commerzbank may be headed down the aisle -- but observers say it is hardly a match made in heaven.

The share prices of Germany's two largest banks briefly soared Wednesday on media reports that the finance ministry was scrutinising a possible tie-up.

The lenders, both grappling with painful restructurings after years of falling profits, have long been the subject of merger rumours.

In August, Finance Minister Olaf Scholz, who has repeatedly called for a German banking champion, said it was "a problem" that the country's big banks had fallen behind their rivals on the global stage.

Speculation about their future intensified again after the finance ministry revealed it held 23 meetings or telephone talks with Deutsche Bank officials between May and December last year to discuss "strategic options".

The German government -- which still holds a 15-percent stake in Commerzbank after bailing it out during the financial crisis -- "is open to economically sensible options," the ministry wrote in a letter responding to a parliamentary question from the Greens party.

A Frankfurt banking source with close ties to the public sector, said that Berlin clearly wanted to avoid the banks, whose low valuations have made them takeover targets, "falling into the hands of a foreign player".

'On crutches'

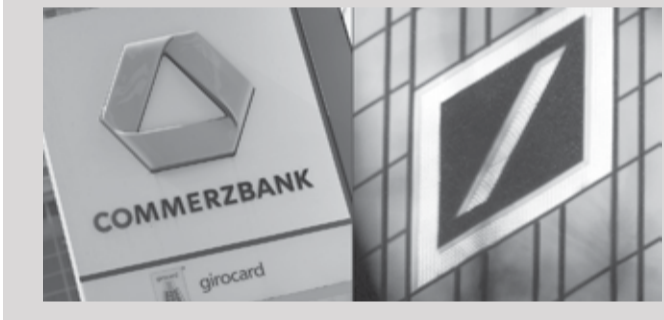
Once mighty Deutsche Bank, weighed down by costly legal woes and an underperforming investment bank, has seen its stock plummet over the years, recently hitting lows of less than seven euros per share.

Commerzbank, in the throes of a digitalisation drive and a costly bid to win new retail banking clients, tumbled out of Germany's prestigious DAX 30 index in September. Its share price has at times fallen below



German Chancellor Angela Merkel and Finance Minister and Vice-Chancellor Olaf Scholz (L) take their seats prior the start of the weekly cabinet meeting at the Chancellery in Berlin

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six euros.

If the pair did tie the knot, it would create a banking behemoth with some 2.0 trillion euros in assets, on a par with France's largest bank BNP Paribas.

Their joint customer base could in theory allow the combined group to become a significant retail banking player in Germany while giving it a springboard internationally, building on Deutsche's corporate and asset management units.

But the long-mooted union does not have everyone's blessing.

German banking regulator Bafin, while not seeing any fun-

damental hurdles to a merger, is understood to favour either maintaining the status quo or a tie-up with a non-German bank.

The watchdog believes that Deutsche and Commerzbank's current weaknesses, in terms of performance and capital buffers, would prevent them from reaping the full benefits of a merger, sources said.

"Putting two guys on crutches together doesn't make a sprinter," quipped Markus Kienle of SdK, an association representing small retail shareholders.

European solution

The European Central Bank meanwhile has signalled it

would prefer a European solution to the German banks' woes.

More cross-border consolidation would "help get the banking sector back in shape", the ECB's then-top banking supervisor Daniele Nouy said last year.

"It would also put European banks in a better position to serve large European companies and to compete successfully with other global financial actors," she added.

Deutsche and Commerzbank executives themselves have so far rubbished suggestions that wedding bells are in the air.

A merger is "neither necessary nor relevant" right now, even if things "could change in a year or two", said a source representing a large Deutsche Bank shareholder.

Any potential tie-up would have to overcome a slew of hurdles. From the headache of marrying the two firms' IT systems to dealing with unibion and cultural differences between the lenders, and the potential market challenges of recapitalising a giant with feet of clay.

Combining the banks would be a Herculean task that would take time -- "which these banks don't have in a sector in the throes of transformation", said Independent Research analyst Markus Riesselmann.



Singapore picks US F-35 fighter jet over Europe, China rivals

Singapore, Singapore

Singapore has chosen the F-35 warplane to replace its ageing fighter jets, opting for the US aircraft over European and Chinese models, the defence ministry said yesterday.

The affluent city-state, which has one of Asia's best equipped militaries, had earlier said it was evaluating Lockheed Martin's F-35 along with Europe's Eurofighter Typhoon and Chinese-made stealth warplanes.

"The F-16s will have to retire soon after 2030 and the F-35 Joint Strike Fighter has been identified as the most suitable replacement to maintain the RSAF's (Republic of Singapore Air Force) capabilities," the ministry of defence said in a statement.

The ministry said the air force should first buy "a small number" of F-35s "for a full evaluation of their capabilities and suitability before deciding on a full fleet".

Australia, Japan and South

Korea are among countries in Asia-Pacific that have already acquired F-35s.

It took Singapore more than five years to make a decision on which planes to buy as they had to look carefully at specifications and what was needed, said Defence Minister Ng Eng Hen in a Facebook post.

"Our agencies will now have to speak to their US counterparts to move the process forward," Ng said, adding it could be up to a year before any planes are purchased.

The F-16s are due to be taken out of service in around 10 years' time, meaning it was time to acquire their replacement and begin training pilots, he said.

The F-35 is a supersonic plane whose advanced stealth characteristic allow pilots to avoid detection by radars, according to Lockheed Martin.

Its advanced electronic warfare capabilities enable F-35 pilots to locate and track enemy forces, jam radars and disrupt attacks.

Malaysia says Goldman apology not enough, wants \$7.5 billion

Kuala Lumpur, Malaysia

Malaysia's finance minister said yesterday an apology from Goldman Sachs for its role in the IMDB scandal was not enough, and demanded the Wall Street giant pay \$7.5 billion compensation.

Huge sums were purportedly looted from Malaysian government fund IMDB and used to buy everything from yachts to real estate, in a fraud that allegedly involved former leader Najib Razak and contributed to his defeat at May elections.

Goldman's role has come under scrutiny as it helped arrange \$6.5 billion in bonds for the investment vehicle, and Malaysia has accused the bank and its former employees of stealing large amounts.

Goldman's chief executive David Solomon earlier this week apologised for the role of a former partner at the bank, Tim Leissner, who has pleaded guilty in the US to bribery and money-laundering charges linked to the scandal.

But Finance Minister Lim Guan Eng said "an apology is not enough".

"Apologise with \$7.5 billion," he was cited as saying by official news agency Bernama, reiterating a demand he first made last month that Goldman pay the sum to make amends for its role in the controversy.

"Goldman should understand the trauma suffered by the Malaysian people resulting from the IMDB scandal," he added.

Renault posts record sales as Ghosn successor sought

Paris, France

French carmaker Renault, which is seeking a replacement for CEO Carlos Ghosn who is in custody in Japan, on Friday announced record sales of 3.9 million vehicles in 2018.

Renault, which is expected to soon call a board meeting to choose a successor to former auto titan Ghosn, sold 3,884,295 vehicles last year, a 3.2 per cent increase over 2017, putting it ahead of French rival PSA Peugeot Citroen.

Sales were driven higher by demand for its low-cost models, including two light utility vehicles manufactured in a joint venture with China's Brilliance, which offset the effect of its pullout from Iran and a slump in the Turkish market.

The company, said it was aim-



A Renault Alpine (R) is displayed on the Place de la Concorde in Paris

ing for "slight" growth in sales in 2019, "with an acceleration in the second half of the year" thanks to the launch of new models, including a new version of its flagship runaround, the Clio.

Sales of electric vehicles, where Renault is leader in Europe, were up 36.6pc over the year to over 49,600 units while sales of light commercial vehicles rose 33.7pc.

The Renault group includes

the low-cost models Dacia and Lada as well as Samsung Motors, Alpine and the Chinese brands Jinbei and Huasong.

Last year marked a sixth straight year of increasing sales for the group, which is part of a powerful alliance with Japan's Nissan and Mitsubishi that Ghosn headed before his arrest in Tokyo in November on charges of financial misconduct.

Within days of being taken into custody he was fired as chairman of Nissan and Mitsubishi but Renault kept him on at chief executive while waiting to see how the case would unfold.

The carmaker said it's now "actively working to find the best solution for the future governance", a day after the French govt, which owns 15pc of its shares called for a board meeting to pick Ghosn's successor.

UK retail sales drop in December

London, United Kingdom

British retail sales fell in December as consumers held onto their cash after snapping up discounted Christmas gifts the previous month, official data showed yesterday.

Total sales slid 0.9 per cent compared to November, the Office for National Statistics calculated, with all sectors except food and fuel in decline.

That was slightly worse than analysts' consensus forecast for a 0.8pc drop. Sales had rebounded 1.3pc in November as shoppers brought forward Christmas spending to bag



Representative picture

Black Friday bargains.

Recent data from the GfK institute showed that consumer confidence in Britain fell to its lowest level in five years in December, as the purchasing power of wages was eroded by Brexit-fuelled inflation.