

ABN Amro Rejects \$24.5 Billion Bid for LaSalle

Julia Werdigier

ABN Amro on Monday rejected a \$24.5 billion bid from the Royal Bank of Scotland Group and two partners for its American unit, the LaSalle Bank — putting the fate of the Dutch bank, which is at the center of a large and complex takeover battle, more in the hands of shareholders.

ABN Amro said the offer from the consortium was linked to too many conditions and made it difficult to recommend to shareholders as being superior, even though its amount exceeded an earlier \$21 billion offer from Bank of America.

The rejection increases the tension between ABN Amro's board and the rival consortium, which also includes Banco Santander Central Hispano and Fortis, a Belgian financial services group.

On April 25, the Royal Bank of Scotland consortium said it planned to offer 72.2 billion euros (\$98.5 billion), mostly in cash, for ABN Amro, but that the bid depended on the Dutch bank's retaining LaSalle. Such an offer would exceed an all-share bid by Barclays worth 65.3 billion euros, which ABN Amro's management had recommended on April 23.

ABN Amro shareholders have not yet voted on any offer or option related to this deal; it is up to the board of management there to frame the choices and call a special shareholder meeting to present them for a vote.

The Royal Bank of Scotland consortium can now make a hostile bid for ABN Amro by going directly to shareholders without a recommendation from the management board. Such an acquisition, however, could prove especially difficult because the combined institution needs the broad cooperation of senior management and employees to bring about a successful integration. Alternatively, the consortium may wait to see whether its bid for LaSalle gets the backing of ABN Amro shareholders.

ABN Amro must now seek shareholder approval for any sale of LaSalle, its banking unit in Chicago.

Last Thursday, a Dutch court ordered the management of ABN Amro to submit any decision on a LaSalle sale to shareholders for a vote. That prevented ABN Amro from closing a deal with Barclays, which depended in part on a sale of LaSalle, and it eased the way for the Royal Bank of Scotland to pursue the acquisition of ABN Amro.

On Friday, Bank of America countered with a lawsuit in United States District Court in Manhattan demanding that ABN Amro go ahead with the \$21 billion deal for LaSalle. Even so, it may still need to win over ABN Amro shareholders, leading some analysts to suggest that Bank of America will ultimately increase its offer.

"They are going to have to win this vote, and it is going to be hard if they are \$3.5 billion short," said Dale A. Oesterle, a professor at the Ohio State University law school, referring to the \$24.5 billion offer rejected on Monday. "What you have is general pressure on both Barclays and Bank of America to throw a little more money into the pot to win the vote."

Although ABN Amro has not set a date for a shareholder meeting, under Dutch law a company must announce such a date at least 15 days beforehand.

The court ruling Thursday followed a complaint by a group of ABN Amro shareholders, who contended that the agreement to sell LaSalle reduced the incentive for the Royal Bank of Scotland consortium to make a bid for ABN Amro and therefore deprived ABN Amro shareholders of fair bidding competition.

The board of ABN Amro said it rejected the consortium's bid for LaSalle because the offer was contingent on a successful acquisition of all of ABN Amro, and the consortium, which argued

that its price was "materially greater" than the Bank of America offer, failed to give ABN Amro more details, particularly on how the deal would be financed.

"We repeatedly asked for assurance of financing and did not get it," a spokesman for ABN Amro in Amsterdam, Neil Moorhouse, said. "Therefore we concluded that it was not possible to say that the Royal Bank of Scotland bid is superior."

A number of meetings over the weekend between ABN Amro executives and their counterparts at the Royal Bank, Santander and Fortis failed to bring the two sides any closer to an agreement, according to someone at one of the consortium banks.

ABN Amro said Monday that it repeatedly asked the banking consortium to remove any link between a bid for ABN Amro and one for LaSalle, but that the group "expressly refused."

The consortium, which has yet to make a formal public offer for ABN Amro, is apparently disappointed that the ABN Amro board refused to discuss its takeover plan and refused to look beyond the finances, the person at the consortium bank said.

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