

TMB to issue SuperCaps for Bt10 bn new cash. ....2

**TMB to issue SuperCaps for Bt10 bn new cash.**

By JIWAMOL KANOKSILP.

780 words

28 April 1999

The Nation (Thailand)

THENAT

English

(c) 1999 Nation Multimedia Group Public Co., Ltd

THAI Military Bank (TMB) is expected to need another Bt20 billion in new money to meet the full scale of reserve requirements, with half of the amount coming from the issue of "Super Capital Augmented Preferred Shares (SuperCaps)", according to a source in the bank.

The remaining Bt10 billion will come from the combination of a share offering to a strategic partner, the company's tier-1 capital and its reserve money, he said.

In addition, the bank has a quota of 548 million common shares to be issued and offered to foreigners on private placement, with four foreign parties interested, he added.

According to Thanong Bidaya, TMB president, the bank's loan-loss reserve as of the end of last year stood below 50 per cent or at Bt12 billion. To match a 100 per cent reserve, the bank needs another Bt17 billion.

Thanong said TMB plans to launch Bt10 billion worth of SuperCaps late next month or by the beginning of June. He explained that according to the recent announcement of the Bank of Thailand which limited commercial banks' issuance of hybrid securities at one-third of the bank's capital, TMB can issue SuperCaps not exceeding Bt10 billion.

After raising its capital by Bt20 billion this year, the bank's capital to adequacy ratio will reach 16.5 per cent, but will be lowered to 14 per cent due to the reduction for its reserve. Of the 14 per cent, 11-12 per cent of the amount will be tier-1 capital.

He said the issue of SuperCaps will be done through TMB Asset Management Co Ltd, and Baker & McKenzie will be the adviser for the issue of hybrid securities. The ratio will be 1:3 between debentures and preferred shares with subordinated debenture.

Thanong admitted that TMB had entered an internal discussion with the BOT regarding the modified condition in seeking the government tier-1 support.

"We (TMB) already talked to the central bank that if we increase (capital), the government will also help us to increase more. It is good that we will be able to raise up to 100 per cent. Despite the talk, there has not been any special condition coming out," Thanong said.

He continued that it is not necessary for the bank to join the government's assistance programme because once TMB issues SuperCaps, its loan-loss provision will be as high as 70 per cent, an amount which would not be any different from the large banks'.

However, if the government wants cooperation from commercial banks in order to extend more loans to the market, easing the conditions for entering the government support programme would be good for the banks, he said.

"We feel that entering the programme should not lead to any changes in the bank's management team or shareholders' equity. If that is so, it will be a good alternative for the banks," Thanong said.

Recently, Surayuth Julanond, executive chairman of TMB, said that the Army will agree on all matters, including some dilutions, if that will help the bank to survive.

Thanong said that earlier banks were loathe to join the government's capital support programme while their non-performing loans (NPLs) stood at 20 per cent. But if their NPLs rose sharply to about 40 per cent, good offers from the government will attract banks to seek government support.

TMB said it expected its NPLs to ease to about 32 per cent of its total lending by middle of this year and to less than 30 per cent by the year-end, from 36.6 per cent at the end of March.

Thanong said the bank's capital adequacy ratio stood at about 10.2 per cent of risk-weighted assets at the end of March against an 8.5 per cent minimum set by the Thai central bank.

He said the bank's capital ratio comprised 6.67 per cent of tier-1 equity capital and 3.57 per cent of tier-2 secondary capital that included debentures.

Earlier, TMB said its NPLs fell to about Bt110.87 billion at the end of March from Bt117.12 billion at the end of 1998.

Yesterday, Bank of Ayudhya also said it aimed to restructure Bt40-Bt80 billion of its estimated Bt137 billion in NPLs this year.

The bank chairman Krit Rattanarak said BAY had set a goal to restructure and rehabilitate at least Bt40 billion of its NPLs during the second half of 1999 even if the Thai economy recovered more slowly than expected.

(c) 1999 Nation Multimedia Group Public Co., Ltd.

Document thenat0020011214dv4s00jbk