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By JIWAMOL KANOKSILP.

THE chairman of the Financial Restructuring Advisory Committee (FRAC) insists that the panel has not revised regulations to facilitate the Thai Military Bank's recapitalisation plan.

"There has been no change to the regulations and if there are any changes, they must be made by Cabinet. As for now, we are sticking to the old regulations of a one-to-one capital increase," Dr Panas Simasathien said.

Panas made his comment before he chaired a meeting of the committee to review the bank's application for a tier1 capital support. Dr Thanong Bidaya, the bank's president, and Akradej Pichaphol, its senior executive vice president, defended the recapitalisation plan.

However, the bank's board of directors will today meet to decide a solution for its recapitalisation after a news report indicated the committee rejected its plan under which the bank would like to get a 2.5 to 1 deal.

Accordingly, the bank sought to raise Bt24.9 billion from the Finance Ministry's tier 1 capital support, which was equivalent to 2.5 times the Bt9.96 billion it earlier raised from a hybrid of bonds and equities. When the story broke, it had a negative impact on the bank's stock.

The Stock Exchange of Thailand placed a halt sign on the shares, asking the bank to clarify the report. But the bank denied the press story, saying that its recapitalisation plan remained pending.

Its shares closed at Bt8.80, down Bt0.20.

Investment analysts believed that since sentiment in the market has been very poor, the bank will have to rely heavily on the government for capital support.

TMB will need another Bt30 billion to fulfil provisioning requirements, banking analysts said.

If the bank cannot raise this amount within the first half of this year, it may not be able to set loan loss provisions at 80 per cent by June.

Authorities may have to help the bank by relaxing some conditions in the Banking Restructuring Programme, a banking analyst from a foreign brokerage house suggested.

He said if the authorities waive the conditions on a foreign strategic partner, the bank may be able to follow the one-to-one formula by raising capital in the domestic market.

To apply for the tier1 capital support, TMB needs Bt15 billion in own capital to match the Finance Ministry's Bt15 billion of assistance. TMB may match its hybrid securities of Bt9.96 billion with the rights offering of Bt5 billion. However, the Finance Ministry may have to help by issuing its warrants attached to the bank 2:1 rights issue to add incentive for TMB's shareholders. Thus, TMB would be able to offer rights issue at par value.

However, Adisak Kammool from Philip Securities (Thailand), said that if TMB is allowed to seek capital only in the domestic market, the bank may need to offer shares by private placement. This is because the military, the bank's major shareholder, has no additional money left to inject into the bank, he said.

"The bank can buy time to survive at the present by applying for the tier1 capital support and matching only about Bt10 billion of hybrid securities. But the intention is to boost capital as much as it can to become a competitive bank. Though there are some solutions left, unfortunately market sentiment is too negative." Adisak said.
"But I believe the market has discounted such negative news of TMB already. In the worst case, if the bank cannot increase capital at all, TMB can survive until the end of this year," Adisak said.

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